

# Australian Alert Service



11 July 2018

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## Unparalleled crisis forges unexpected collaboration

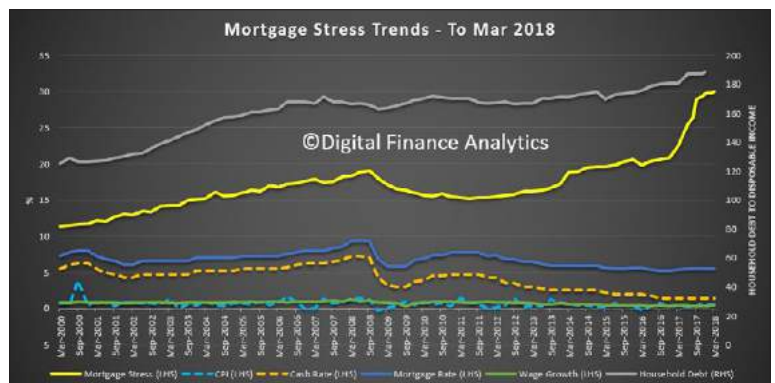
The effort to rescue 12 young Thai boys and their football coach in the most dangerous cave rescue ever is indicative of how nations with completely different politics, cultures and “values” can come together in a time of crisis, when human lives are at stake.

In the coming period, humanity will have to band together on a much larger scale to rescue countless billions of citizens from the impact of a new global financial meltdown. Nobody knows when it will hit, but in order to be prepared for the impact we need to act as if it were scheduled for tomorrow. In fact, the preferable option is to implement the prescribed solutions pre-emptively, in order to mitigate the worst of its effects.

By many accounts, Australia could be the precipitating factor in setting off a global financial chain reaction, and therefore has an even greater responsibility to set in motion the solutions that others can follow. The CEC are the experts on the Glass-Steagall and national bank solutions, and our role in educating parliamentarians and other leaders is key to making them happen.

Glass-Steagall is no longer a slowly trickling undercurrent; it is a major factor in the corridors of power. Everyone is talking about it. One MP's office told a caller this week that they had assigned a staff member to deal solely with all the inquiries about Glass-Steagall. When MPs return from their Winter break, we want their desks to be piled high with such queries!

Amid the talk of an expanding political vacuum, we are at centre stage due to our prominence in the fight against the Australian Prudential Regulation Authority's new bail-in laws, and for Glass-Steagall. But we are also the catalyst for a bigger alliance: we have cultivated support for Glass-Steagall within the major parties, and within critical advisory layers to these parties; we have collaboration on Glass-Steagall with Katter's Australian Party and Pauline Hanson's One Nation; we have common ground with the Greens, who demanded an investigation of the need to “break up the banks” in their 2016 election platform; and other



Mortgage stress is rising sharply, and small interest rate increases could soon push a million households into default. Source: Digital Finance Analytics

smaller parties with which we have collaborated since our original 2013 campaign against bail-in now include Glass-Steagall among their policies. There is no layer of Australian politics where this solution has not penetrated.

### Crisis coming

Major domestic and international press are warning of the dire effects of a collapse of Australia's housing bubble, not only here but internationally, and yet our government and financial watchdogs are sitting on their hands.

An ABC News article of 11 July cites Martin North of Digital Finance Analytics warning that the Big Four banks will likely increase rates by 0.15 percentage points by September. *This could push nearly a million Australians over the edge into default*, he says. Due to various market forces driven by the global financial bubble, the cost of borrowing both domestically and overseas is on the rise, despite the RBA's attempts to keep interest rates down. Aussie banks are fully exposed to these rising rates. Of Australia's \$1.03 trillion net foreign debt at the end of the March quarter, \$465 billion has a maturity of 90 days or less! Most of this is due to short-term gambling by the banks, and it has to be rolled over every three months, because it can't be repaid, forcing the banks to incur and pass on higher overseas interest rates.

The impact of a million mortgage defaults on Australia's banks—which are effectively bankrupt (p. 3)—would be a fatal blow. Only Glass-Steagall can stop their gambling and associated debt habit, and protect depositors and mortgage-holders from the blowout that is coming. And only our policy for a national credit bank can rebuild the economy to allow a financial reorganisation which will address the inequalities and injustices of today's system and provide for the livelihood of every citizen.

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### Regular organising

- \* Boonah & beyond, monthly with Ron 07 5333 6627
- \* Caboolture area call Bruce 0418 799 434
- \* Canberra, weekly, call Mary 0412 944 345
- \* Cleveland/Wynnum, call Graeme 0429 050 055
- \* Ipswich fortnightly with Des 0403 023 818

### JULY

- Perth by-election—daily campaigning/organising in Perth electorate till 28 July. Join us in the Hay St Mall every Thursday; business-to-business activity on Tuesdays and Wednesdays. contact Glen 0419 877 749, Ben 0427 014 904
- 17 (Tue) Brisbane, QLD—South Brisbane station lit-bomb before ACTU Congress. 7:00 AM–9:00 AM
- 28 (Sat) Federal by-elections: Longman, Mayo, Braddon, Fremantle, Perth
- 28-29 (Sa-Su) Ipswich, QLD—CEC site at Gun Show, Ipswich showgrounds. Volunteers needed for roster Sat 9:00 AM–4:00 PM, Sun 9:00 AM–2:00 PM.

### AUGUST

- 22 (Wed) Brisbane, QLD—Organising for economic alternative to IMF/BIS austerity, table site at 190 Elizabeth St 11:00 AM–2:30 PM

### Join the Perth by-election doorknocking campaign!

Saturdays and Sundays, 12:00 PM–4:00 PM, followed by sausage sizzle  
Contact Glen 0419 877 749 or Ben 0427 014 904

Call your State Secretary for more details or to notify of upcoming events.

**QLD** Jan Pukallus on 0427 508 008 or janpuk@cecaust.com.au

**NSW** Ann Lawler on 0428 686 297 or alawler@cecaust.com.au

**WA** Jean Robinson on 0409 954 320 or jeanr59@bigpond.com

**VIC** Noelene Isherwood on 1800 636 432 or nwi@cecaust.com.au

**NT** Trudy Campbell on 0414 677 968 (SMS if no answer) or trudy@cecaust.com.au

Read the latest organising report, page 15!

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### Australian Alert Service

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## Are Australia's Big Four banks effectively bankrupt?

By Robert Barwick

The Australian government claims the banks are “unquestionably strong”. The Australian Prudential Regulation Authority (APRA) is given credit for this strength, through its supervision of the banks through the 2008 global financial crisis, and its subsequent lifting of the banks’ capital from 9.5 to 14.5 per cent of their assets. If anything, APRA is sometimes criticised for making the Big Four banks *too* strong and profitable, because it has come at the expense of competition in the banking sector, and the banks’ duty of care for their customers, hence the misconduct and abuses being exposed by the royal commission. APRA ignores such complaints, pointing to its mandated responsibility for “financial stability”—strong, profitable banks, even though an oligopoly, make for a stable financial system.

At least, that’s the story.

Hiding in plain sight is a glaring contradiction to this claim of financial stability, which is Australia’s world-record housing bubble. Australia’s Big Four banks are more exposed to the housing market than were their counterparts in the USA, UK, Spain and Ireland when they suffered banking crashes following the collapse of the real estate bubbles in those nations in 2008. Around 63 per cent of Australian bank lending goes to mortgages—compared with 30 per cent in the USA; between 20 and 30 per cent in the UK and Canada; and 15 per cent in Hong Kong. The borrowing that has fuelled this bubble has driven up Australian household debt to around 200 per cent of annual household income and 120 per cent of GDP.

Not everyone accepts the housing market is a bubble, and that determines their view of the health of the banks. For instance, the government, regulators and banks, which hold that the banks are “unquestionably strong”, all deny the bubble. Those who acknowledge the bubble recognise that the financial system is in fact extremely unstable, and teetering on the edge of a crash that will bankrupt the banks.

