

Zepp-LaRouche warns Brazilians of imminent financial blow-out

The following speech was delivered by Helga Zepp-LaRouche on Aug. 13, at a special ceremony at the São Paulo City Council in Brazil, at which Dr. Enéas Carneiro, Presidential candidate of the PRONA party, received a special award from that body.

Ladies and Gentlemen. Esteemed Dr. Enéas, let me first thank you for the very important message which you sent to our international conference in Washington, D.C. last June, because that message placed Brazil back on the world map.

But, why is it important to bring Brazilian interests to the world stage? The world faces at this moment a very advanced phase of collapse of the international financial system. The tumultuous fall in the last days in the stock markets of Rio de Janeiro, São Paulo, of Russia, the Asian countries, the “Down Jones” index of New York’s stock market, is only the beginning of the process.

From now until the end of August, September, and October, the entire international financial system could fall apart. The Japanese yen could shortly fall in value to 200 yen to the dollar; if the current trend continues, this could be a conservative estimate. Indeed, the situation in Japan is completely out of control, because the government is not willing to write off some \$2 trillion of worthless paper. That is approximately the amount of unpayable loans in the Japanese banking system. Instead, they are printing money like crazy.

For the last two years, international speculators have borrowed money in Japan at an interest rate of 0.5%, and taken this money out of Japan, to feed international speculation. Now, with the yen so depressed in value, they are once again using this to carry out a speculative attack on the Hong Kong dollar, on the yuan, and on the renmimbi. If China were to yield to the pressures to devalue its currency, this could lead to a wave of competitive devaluations which could sweep across Asia, to Ibero-America—including Brazil—and to the United States itself. We could quickly reach a situation in which national currencies simply are no longer negotiable. Under such conditions, what would happen to world trade?

Russia’s situation is desperate. It is in a state of national state bankruptcy. Yesterday, the Russian government had to issue a series of emergency measures. Today, in the morning, Moscow’s stock market fell 10%, and had to be shut down. If the Russian banking system were to go bankrupt, we would be facing an immediate threat of a strategic crisis. The threat is that chaos spreads uncontrollably, and that the mafias and

local warlords would simply seize control over the nuclear weapons which that country has.

And an even greater problem is the international speculative bubble of financial derivatives. A year ago, that bubble had reached \$130 trillion in financial derivatives instruments. No one knows how much this bubble has grown since then, how much new money has been thrown into the bubble. Currently, a situation similar to the hyperinflationary period of Weimar Germany in 1923 is developing in the world.

Entire countries are being destroyed. Indonesia is in danger of disappearing at this moment. South Korea, Malaysia, Thailand, right now are facing a profound depression. There is no bottom to this pit. The entire system is collapsing.

The IMF [International Monetary Fund] is bankrupt. Crisis management methods simply no longer function. The danger is that this could ignite a chain reaction which throws the whole planet into a New Dark Age.

In the coming weeks and months, all of the financial institutions are in danger of disappearing. If this trend is not changed, the lives of hundreds of millions, or perhaps billions of people will be endangered.

Brazil is facing a speculative assault

The situation in Brazil must be located within this strategic and historic context. The sale of valuable national assets, such as the Companhia Vale do Rio Doce iron company, or the Telebras communications giant, constitutes a crime against humanity. Why, for what possible reason, would anyone sell their national assets, just to pay one, two, or three months’ worth of interest payments?

Under the current policies in Brazil, there is no way in which the country can protect itself from a speculative attack by the hedge funds, the speculative funds, like they carried out against Malaysia, Thailand, and other Southeast Asian countries.

If those policies are not changed, Brazil could suffer the same political fate as Indonesia, in a very short time.

At this time, there is only one government which is not acting totally foolishly and irresponsibly, and that government is China’s. The Chinese Foreign Minister just stated that the effects of the world financial crisis are the equivalent of the effects of a total war. The Chinese Defense Ministry just issued a 20-page document in which they assert that, since the economic crisis is threatening the very nation itself, the sovereignty of the Chinese nation, from this point on, the question of the financial crisis is equivalent to a national secu-

rity problem.

The Chinese government has repeatedly declared that it will not devalue its currency.

The Group of Seven, the G-7, thus far, has simply failed to face up to this situation of strategic crisis. In fact, it was the policies adopted by the G-7, over the last 30 years, which were the cause of that crisis.

The cause of that crisis is the neo-liberal policy of globalization, of privatization, the policies of the New Age, of the counterculture, of rock, drugs, and sex, which have been followed for the last three decades. If the world wishes to save itself, all this will have to be wiped off the map.

The Lewinsky case is intended to neutralize Clinton

U.S. President Bill Clinton must assume a leadership role in that process of reorganization of the international system.

Behind the whole Monica Lewinsky scandal, there is nothing but the recognition by the financial oligarchy that their system is finished, and they therefore want to neutralize Clinton, because of the leadership role which he could assume in that process. If the independent counsel, Kenneth Starr, who is investigating the Lewinsky case, were to succeed in his attempt to open impeachment proceedings against Clinton, that single act could set off a process of collapse, which could sink the world into a New Dark Age.

But, the initiative to save the world must come from elsewhere. Therefore, we are organizing for the creation of a new Non-Aligned Movement, a new alliance of sovereign nation-states. Because any new world economic order—that is, any attempt to place the world on the path of a more just order—will have to be based on people.

Therefore, China and India, which already represent nearly 40% of the world's population, must assume a leadership role in this process.

I also believe that Ibero-America must assume a relevant role in the coming reorganization of the financial system. You have a population of 350 million in Ibero-America, and almost 170 million people in Brazil; you should have an equivalent voice in that reorganization of the world order.