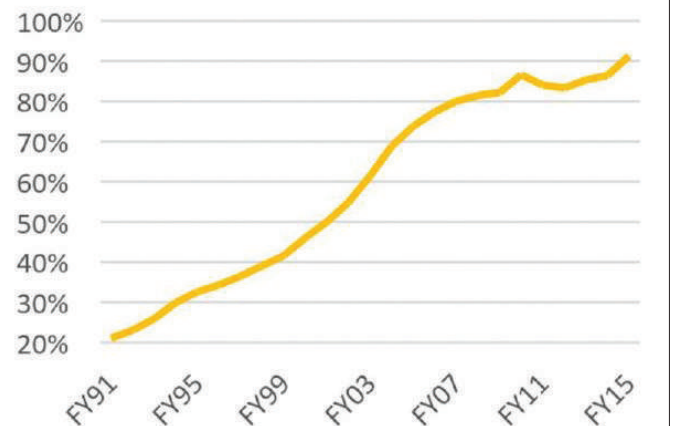
### Eerie precedent

There are striking similarities between Australia today, and Ireland before its banks crashed in 2008. In the lead-up to the September 2008 global financial crisis, virtually the entire nation of Ireland was euphoric about its economic boom, centred on real estate development. Sound familiar? And 28 per cent of bank lending went to property developers, slightly less to mortgages—combined still less than the 63 per cent of Australian banks’ lending to housing. One economist, Morgan Kelly, had warned for a year that Irish real estate was a bubble, but his warnings were met with universal denial. Also sound familiar? The denial was so ingrained that when the September 2008 crisis impacted the liquidity in Ireland’s banks, the Irish government announced it was guaranteeing the banks, confident that they were well capitalised and that the guarantee would be enough to see them through the liquidity crunch. Within weeks the Irish property bubble burst and the banks collapsed. As the government was on the hook for the banks’ losses, the government bailed out the banks, and then itself required a bailout from the EU, which dictated crushing austerity on the people of Ireland.

### Early warnings

Among a limited number of organisations and individuals,

### Credit to Housing as % of GDP



The volume of credit that has gone into housing has soared, creating a world record housing bubble. Source: John Adams

the Citizens Electoral Council has long warned that Australia’s housing market is a bubble and heading for a crash. As early as 2007, CEC press releases questioned whether one or more Australian banks were in danger of collapse due to the brewing mortgage crisis and their derivatives. Unbeknownst to the CEC at the time, bank regulator APRA had in early 2007 suppressed an internal report which revealed that due to the lowered lending standards APRA had approved, the banks had extended 3.4 times more credit into mortgages than they would have, had they stuck to their previous, higher standards. The report effectively identified a bubble. It also foreshadowed a sharp rise in mortgage delinquencies, a possible mortgage crash, and a recession. Given that this report coincided with the early alarms in the United States about rising defaults on sub-prime mortgages, it should have spurred Australian authorities to act; instead APRA kept the report secret, and it only came to light in an April 2016 report on ABC 7.30. As it happened, 7.30 observed, the eruption of the global financial crisis in 2008 drove Australian authorities to slash interest rates and pump money into the housing market, which averted the property crash and recession that the report had warned of: “But some say that has merely allowed the problem to get far worse, *with mortgage debt doubling since APRA’s alarming research was carried out.*” (Emphasis added.)

So where do the banks stand today?

### Bubble of lies

The mortgage portfolios of the Big Four banks account for 80 per cent of Australia’s \$1.7 trillion mortgage market. At least \$500 billion worth of these mortgages are identified as so-called “liar loans”, meaning they were based on false income and expense information. However, as Denise Brailey of the Banking and Finance Consumers Support Association (BFCSA) insists, and as the royal commission has confirmed, the liars were the banks, not the borrowers—the banks doctored loan applications to record household expenses at the equivalent of the poverty line.

An even bigger chunk of these mortgages are interest-only, reflecting the inability of borrowers to repay interest and principal at current house prices. Interest-only loans reached a peak of 40 per cent of all mortgages in early 2017,

following a spike in the rate of interest-only lending that got to almost 50 per cent of mortgages issued in 2016 (compare this with the US rate of interest-only lending before the 2008 crash, which peaked at 25 per cent of mortgages in 2006). These are official figures, but Denise Brailey reports that the mortgage brokers she surveys reveal that the actual rate of interest-only loans they write is more like 80 per cent. This wave of interest-only loans in recent years is starting to reset to interest and principal, which is almost doubling monthly payments, and that's before any rise in interest rates. In October 2017 UBS reported its survey that found a third of borrowers with interest-only loans were unaware that their loans were interest-only and they weren't repaying principal, which sets them up for an even greater shock when their mortgages reset.

### Threat of rising interest rates

This mountain of mortgage debt is therefore extremely vulnerable to rising interest rates. According to the latest survey by Finder.com, an extra \$100 per month in mortgage payments would push 54 per cent of borrowers over the edge. Martin North of Digital Finance Analytics warned ABC on 11 July that even a 15 basis point (0.15 per cent) rise in interest rates could push a million households into delinquency by September.

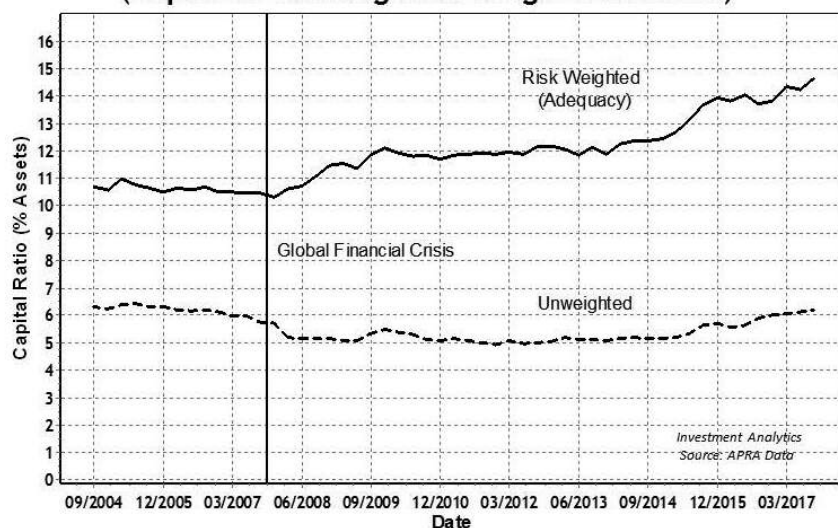
The Reserve Bank of Australia's cash rate is at the record low level of 1.5 per cent, unchanged for the longest period in RBA history. But the best efforts of the RBA cannot shield Australia from rising rates overseas. The banks rely on overseas borrowing for 40 per cent of their funding, and bank liabilities make up the majority of the \$465 billion in Australia's foreign debt that has a maturity of 90 days or less. Therefore when this debt is rolled over every three months, they have to take the interest rate on offer. As foreign observers have been shocked to discover, 80 per cent of Australian mortgages are variable-interest-rate loans, so the higher borrowing costs that the banks incur will be passed on immediately to already overstretched households.

### 'Unquestionably weak' capital

The truth is that the banks are also dangerously overstretched. The claim that bank capital is at the "unquestionably strong" level of 14.5 per cent is based on the ruse of "risk-weighting". This scam allows the banks to claim that only a quarter of their mortgages carry risk, and only hold capital against those mortgages, not all of them. The actual capital of the Big Four banks is razor thin, less than 6 per cent, meaning their leverage of loans to capital is 19 times. Given that the collateral for 63 per cent of this lending is overpriced housing, an across-the-board real estate market slide of just 10 per cent would wipe out collateral equal to the banks' capital. Australian house prices have already fallen 4.6 per cent in the last year, and informed observers are anticipating falls of 30 per cent and more. Without collateral backing their loans, the banks would be entirely at the mercy of households making repayments on the liar loans that the banks knew they couldn't afford in the first place.

Australians are far less likely to default on their mortgages than Americans, due to Australian mortgages being full recourse, meaning the banks can pursue borrowers to the grave; however, there is a limit to what any household can take, and Australian households are reaching that limit. Not

## Capital Adequacy Ratio and Capital Ratio (Impact of Housing Risk-Weight Reduction)



The ruse of risk weighting allows banks to claim they have increased their capital to the "unquestionably strong" level of 14.5 per cent (top line), whereas actual capital has barely changed, remaining around 6 per cent (bottom line). Source: Investment Analytics

only are they already overstretched, but falling prices will trap increasing numbers in negative equity, meaning they owe more than their house is worth. Such a demoralising plight will trigger outright defaults, especially by the large percentage of "investors" in the market. On top of that, the thousands of job losses in high-paid automotive industries in recent years, and 8,000 high-paid Telstra jobs to go in the next few years, could also trigger a wave of defaults, to be followed by even more as falling house prices flatten the construction industry, which grew into Australia's second-biggest economic sector on the back of the bubble.

### Derivatives

The banks' bogus capital claims also do not properly reflect their exposure to derivatives, the "notional principal" of which has soared from \$14 trillion in 2008, to \$40.56 trillion according to the RBA's latest figures. Most of these derivatives are in one way or another bets on their mortgage lending. Banks always understate their derivatives risk, because they ignore the possibility of extreme events like the 2008 GFC—or a collapse of Australia's housing bubble.

As unbelievable as it may be, Australia's financial authorities are not paying attention to this looming danger. A well-placed sourced informed this author that a very senior political-economic expert in Australia in early June asked the RBA if it assesses and manages systemic economic risk, but was informed that was APRA's job, not the RBA's. Experts familiar with APRA, however, including former APRA principal researcher Dr Wilson Sy, know that APRA is not assessing and managing risk; in fact, APRA doesn't even have a research department anymore.

### Conclusion

Banks hold capital as a buffer against possible defaults. APRA has allowed, actually encouraged Australia's banks to run up a massive exposure to mortgages and mortgage-related derivatives, against razor-thin capital. With borrowers at the extremes of their limits and interest rates rising, there's no way the housing bubble won't burst at some point in the near future, and there's no way that wouldn't crash the banks. Right now, Australia's banks are dead men walking, effectively bankrupt.



# Where is Labor on Glass-Steagall?



10 Jul.—Glass-Steagall is the only solution to the dangerous derivatives risk building up in Australia's banking system, and the conflicts of interests being exposed at the royal commission that enabled banks to exploit customers. The Glass-Steagall legislation that Bob Katter and Andrew Wilkie introduced in Parliament on 25 June, the Banking System Reform (Separation of Banks) Bill 2018, will separate normal banks with deposits, from risky financial speculation, and all other financial businesses, in which banks should not be involved. Glass-Steagall therefore is the only way to protect everyday Australians from financial disaster and from predatory banks. The question is, why is the Australian Labor Party—the party of working Australians which established the original Commonwealth Bank as the People's Bank—not leading the fight for Glass-Steagall in Australia?

Will Labor protect the banks, or the Australian people?

Right now, the Australian Labor Party is using delaying tactics on Bob Katter's Glass-Steagall bill. Labor MPs, such as Matt Keogh on 18 May 2018, are writing to their constituents that "In terms of the structural separation of banks, Labor will wait to consider the final recommendations of the royal commission".

In the same letters, the Labor MPs take credit for the royal commission, which is a bit rich, because Labor also delayed the royal commission, just for less time than the Turnbull government did. Right up until 2016, the ALP voted down repeated attempts in the Senate by the Greens and cross-benchers to establish a royal commission into the banks. Even National Party Senator John Williams crossed the floor on 24 June 2015 to vote for the Greens' motion, but as [Adele Ferguson reported in the Sydney Morning Herald that day](#), "Opposition Leader Bill Shorten and shadow treasurer Chris Bowen were not keen to help launch an investigation into the entire financial services sector".

Most of the cases of abuse being examined by the royal commission were well known at the time Labor was siding with the government to block an inquiry. The Coalition government is led by a banker in Malcolm Turnbull, and the Cabinet and senior positions are dominated by bankers, so their opposition to the royal commission was to be expected; what was Labor's excuse?

While Labor's backflip on the royal commission was welcome and absolutely essential to getting the royal commission up, they deserve credit only for delaying it less than the government did, and should not get away with now using the royal commission to delay Glass-Steagall. This delaying tactic is unacceptable. The royal commission doesn't report until at least next year, even later if Commissioner Kenneth Hayne extends the inquiry so it can be more thorough, which he should. With another global financial crisis looming and tremors in the Australian housing bubble that could lead to a banking collapse, Glass-Steagall is necessary now!

## Myth of 'sound' banks

The problem with Labor is that they have subscribed to the myth that Australia's banks are "sound" and well-regulated, and that this is why they successfully negotiated the 2008 global financial crisis. In fact, Labor takes some credit for this, as they were in government during the GFC.

In response to the CEC's campaign against the bill giving "crisis resolution" powers to bank supervisor APRA to

prop up failing banks in a crisis, Labor MPs, such as former Treasurer Wayne Swan on 27 November 2017, wrote in letters to constituents that "The Reserve Bank of Australia and APRA have responsibility for ensuring the stability and strength of the Australian financial system. We have confidence in the ability of these regulators and are therefore not considering Glass-Steagall style legislative measures."

The Citizens Electoral Council skewered the myth of APRA's safe guidance of Australia's banks through the GFC in a 7 December 2017 release, "[The Big Lie exposed! Australian financial system under APRA almost wiped out in 2008 GFC](#)".

Not only was it the Australian government's extraordinary guarantees and bailout money from the USA, and not APRA, that saved Australia's banks from collapse, but since then APRA has allowed the banks to double the size of the dangerous bubble in the housing market that will crash the economy when it bursts, and to go on a binge of gambling in risky derivatives, their exposure to which has soared from \$14 trillion at the time of the GFC to more than \$40 trillion today. Moreover, APRA has allowed the banks to stop disclosing their actual exposure to this derivatives threat, which CBA, NAB and ANZ have all taken advantage of.

For its part, the RBA has kept interest rates at record lows, to keep fuelling the banks' lending into the housing bubble and derivatives speculation.

The ALP's "confidence" in the regulators is reckless, to say the least, and it is turning a blind eye to the looming dangers facing the Australian public and economy.

## True Labor?

It makes absolutely no sense for Labor politicians worth their salt, and with even a modicum of their historical ideal of representing working class Australians, to not support Glass-Steagall.

First, the only people to actually oppose Glass-Steagall are the bankers who are desperate not to be cut off from the deposits that have fed their financial gambling, and their political stooges who are paid to represent their interests.

Second, Labor's counterparts in the UK Labour Party, and leading Democrats in the United States, are staunch proponents of Glass-Steagall. UK Labour leader Jeremy Corbyn and his shadow chancellor John McDonnell support bank separation, as did Corbyn's predecessor Ed Miliband, under whom most UK Labour MPs and Lords voted for Glass-Steagall in 2013. US Senators Elizabeth Warren, Maria Cantwell, and Bernie Sanders are leading the fight against Wall Street to restore the Glass-Steagall separation that Bill Clinton repealed in 1999.

Third, while Labor is the party that deregulated the banks, which led to the current financial dangers facing Australia, it is also the party of King O'Malley, John Curtin and Ben Chifley, which fought for the common good of the Australian people against the predations of the banking interests, the "Money Power". Either Labor sticks with the neoliberal policies started by Hawke and Keating that have been completely discredited in recent years, or they return to their roots and assert the common good over the banks. The ALP did show a flash of this commitment to the common good with their backflip on the royal commission in 2016—they should strengthen this impulse and support full bank separation. Anything less is protecting the banks.

# APRA sits on its hands as super funds gamble on derivatives, hybrids

By Richard Bardon

If you allocated your superannuation money conservatively, weighted towards cash or “cash equivalent” holdings which offer a lower return but are theoretically risk-free, there is a very good chance that your super fund has instead invested in high-risk derivatives and hybrid securities to pad out its overall returns. The Australian Prudential Regulation Authority (APRA) has tumbled to the trick, and politely asked the funds to knock it off; but don't expect APRA to do anything more, or even tell you whether your super fund is one of the culprits—especially if it is owned by one of the major banks. APRA's job is to protect financial stability, which means protecting the banks from the public, not the other way around.

As financial markets regulator the Australian Securities and Investments Commission (ASIC) explains on its “MoneySmart” financial guidance webpage, superannuation funds typically offer pre-mixed investment options ranging from risky “high growth” allocated entirely to shares and property; through “balanced”, with 70 per cent in shares and property, and 30 per cent in fixed interest (i.e. bonds) and cash; to “conservative” options comprising 30 per cent shares and property, and 70 per cent fixed interest and cash. There is also a pure cash option, defined by ASIC as “100 per cent [invested] in deposits with Australian deposit-taking institutions [banks, building societies etc.] or in a ‘capital guaranteed’ life insurance policy. This option aims to guarantee your capital and accumulated earnings cannot be reduced by losses on investments.” APRA, however—which licenses and supervises superannuation funds—defines cash more loosely, in its “Superannuation Reporting Standard 530”, as “cash on hand and demand deposits, as well as cash equivalents ... [these being] short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.”

It is no surprise that APRA should create such a loophole for its clients' benefit; but it seems the super funds have abused the privilege beyond even APRA's tolerance. According to a 29 June “Industry Guidance” open letter from Deputy Chairman Helen Rowell to all Registrable Superannuation Entity (RSE) licensees (i.e. superannuation trustees), a recent APRA “targeted desktop review” found that “[assets] forming part of cash options' underlying investments include asset-backed and mortgage-backed securities, commercial bonds and hybrid debt instruments, credit-default swaps, loans and other credit instruments.”