At the moment that the crisis explodes with full force, which could happen in the coming weeks, there must be a group of nations ready to take on that situation. Tens of trillions of dollars of speculative assets must be simply written off. Within this process of organizing a new world economic order, there must be a complete rejection of the geopolitical aspects of globalization. All nations, principally those in the Southern Hemisphere, have the right to access to technological advances made anywhere in the world.

We need a New Bretton Woods system, which takes up the best features of the old Bretton Woods system, as it existed until 1969. Except that the industrial countries and the developing countries must have an equal voice in this process.

Almost all public and private foreign debts must be written off. We have to return to a system of fixed exchange rates



Helga Zepp-LaRouche autographs copies of the Portuguese translation of Lyndon LaRouche's The Science of Christian Economy, in Rio de Janeiro, Brazil on Aug. 11. She had presented the book, which was recently released, at a press conference.

among the currencies of different countries. We must return to a system of national banks, through which the ability to issue credit is returned to sovereign states. Those national banks should issue lines of credit, preferentially directed to the building of great infrastructural projects.

China, at this moment, is undertaking one of those great infrastructure projects, the so-called Eurasian Land-Bridge, whose objective is to integrate the continents of Asia and Europe. If you look at a map of Ibero-America, you will see that there is a total lack of infrastructure—railroads, waterways, highways—connecting the north-south and east-west axes of the continent. This is a relic of colonial times.

The integration of Ibero-America

We propose that in this reorganization process of the international financial-economic system, the integration of Ibero-America must play a crucial role.

We have come to a point in humanity's history in which, for the first time, all humanity is in the same boat. It will not be possible for part of the world to survive, while the other part collapses. We must have a new world economic order, and a cultural and moral renaissance on a global scale. We either have this positive process, or we will globally sink into

Zepp-LaRouche on TV: ‘Brazil could be hit by hedge funds’

On Aug. 13, TV Gazeta of São Paulo, Brazil, conducted the following interview with Helga Zepp-LaRouche.

Q: We have recently seen the fall of the yen, and now the problem in the exchange markets. What is your view about the international economy?

Zepp-LaRouche: We are presently at a very advanced stage of the complete disintegration of the financial system. If the yen continues to fall, say to 200 to the dollar, then that may trigger the total disintegration of the financial system. Unless the Japanese government writes off 80% of its worthless assets, about \$2 trillion in worthless bad loans, there is no way that Japan will not trigger a collapse of the international financial system.

Q: And this obviously will affect the whole world.

Zepp-LaRouche: Japan is now the Achilles’ heel of the international financial system, and could trigger a meltdown—and I mean a meltdown, a complete evaporation of the financial system.

Q: How is this crisis reflected in Brazil—in Latin America in general, but specifically Brazil?

Zepp-LaRouche: The danger is that Brazil could be hit by the international hedge funds, in the same way that happened with Malaysia and Indonesia. The real [Brazil’s currency] could come under attack and lose, like the currency in Indonesia, 80-90% of its value, and that would be the end of the Brazilian economy.

Q: Is this an imminent possibility?

Zepp-LaRouche: Right now the financial system is about to disintegrate. You have Japan, you have a state bankruptcy in Russia, the IMF is bankrupt, you have \$130 trillion in derivatives speculation, and you have a simultaneous process of Weimar-style hyperinflation, depression,

and deflationary collapse. So, we aren’t talking about a local crisis, but about a global crisis. This is the end-process of 30 years of neo-liberal policies.

Q: Doesn’t the IMF have any resources to bail out underdeveloped countries?

Zepp-LaRouche: The IMF is de facto bankrupt, and all its different attempts to solve these localized problems, through crisis management, hasn’t worked. Even the famous rescue package for Russia didn’t really function, because the coffers of the IMF are empty.

Q: Globalization is a fact, and seems irreversible. What can be done to try to prevent a major crisis?

Zepp-LaRouche: I do not agree with your assumption that globalization is irreversible. All the institutions—the IMF, the World Bank, globalization, free market economy—these all have to go, if the world is not to plunge into a deep, New Dark Age.

Q: And if not?

Zepp-LaRouche: Well, look at what happened in Albania one and a half years ago, when the country was collapsing into anarchy, and the Italian Army had to come from the outside and restore order. If you have a global collapse of that kind, the danger is tremendous. Just think of what happens if there is a state bankruptcy in Russia. This would mean a strategic crisis of unbelievable proportions, with nuclear weapons in the hands of local mafias.

Q: What do you think would happen if globalization continues, without disintegration of the markets? I recently talked with a businessman, and he was complaining that you can transfer a gigantic amount of money simply by pressing a button.

Zepp-LaRouche: This system is finished, and you will see that we are heading in the next weeks and months, into a period where currencies will no longer be convertible, so prices will mean nothing. Countries, if they want to survive and want to continue to trade for a short period, must go to barter agreements. So, I’m talking about the complete disintegration of the financial system.

a terrible New Dark Age.

This is a period of history in which an entire historical era is coming to its end. It is a period such as we have not witnessed in, perhaps, the last thousand years. This is a period in which everything is going to change. Nothing will stay as it is. This is real history. We will either change for “the very good,” or for “the very bad.” The outcome of this process will not be determined by money, by power, or by things of the

past. The outcome of this peculiar historical period will be totally determined by *ideas*. By the ideas of men and women who are willing to serve the common good.

Therefore, I appeal to you: Help form a new alliance of sovereign nation-states. And, help to establish an economic order worthy of human dignity. I thank Dr. Enéas for the opportunity to speak at this ceremony in São Paulo, because he is a man of ideas. Thank you.