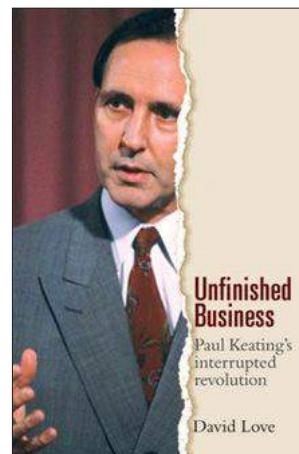
“These assets”, Rowell added, “do not typically exhibit the characteristics necessary to be considered as cash or cash equivalent.” No kidding! Hybrids are also known as contingent-convertible (coco) or “bail-in” bonds, because they begin as high-yielding bonds but are written off or converted into equity to boost the issuing company's capital in a downturn—the exact opposite of APRA's “subject to an insignificant risk of changes in value” standard for cash equivalency. Mortgage-backed securities are also subject to instant devaluation, to zero, if the value of the underlying mortgages crash, as the 2008 global financial crisis proved—and as the impending bursting of Australia's housing bubble will soon enough prove again. As for commercial bonds, the International Monetary Fund (IMF) estimates that one third of all corporations

worldwide are “zombies”, meaning they have insufficient income to service their debt. They have survived thus far by refinancing at record low wholesale interest rates, but those days are coming to an end; the US Federal Reserve has already begun to raise its cash rate, and other central banks will sooner or later be forced to follow. Moreover Australia's major banks and corporations are so exposed to foreign borrowings that it almost doesn't matter whether the Reserve Bank of Australia raises domestic interest rates or not (box, p. 7).

The 30 June *Australian* reported that more than \$100 billion of Australians' super money is nominally allocated to cash, but potentially exposed to high-risk investments without its owners' knowledge. APRA “would not disclose which funds were targeted” in its review, investigative journalist Anthony Klan reported, “but it is understood the problem went beyond a few outliers, prompting the public action.” APRA refuses to name and shame the culprits nor threaten any action against them, besides that it will “monitor RSE licensees' cash investment options during the course of its supervisory activities on an ongoing basis”—which it is supposed to be doing already. This points squarely to the culprits being the major banks, which control most of the for-profit side of the super sector, and which APRA has time and again proven it will protect at all costs.

## Super is a Macquarie Bank scam

If your super fund does happen to gamble and lose money you thought was safely tucked away, just remember that that is what the compulsory superannuation system was designed for. As the Citizens Electoral Council reported in a [November 2011 media release](#), Paul Keating as Treasurer in 1983-91 and PM in 1991-96, and his fellow Labor traitor Bill Kelty, secretary of the Australian Council of Trade Unions in 1983-2000, forced compulsory super upon Australians not to support workers' retirements, but to sponsor the investment banks like Macquarie that were taking over the financial services sector. As Keating's biographer David Love recorded in *Unfinished Business: Paul Keating's interrupted revolution*, “unless the growth in savings—and therefore in financial capital—continued to accelerate, Macquarie and institutions like it could not manage to sustain the momentum of the growth in their overseas operations, and Keating wanted these as a new Australian industry.” Keating and Macquarie Bank, whose executives designed most of Keating's deregulation program, intended that their financial reforms would establish Australia as the “Antipodean Venice”—a modern version of the Venetian monetary empire which invented both modern central banking and casinos. As ongoing revelations at the Financial Services Royal Commission attest, by its creators' standards the compulsory superannuation system has been a roaring success.



You can thank Paul Keating, among others, if your super disappears.



# Why Glass-Steagall?



5 Jul.—*Dr Wilson Sy of Investment Analytics Research, and former Principal Researcher at the Australian Prudential Regulation Authority (APRA), on 4 July issued the following explanation of why Australia needs a Glass-Steagall structural separation of banks. Bob Katter and Andrew Wilkie introduced Glass-Steagall legislation for Australia, the Banking System Reform (Separation of Banks) Bill 2018, in Parliament on 25 June.*

A cancer of financial speculation grows malignantly in the body of the global financial system which threatens the business of everyday life. Glass-Steagall is a law which cuts this cancer off from its ability to harm ordinary people.

(In 1933, Carter Glass and Henry Steagall introduced in the United States Congress a bill which legally separated commercial banking involving deposit taking and traditional lending to businesses and households, from investment banking involving securities trading and financial speculation.)

This law prevented the occurrence of financial cancers for decades, until it was mistakenly repealed in 1999 to advance the financial sector.

The existence of the cancer was exposed in the global financial crisis (GFC), when Lehman Brothers collapsed in 2008. The global economy was then saved temporarily from being consumed by the cancer when the voracious tumour was placated by trillions of dollars issued by monetary authorities to rescue the banks.

In the past decade, the emergency palliative has only caused further growth of the cancer which has now

reached a size greater than one quadrillion dollars' worth of derivatives. The limited treatment intended by regulators to shrink the cancer, by clearing and exposing it to the light of open exchanges such as clearing houses, has evidently failed, as large parts of the cancer remain unexposed.

Emergency surgery is required because little is known, still, about the nature of the cancer. The doctors of financial regulation have admitted error in assuming that the cancer was benign. For years they failed to investigate its nature. It is now far too late to find out, as its rapid growth is life-threatening.

Glass-Steagall surgery will bring the critical benefit that once the cancer has been excised, it can no longer harm ordinary people in their business of everyday life. Another important benefit is that any nourishment intended by the authorities to support the global economy will no longer be diverted to feeding the cancer of financial speculation by the banks.

Consequently, instead of having growing asset bubbles from financial speculation, we will have stronger growing economies which will benefit many more people. For financial safety and a healthy economy, we need Glass-Steagall now.



Dr Wilson Sy. Photo: Screenshot

## Australia's foreign debt vulnerability demands Glass-Steagall

By Robert Barwick

As of the March quarter 2018, Australia's net foreign debt for the first time was more than a trillion dollars, at \$1.03 trillion. Gross or total foreign debt is actually \$2.17 trillion, but economists offset what is owed to Australia from overseas to reach a net figure that is 57 per cent of Australia's GDP.

(Offsetting debt this way assumes that overseas debtors won't default on their obligations to Australia, which recent history proves can be a false assumption. The relevance of the net figure is therefore doubtful—at the end of the day, Australia owes and must pay interest on \$2.17 trillion, more than 100 per cent of GDP.)

The make-up of this debt reveals extreme vulnerability, because the majority of our net debt is short-term. More than three quarters, \$745.62 billion, has a maturity of 12 months or less. The majority of that, \$465.79 billion, has a maturity of 90 days or less.

This 90-day debt is roughly equivalent to the annual federal budget. It means that every three months, Australia's economy has to repay debt the size of the federal budget. This is impossible of course, so the debt is rolled over—new debt is borrowed to repay the old.

The majority of this 90-day debt would be the foreign liabilities of Australia's banks, which rely on overseas borrowing for 40 per cent of their funding. In the 2008 GFC, the banks owed \$440 billion overseas on 90-day terms, which they were suddenly unable to roll over when the collapse of Lehman Brothers triggered a global credit crunch

as banks stopped lending to each other. Australia's banks were left stranded, and had to beg the Rudd government to guarantee their foreign borrowings so they could roll over this debt, otherwise they would be "insolvent, sooner rather than later", Ross Garnaut and David Llewellyn-Smith reported in their book *The Great Crash of 2008*.

The banks reduced their foreign exposure after that, but the fact that 90-day debt is today at \$465 billion shows they have short memories. This debt structure makes Australia extremely vulnerable to new global shocks.

To fix this vulnerability, we first need a Glass-Steagall banking separation that will stop banks from gambling on mortgages and related derivatives. It is their gambling that drives the banks to look overseas for short-term borrowing, desperate to plough even more money into lucrative mortgages and side bets. Proper banks should not be allowed to do that, so the CEC's Bank Separation Bill that Bob Katter introduced into Parliament on 25 June will stop banks with deposits from engaging in the mortgage securitisation and derivatives that drives them to borrow money from overseas to gamble with.

Longer term, Australia should replace this reliance on foreign debt with its own capital. This would be achieved with a national bank that can direct public credit into needed areas of investment. The \$2.7 trillion in superannuation could also be harnessed through various government incentives that encourages it to be invested in productive enterprises in Australia, rather than be ploughed into speculation or invested overseas.

# Abbott's call to exit Paris Agreement is ironic

By Jeremy Beck

In August 2015 Prime Minister Tony Abbott signed on to emissions reductions for the Paris Agreement committing Australia to reduce emissions of so-called greenhouse gases to 26-28 per cent below 2005 levels by 2030. Now Abbott's call for Australia to exit the Paris Agreement is rather ironic, but it's not a big surprise. In September 2009 he told a rural audience that alarmist "climate science" was "absolute crap". Abbott replaced Malcolm Turnbull as Liberal Party leader in December 2009 and his reversal of party policy successfully blocked Prime Minister Kevin Rudd's Emissions Trading Scheme.

Abbott's latest call took place on 3 July at the Australian Environment Foundation's 2018 Bob Carter Commemorative Lecture in Melbourne. (The late Bob Carter was professor and head of the School of Earth Sciences at James Cook University, and passionately fought to expose political propaganda passed off as climate science.) Abbott said "we should treat the planet with respect as it's the only one we've got. But it would be the height of folly to suppress living standards, to shrink industries and to drive jobs (and their emissions) offshore ... for what was merely a moral gesture."

Perhaps Abbott is sniffing the political winds. A News-poll survey conducted in October 2017 found most voters were open to the idea of pulling out of the Paris Agreement if this resulted in lower electricity prices. An Australian Bureau of Statistics survey revealed that in 2007-08, 73 per cent of Australians stated that they were concerned about climate change, but by 2011-12 this had fallen to 57 per cent. The Citizens Electoral Council (CEC) has always fought on principle, even if it runs counter to popular opinion. Following Al Gore's heavily promoted 2006 documentary *An Inconvenient Truth* and his tours to Australia, the CEC's position on climate policy was anything but popular! At times we were met with howls of protest. But over time we have helped shift public opinion, having exposed:

- Al Gore and business partner, former head of Goldman Sachs Asset Management David Blood—"Blood and Gore"—as propagandists for the City of London/Wall Street banking oligarchy;
- The House of Windsor directs climate alarmism through such institutions as Prince Philip's World Wide Fund for Nature, and the Australian Conservation Foundation which Philip personally founded in 1964;
- The actual agenda of the climate hoax is population control;
- Scientific data shows no alarming warming or sea level rises; thousands of scientists pointing out these facts have been vilified as "climate deniers";
- Alarmist climate forecasts are not scientific, but based on biased computer models;
- Details of the East Anglia University 'Climategate' scandal, and the Bureau of Meteorology's fraudulent manipulation of raw temperature data to create warming trends;
- More atmospheric carbon dioxide would benefit nature and improve crop yields;
- Electrostatic precipitators remove more than 99 per cent of particulate matter, meaning air pollution from coal-fired power stations is minimal;
- Reducing emissions without nuclear power will guarantee economic devastation and poverty for no environmental gain.

Abbott correctly notes that China, the USA, and India have "no Paris reduction target at all". Moreover, not only

do they plan to *increase* emissions, many other countries also have similar growth plans so total global emissions will increase no matter what Australia does with its present 1.3 per cent share. While Australia would do well to transition to nuclear power, a few extra coal-fired power stations won't significantly increase pollution. For example, Environment Protection Authority records consistently show air quality is better in the Latrobe Valley—alongside several coal-fired power stations—than it is in Melbourne's suburbs where vehicle emissions are much more significant.



Scientist, the late Prof. Bob Carter, exposed the climate hoax. Photo: Screenshot

## Liberal Party legacy

Abbott said the Paris agreement is driving the Turnbull government's National Energy Guarantee. "It's a telling indicator of priorities that the official design document recommends a \$10 million maximum fine for failing to maintain reliability requirements but a \$100 million maximum fine for failing to maintain emissions reduction requirements. To the designers of this policy, over-emitting—that no one will even notice—is apparently *ten times more serious* than causing blackouts that could plunge a whole state into darkness!" He called to save the Liberal Party "from a political legacy that could haunt us for the next decade at least". This political legacy includes:

- Prime Minister John Howard introducing the Renewable Energy Target (RET) on April Fools' Day of 2001;
- Emissions Trading Scheme (ETS) policy announced by PM Howard in July 2007 and promoted by Malcolm Turnbull, then Environment Minister;
- Turnbull, as Environment Minister, legislating the *Water Act 2007* based on the WWF's Ramsar treaty, which was the foundation for the despised Murray-Darling Basin Plan, ruinous for rural Australia.

Abbott is being selective in his concern for his party's legacy, because the Liberal Party's policies of which he approves, namely deregulation and privatisation, are equally responsible for driving up the electricity prices that are crushing Australians. Not to mention his explicit endorsement of Prince Philip's brand of environmentalism—including through the ridiculous knighthood he conferred on the Queen's consort in 2015—which is behind the climate alarmism he ostensibly opposes. Besides, from day one the Liberal Party's legacy has consistently reflected the financial oligarchy's control over the party. Founded in 1944, many of its early leaders were on record as having been pro-fascist. Wilfrid Kent-Hughes for instance, who with Robert Menzies in 1929 had formed the Young Nationalists Organisation, the predecessor organisation to today's Young Liberals, in November 1933 wrote a series of articles in the Melbourne *Herald*, titled "Why I have become a fascist". The Money Power still dictates fascism, whether in the form of Abbott's neoliberal corporatism, or Malcolm Turnbull's Green Fascism. In fact, being the former boss of Goldman Sachs Australia, and an advocate of water and carbon trading, Turnbull espouses both.



## Helga Zepp-LaRouche: The coincidence of opposites—the world of tomorrow

*The following speech was delivered at the 30 June -1 July Schiller Institute conference at Bad Soden, Germany, by the Institute's founder and president Helga Zepp-LaRouche. The full conference can be viewed at [newparadigm.schillerinstitute.com](http://newparadigm.schillerinstitute.com).*

Ladies and Gentlemen, dear friends of the Schiller Institute: After the very historic summit which surprised the world, between President Trump and Chairman Kim Jong-un, I made a proposal that this model, which shows that you can turn an adversarial relationship—as a matter of fact, we were on the verge of a potential global war—into the total opposite, cooperation, if there is good will and if there is collaboration of the large powers—in this case, the United States, China, and Russia, who all worked in the background to help make this summit possible.



Helga Zepp-LaRouche, founder of the Schiller Institute.

I proposed that at the EU summit, which has just concluded, the agenda should have only one item, namely the development of Africa through the New Silk Road. And that the EU should invite President Xi Jinping and about six or so heads of state of African nations which are already cooperating with China, and announce a joint crash program for the industrialisation of Africa through the extension of the New Silk Road to all of these states. Such action, if taken, would have had absolute credibility and would have been taken seriously through the presence of President Xi, because he has a very high reputation in Africa; it would have given hope to all the young people of Africa, that they might have a prospect of participating in the construction of their own countries, and building up their nations. For Europe, this is the only human way to solve the refugee crisis.

This proposal has been translated into ten languages or more: most European languages, Russian, Chinese, Japanese, Korean, and is being circulated widely internationally. Did I think that this was a realistic program for this EU? Well, absolutely not. But, is it the right idea to be pushed anyway? Yes. After all, such a summit could be called at any moment by any combination of nations. One could use the UN General Assembly in September to discuss this.

### Trump-Putin summit

A new summit has been confirmed in the meantime between President Putin and President Trump for 16 July, in Helsinki, after the NATO summit. They will probably discuss a US-Russian agreement on the future of Syria; maybe even a comprehensive plan for Southwest Asia. And secondly, there will be discussion about the need to have global nuclear disarmament, which was announced by Russian Ambassador to the United States, Anatoly Antonov. At the same time however, President Putin made clear that he is calling for global denuclearisation from a position of strength; he gave a press conference at the Kremlin the same day, saying that there are a number of Russian weapons systems, where Russia is years, if not decades, ahead of the West. This was what he announced

on 1 March. In the meantime, Generals Dunford and Gerasimov met in Helsinki to prepare this summit.

The neo-liberal establishment of the West went absolutely out of their minds. They basically freaked out and called this an “apocalyptic development”—that was *Die Welt* and the London *Times*—especially being completely freaked out about the possibility that Trump may reduce the US troops in Europe, which obviously would be a good thing. But the geopolitical faction went absolutely out of control over this possibility.

This abreaction of the West to something which any peace-loving person could only welcome, namely that the relationship between the large powers—China, the United States, and Russia—would be improved, proves that something else is needed. We need a completely New Paradigm in thinking in terms of the relations among nations.

### The refugee crisis

Coming back to the refugee crisis: The annual global trend report of the UN Refugee Agency published that by the end of 2017, there were 68.5 million people displaced on the Earth. This is almost the size of the German population; 16.2 million new refugees in 2017; 44,500 new refugees every day, or 1 person every 2 seconds. We should keep in mind that each of these individuals is as human a person as you and me and all of us in this room. These are not numbers; these are people like your neighbour, like your friend, your family.

The EU just concluded, proposing a whole number of vague things: “disembarkment camps”, militarise the European Border and Coast Guard Agency (Frontex), and similar things which are as barbarian as they are unworkable. They want to close the outer borders of the EU; make Frontex a robust mandate; spend a lot of money. European Parliament President Antonio Tajani proposed €6 billion to close the Mediterranean across the coast of Libya alone. Ex-NATO Gen. Egon Ramms even demanded a Bundeswehr mandate to back up Frontex, and others called for NATO to be involved.

“Disembarkment” centres are supposed to set on European soil, later in Africa; but the problem is, none of the countries involved want them. Not Egypt, not Libya, not Morocco, not Tunisia, not Algeria; and the Albanians and Macedonians don't want to have them either. Libya proposes such camps to be set up south of the Libyan borders, in Niger and Mali, which have zero infrastructure, just desert.

German TV reported that the Algerian government sent 13,000 refugees into the Sahara without food and water, without mobile phones or money. In a heat of 48 °C, people had to march to some little village in Niger. Pregnant women and children, many of them were never seen again. The Algerian government denied that this was true. It may be true or not—one never knows in the world of fake news. But I can assure you that this is happening all the time; people are marching through the Sahara, dying, and it is not being reported. Pope Francis compared these camps in Libya for example, where

there is not even a government in control, where people have been tortured, mutilated, raped, sold as slaves, to the concentration camps of the Second World War set up by the Nazis.

States have the right to protect their borders, to keep social peace. But you cannot ignore the right to life, the right for asylum, and the plight of the refugees. The Prime Minister of Albania, Edi Rama, said Albania will never allow these camps; he is against dumping desperate people like toxic waste nobody wants, and that Albania will never be a wave breaker for the refugees. If you look at the refugee debate in Europe at this point—and we have had a lot of it in the last days—where are the Western values of human rights and democracy? What we are seeing with the refugee crisis is the *violation* of the most basic human rights: the right to life, dignity, asylum, before the eyes of the world public.

## A fundamental change in the image of man

Underneath all the brutality is a fundamental change in the image of man, what Russian Foreign Minister Lavrov called “post-Christian values”, which reflect a complete deadening of compassion, a complete loss of respect for the sacredness of the human life. Some of the worst hardliners of the so-called Christian parties talk about “asylum tourists” or “refugee shuttle boats”, which reflects a pathological indifference to the suffering and dying of human beings.

After the Second World War, the Federal Republic of Germany's first Chancellor, Konrad Adenauer, explicitly wanted to create the Christian Democratic Union (CDU) as a Christian party with Christian values as a bulwark, so that the atrocities of National Socialism would never happen again. Now, *Der Spiegel* talks about “fascism” with respect to President Trump; but his policies are no different than those of the European Union. So, how did this happen? We have to go back to the paradigm shift which occurred in the West. Step by step, we moved away from what Adenauer meant, to a zero-growth ideology—pushed by the Club of Rome, by the World Wildlife Fund, by the ecology movement—that we are in a world of limited resources in a closed system, where every human being is a burden to nature.

This was then escalated by the complete deregulation of the markets, the increase of power of Wall Street and the City of London, the complete dominance of the neoliberal dogma that the markets are the supreme authority which have replaced God. The role of the state is no longer to protect the common good, but to guarantee the rights of the banks and the speculators, which we saw especially after 2008, with the complete deregulation of the financial system. It became like a self-service shop for the rich at the expense of the majority of the population; austerity against the common good; privatisation of all categories of life and the economy; and a devastating increase in wealth disparity.

The image of man has been subject to a cost-benefit analysis; the idea that there is no knowable truth, but just post-factual opinion, where the entire reality is subjugated to the economic model of competition. Even democracy has to be in conformity with the markets. This is the famous sentence by Ger-



Syrian refugees cross the border from Hungary to Austria, on their way to Germany in 2015. Photo: CC/Mstyslav Chernov

man Chancellor Angela Merkel: “we live in a democracy, but it has to conform to the markets”. After the recent election in Italy, EU Commissioner Oettinger said, because they didn't like the Lega and the Five Star Movement having won the election, “The markets will teach the Italians how to vote.” This shows the complete arrogance of the neoliberal establishment. They are completely unable to recognise the causes of the decline of the Western model. This decline is not the fault of China or Putin; it is entirely caused by the policies of the West.

## LaRouche development proposals

When the Soviet Union allowed the peaceful reunification of Germany in 1989-90, there was a possibility to go in a completely different direction. After the disintegration of the Soviet Union, there was the chance for a peace order for the 21st century, because one bloc had dissolved, and there was no more enemy. In 1988, my husband Lyndon LaRouche, having foresight that the Wall was coming down soon, proposed the soon-to-happen reunification of Germany with Berlin as its capital, and that the development of Poland become a model for the entire Comecon, working with Western technologies. After the collapse of the Soviet Union, we proposed to extend the Paris-Berlin-Vienna Productive Triangle concept to all of Eurasia, calling it the Eurasian Land-Bridge, which is what the New Silk Road is becoming today.

Earlier, Lyndon LaRouche had proposed an International Development Bank in 1975; an Oasis Development Plan for Southwest Asia; he worked with López Portillo on a Latin American integration proposal called Operation Juárez. We worked with India's Prime Minister Indira Gandhi on a 40-year plan for India; we worked on a 50-year Pacific Basin development plan. My husband was the author of the Strategic Defense Initiative—which was quite different than the media represented it—it involved a gigantic technology transfer to the developing sector. If the life's work of Lyndon LaRouche had been accepted by the neoliberal establishment, I can assure you, Africa today would be a blossoming continent, and the world would look very different.

After the collapse of the Soviet Union, they said “OK, now communism has been defeated, let's have a unipolar world; a Project for the New American Century. Let's implement shock therapy on Russia. Let's get rid of all governments that oppose us through regime change, colour revolution. Let's repeal Glass-Steagall. Let's have ‘humanitarian’ interventionist wars based on lies.” We see the result of such policies in the refugee crisis in the Middle East, and the impoverishment of the developing sector, and southern Europe, for that matter.

This is the policy of the last 20-30 years of the West. And the result is, the Western system is collapsing. You have a revolt from within—Brexit; Trump's election; the Austrian election; the rebellion in the Central and East European states.



Therefore, to have the kind of Merkel solution to all of these problems is completely out of the way.

We will see what happens, because the result of the just-concluded European Union summit is very vague; everything is voluntary, a lot of bilateral negotiations will happen. And we have to see if CSU leader Seehofer finds this acceptable, because he said ahead of the summit, that if the CSU capitulates to Merkel, they could start singing the *Requiem*. That is a good thing, because if the CSU starts to sing Classical music, that would be a big improvement right there; but he meant it with respect to the upcoming Bavarian state election.

So, there may be an effort to patch things up. But it will not work, because there is still the danger of a new financial crash; all the indicators are about 40 per cent worse than in 2008. The debt level, especially the corporate debt level, the Level 3 derivatives of the banks are all about 40 per cent worse. The danger therefore is a collapse into chaos. A few days ago, the defence ministers of nine EU countries decided to create a European military intervention force to deal with crises around the world—now that's pretty pretentious if they can't even get the EU together to have such an approach. But all of this shows, from the EU and from the West in general, that no positive initiatives are forthcoming to address the strategic problems in the world.

### The New Silk Road is changing everything

However, there is a completely different model and perspective in play. Almost five years ago, President Xi Jinping put the New Silk Road on the agenda as a revival of the ancient Silk Road, which was an exchange of goods, cultures, and technologies, improving the lives of all participating countries. In the meantime, the New Silk Road, or the Belt and Road Initiative (BRI) as it's called, has become the largest infrastructure project in the world. According to China's Foreign Minister Wang Yi, the BRI already involves 140 countries working together on a win-win basis. They are realising six major corridors in Eurasia; hundreds of projects—rail lines, industry parks, hydropower—in Africa, Latin America, and Asia.

But the BRI is not just an economic program. President Xi calls it a “community of a shared future for mankind”. It's a completely new model of relations among nations working together on a win-win perspective; respect for national sovereignty; non-interference into the internal affairs—a completely different system. At the 19th National Congress of the Communist Party of China, Xi proposed a vision for the next 35 years, which is unparalleled in the world: By 2020, China will eliminate all poverty within its borders. And given the fact that China has already gotten 700 million people out of poverty and they are now engaged in a gigantic program to address each single household still living in poverty, you can be absolutely certain that they will succeed.

By 2025, China wants to be leading in several areas of science and technology. By 2035, China is supposed to be a fully modernised socialist country; and by 2050, a large modern socialist country—blossoming, strong, democratic, culturally advanced, harmonious, and beautiful, where wealth will be available for everybody. The Chinese will live a happier and safer life, and be a full, active member of the world community. There is also a total obligation for all Party members to devote themselves to the common good, to have the highest moral standards, work with a full heart for the improvement of conditions of the life of the entire population.

Xi invoked China's rich cultural tradition of 5,000 years and the essential contributions China has made to the universal development of mankind, calling this the great Chinese dream, whose contributions ensure that all of humanity will live a happier life in a beautiful world. China's economy is based on innovation; the political system is based on meritocracy; but it's not just for China, because China is now offering the most advanced technologies to the developing countries, especially in the area of nuclear energy and cooperation in space research and development.

Now this new Chinese model, the New Silk Road model, is very attractive. After centuries of colonialism, and the infamous IMF and World Bank conditionalities, China is providing cheap credit and even grants to Africa and other developing areas. For the first time, many countries in Africa, Latin America, and Asia are hopeful—about overcoming poverty and underdevelopment, and having productive and fulfilling jobs for their young people.

The various Western think tanks, which completely arrogantly ignored the progress of the New Silk Road for about four years, all of a sudden have woken up to discover this incredible dynamic under way. Suddenly a flurry of furious reports were written claiming that China has ulterior motives, that China has an authoritarian character. If you ask people in the developing sector about that, however, that is exactly not what they think. They think China is giving them hope for the first time. The problem is that the neoliberal elites see the world through geopolitical glasses, and they project their own intention: Since their own policies are neo-colonial, they cannot imagine that there is a country on this planet devoted to the common good of the entire world population.

### Confucius, Nicholas of Cusa and Lyndon LaRouche

When China speaks about “Socialism with Chinese characteristics”, I personally believe this essentially refers to the Confucianism, which was the dominant philosophy in China for 2,500 years, with the exception of ten years of the Cultural Revolution. Confucius is absolutely important to be studied, because he has an image of man which is very close to the humanism we used to have in Europe. It's the idea of lifelong learning, that every person has the potential to become a *jun-zi*, which means basically a sage, which is exactly the same idea as the beautiful soul of Friedrich Schiller. If you develop yourself through lifelong learning, there can be harmony in the family. If all members can realise all their potentials, this then allows for harmony in the state and harmony among the states.

The geopolitical establishment and most ordinary citizens in the West are completely unable to think in the win-win concept based on Confucian philosophy, because they are so used to thinking in terms of a zero-sum game—one wins, the other loses. The one great Western philosopher who is the best pedagogue to teach you to think in a different way, is Nicholas of Cusa with his conception of the *coincidentia oppositorum*; the coincidence of opposites. He is not known in China; I found only one professor there who is in charge of comparative religions, but Nicholas of Cusa was not just a religious man. He was the founder of the modern scientific method, of the sovereign nation-state, of the representative system, and even if many of his arguments are derived from the theological realm, they are still of tremendous philosophical and scientific importance.

On the way back from Constantinople in 1437-38, where

he had brought the delegation of the Greek Orthodox Church to the Councils of Ferrara and Florence, he said that all of sudden he had had an inspiration which enabled him to see all questions in a completely different light; namely, the coincidence of opposites; which was an idea against Aristotle, who basically had argued that contradictory statements cannot be at the same time true. Cusa said this has been the common axiom of philosophy so far, and Aristotle was just the most explicit in expressing this. Then he quotes Philo of Alexandria saying that the logic of Aristotelian thinking is not on a higher level than the *ratio* of the animals.

In a very important writing called *Apologia de Docta Ignorantia* [In Defense of Learned Ignorance], which was a rebuttal to a scholastic scholar named Wenck, Cusa explains why Aristotle is an inferior thinker, only capable of a methodological back and forth. In *De Docta Ignorantia*, he says “The coincidence of opposite thinking is like being on a high tower, where the one who oversees everything, sees the process in its totality. The seeker, the searched, the process of searching, also how the searcher gets closer or further away from the searched.” In another writing called *De Visione Dei* [On the Vision of God], he develops a pedagogy for training the mind to think in terms of the *coincidentia oppositorum* to overcome a mental wall behind which you have the level of reason.

In *De Docta Ignorantia*, Nicholas also speaks of the *spiritus universorum* which unites religions, nations, peoples, which are elements of differentiation, but that the universe as a whole is the perfect expression for the precondition for everything to exist. *Quodlibet in quolibet* is a very famous sentence by Nicholas: “Everything participates in all.” For the political order, that means the multiplicity of people can be integrated without violating their specific identity, because of the totality of the order which already exists. According to Nicholas, each human being is a microcosm, which contains in germ form the entire macrocosm in a complex, unextended way, which is very much like the monad concept of Leibniz. Harmony, according to this philosophy, a peace order, is only possible if all microcosms develop in the best possible way, that the development of the other is the reciprocal self-interest of each for the harmony to function.

If one wants to find a solution to the political problems of today, one has to think in terms of this *coincidentia oppositorum*; to think in terms of the common aims of mankind first, that the one has a higher order than the magnitude of the many. Therefore, self-perfection and ennoblement require an increase in the potential relative population density as a precondition for the existence of future generations.

My husband Lyndon LaRouche has proven in numerous writings why an increase in the potential relative population density and the continuous increase in [our technological] energy flux density is mandatory. At each given level of technology, a civilisation eventually reaches a point of exhaustion in terms of resources and costs. To head off such disaster requires continued, qualitative breakthroughs in the knowledge of the physical principles of the universe, the continuing higher division of labour, and more and more creative minds to participate in the limitless progress of humanity.

Today, this *spiritus universorum* idea exists in the form of the New Silk Road spirit. A community of nations, as the basis for the common good of all, is the only way to address the problems of today. This spirit is now being felt in Asia, Latin America, and Africa, and in more and more countries in Eu-



Confucius (left, 551-479 BC) and Cusa (right, 1401-1464) developed similar ideas at different times, from different cultures; the same ideas are capable of bringing mankind together around a common purpose today.

rope. Nicholas of Cusa, in a sermon on the Feast of Epiphany in 1456 in Brixen, which was called by commentators a “Hymn to Civilisation”, praised the arts and natural sciences as the great gift to mankind in which all must participate, so as not to slow the development of one single human being. And that is exactly what the New Silk Road is doing.

The New Silk Road Spirit made possible the Singapore summit. Meetings are now taking place where the building of railways on the western and soon eastern coast of North Korea, uniting South Korea and North Korea with the Chinese transport corridors and the Trans-Siberian Railroad, is being discussed and planned. President Trump promised that North Korea will soon be a prosperous country. China and Russia also said that they plan to play a big role in this. *Global Times*, the English-language Chinese newspaper, said “The geographical location of North Korea makes it predestined for the integration into the Belt and Road Initiative”, and that this would happen much sooner than anybody could imagine.

We propose to take the same approach to Africa. Instead of the militarisation of the refugee policy, have a New Silk Road plan. If the EU is willing to spend tens of billions on camps, on fortification of Europe, let's set up, instead, credit lines for the industrialisation, basic economic infrastructure, water projects like Transaqua, mass transport, fast train rails, maglev, health care facilities, educational systems, space-oriented science-driver programs, new cities based on modular urban development. If all European nations would join together with China, India, Japan, and also the United States, and announce their common commitment to such a policy and projects, and do so with the cooperation of the African states who want to be part of such a crash program, the refugee crisis could be turned around.

But this approach requires a passionate love for humanity—exactly as Ethiopia's Prime Minister Abiy Ahmed Ali recently told a mass rally of half a million people shortly before there was an assassination attempt against him—he said, “The only way to move forward from all this history is forgiveness and love. Revenge is for the weak. And because Ethiopians are not weak, we won't need revenge. We will win with love.”

So, let us act likewise. The world is in an incredible turmoil. It's very complex, and I do not believe the problems will be solved by having a zillion partial solutions. We need a higher level of reason that will unite all of humanity. I think we have reached the end of an epoch, the end of geopolitics. And we must reach the New Paradigm where we think in terms of the coincidence of opposites; what Xi Jinping has called a “community for a shared future of humanity”. If Europe is willing to survive, we will organise the European countries to join this effort.





# The City of London's China pivot

By Elisa Barwick

While most major players were licking their wounds or dodging blame in the wake of the 2008 global financial crash, the seat of financial power in the United Kingdom was launching a major policy shift. With a carefully choreographed economic rebalancing act, the City of London's position within global finance was reinforced rather than diminished, following the GFC. The financial nexus of the City of London Corporation, the Bank of England and the UK Treasury pivoted to China, the only source of growth on the horizon.

### The backdrop

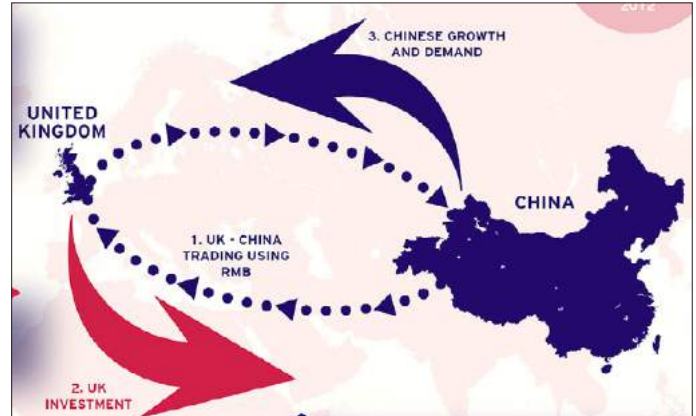
Following the crash, the world's biggest central banks coluded to prop up asset values, creating new financial bubbles on a mammoth scale, author and former banker Nomi Prins told an audience at the London School of Economics on 14 May. Then governor of the People's Bank of China, Zhou Xiaochuan, publicly criticised the US-led policy, Prins went on, and the PBC unleashed its own version of Quantitative Easing, diametrically opposed to the Western strategy: credit directed into infrastructure projects and development.

The volume of China's credit expansion was around \$20 trillion dollars, greater than the \$14 trillion in Western QE, but China has some \$10 trillion worth of infrastructure to show for it, increasing at a rate of 40-50 per cent per year. What do the US Federal Reserve, Bank of England, European Central Bank and Bank of Japan have to show? Their own balance sheets are bloated; extremely low, zero per cent or negative interest rates mean they have no capacity to forestall a new crash; the banks they doled out money to are even more Too Big To Fail (TBTF); and the newly created asset bubbles are all ready to blow.

Clearly this was not a winning strategy over the longer term. Nor was the alternative to such bailouts—"bail-in", which confiscates the investments and savings of creditors to save TBTF banks, a policy pushed by the Bank of England and its creature, the Financial Stability Board, stationed at the Bank for International Settlements. That policy instituted extraordinary crisis management powers for regulatory authorities, but as for its ability to save a collapsing financial system if more than one bank crashes simultaneously—it has none.

The collective of bankers and financiers known as the City of London, therefore, had another strategy in play. As in times past, the imperial families which direct London's banking establishment were quite willing to jump ship in order to be part of the winning team. In addition to financing real economic development, China had recognised the necessity to reduce global reliance on the US dollar and began moves to internationalise its currency, the renminbi; London wanted in on that action.

A new scholarly paper by Cambridge University lecturer Dr Jeremy Green, "The offshore city, Chinese finance, and British capitalism: Geo-economic rebalancing under the Coalition government", published on 27 October 2017, reports on the UK's "geo-economic rebalancing towards China" initiated by the 2010-15 Conservative/Liberal Democrat Coalition government led by Prime Minister David Cameron. The true author and driver of this campaign, Green reveals, is the City of London Corporation.



As Obama's expansion of military capacity in the Asia-Pacific, the Asia Pivot, was being prepared in 2009, later accompanied by an economic pivot in the Trans-Pacific Partnership (TPP), London was quietly building a pivot of its own. Photo: Her Majesty's Treasury

### The City of London Corporation

The coordinating body for London's financial district and its megabanks, the City of London Corporation, is a private municipal body with its own laws and police force, distinct from the municipality of the Greater London Council. More than 1,000 years old, the institution predates "modern" England that started with William the Conqueror in 1066, and has been closely allied to the Crown throughout its history. The Corporation has a permanent, unelected representative in the British parliament, called the Remembrancer, who monitors parliamentary activity and lobbies MPs to protect the City's interests.

The City of London Corporation, Green says, with enormous "fiscal power and networked political influence", plays a key role "bridging public and private power". It maintains the closest connections with government, performing an advisory role, while liaising intimately with private sector players. It also directs financial regulation agencies.

In 1945, during a push to nationalise the Bank of England, Prime Minister Clement Attlee identified the City's capacity to control elected governments: "Over and over again we have seen that there is in this country another power than that which has its seat at Westminster. The City of London, a convenient term for a collection of financial interests, is able to assert itself against the Government of the country. Those who control money can pursue a policy at home and abroad contrary to that which has been decided by the people."

Attlee succeeded in nationalising the Bank in 1946, but by 1951 the pro-City Conservatives were back in power. Even as the dominance of the pound Sterling declined, London emerged as the world's biggest international financial hub by the late 1950s. It set itself up as a haven for US bankers to dodge regulations introduced by President Franklin Roosevelt, and with its creation of offshore Eurodollar markets (capturing US dollar flows outside the USA) it began the construction of a web-like network of tax havens to channel money-flows its way. This was how the British Empire reinvented itself as an "informal financial empire", while officially giving up most of its colonies.

The global financial crisis eventually intervened—a result of the fully globalised, liberalised and deregulated financial Frankenstein's Monster London had created. As

Nicholas Shaxson documented in his 2011 book *Treasure Islands: Tax havens and the men who stole the world*, London was committed to preserving its financialised economy: “London has more foreign banks than any other financial centre: by 2008 it accounted for half of all international trade in equities, nearly 45 per cent of over-the-counter derivatives turnover, 70 per cent of Eurobond turnover, 35 per cent of global currency trading and 55 per cent of all international public offerings.” The City could not afford to abandon its position; it had no choice but to evolve once again.

### Pivot to Asia

Citing numerous studies, City of London Corporation documents and interviews with City and government officials, Dr Green’s paper traces the shift towards East Asia driven by the City of London Corporation in lock-step with the Bank of England and the British Treasury.

Green writes of the “City’s attempt to reposition itself within the post-crisis political economy”. The City has an entrepôt role—acting as a collection and distribution point for world financial flows—so its business strategy depended upon it being able to mediate flows of foreign currencies through international borrowing and lending, foreign exchange dealing and the derivatives trade. If more of that turnover was to take place in renminbi (RMB), the City would have to dominate its rise.

While the door to closer relations with China was opened by PM David Cameron and Chancellor George Osborne, it was the Corporation that launched the “Renminbi initiative” in April 2012, working with its public relations arm TheCityUK to establish an offshore market for renminbi. Osborne and Chinese Vice-Premier Ma Kai announced the decision to make London a renminbi hub in October 2013.

“The dominant City-Bank-Treasury nexus has actively and strategically engaged with the opportunities presented by the post-crisis era, with the explicit agenda of cementing London’s standing within a changing global monetary order”, says Green. Expecting a “precipitous increase in global RMB transactions” given China’s rapidly growing international investment, and capital flows likely to “expand exponentially”, the UK government seized the opportunity. In 2014, Osborne indicated that “the emergence of China’s currency as one of the world’s leading currencies will be the next huge change” in global finance.

Working with the City-Bank-Treasury nexus to set up the RMB market, Green says, were the London Stock Exchange, British banks with ties to China such as HSBC and Standard Chartered Bank, and Chinese banks in London including the Bank of China. To reduce dependency on the US dollar, from 2009 China had begun to gradually open up the renminbi to international use, beginning with bilateral currency swap agreements, trade settlement in renminbi, and renminbi-denominated bond markets. In 2012 the first London-issued, RMB-denominated bond was put out by HSBC. In 2013 China allowed investment directly into Chinese stocks and shares denominated in renminbi from London banks—the only Westerners allowed to do so. The UK’s Prudential Regulation Authority (PRA) allowed Chinese banks to open branches in the UK. In 2014 the Bank of England, in an arrangement with the People’s Bank of China, appointed the China Construction Bank (one of China’s Big Four commercial banks) as a hub for Chinese currency-clearing in London. In a demonstration that the renminbi was viewed as a future reserve currency, in October 2014 Her Majesty’s Treasury undertook the first foreign-issued sovereign government bond denominated in RMB; according to Treasury, all part of the “long term economic plan to establish Britain as the centre of global finance”. Chancellor Osborne spoke of

cementing London’s role as “a major global centre for trading and investing the Chinese currency”.

In 2015 the red carpet was rolled out in London for the visit of Chinese President Xi Jinping, and ongoing plans included a formal connection between the London and Shanghai stock exchanges and cooperation on finance for China’s Belt and Road Initiative (BRI). Earlier that year the UK had joined the Asian Infrastructure Investment Bank. In 2017 the Shanghai Clearing House opened its first overseas branch in London, in partnership with a London clearing platform. Lord Mayor of the City of London, Charles Bowman, announced on 18 January 2018 that London is the largest renminbi payments centre outside China, and the largest renminbi foreign exchange centre in the world.

On 13 June 2018 the City issued a policy document calling for London to become a “natural western hub” for financing the BRI. HSBC and Standard Chartered Bank were already heavily involved. Standard Chartered, a lynchpin of the British Empire in Africa, the Middle East and Asia since the mid-19th century, has long had a strategy of monopolising finance for China as a key driver of global growth. With a presence in 45 countries that intersect the BRI it has won many financing deals for BRI projects. HSBC—originally the Hongkong and Shanghai Banking Corporation—was notorious as the leading institution in Britain’s criminal opium trade with China; it was founded in 1865 by a consortium of British trading companies that ran the trade under oversight of the British East India Company. Credit Suisse and JPMorgan Chase are also major players.

In January the Corporation launched its “Asia Next Decade” campaign and the UK’s China Chamber of Commerce hosted a forum on China-UK economic and trade cooperation, with Lord Mayor Bowman a speaker. Bowman was in China in March to promote the involvement of Square Mile firms in the BRI. The annual Belt and Road summit for 2018 will be held in the UK, by decision of the inter-government China-UK Economic and Financial Dialogue, as will a UK-China RMB Internationalisation Dialogue. The City is also pushing a Belt and Road Investor Alliance, a platform for increasing green investment in the BRI.

Despite all of this, a paradox looms: when PM Theresa May visited Beijing in January no formal memorandum on BRI cooperation was signed. China has questioned this, indicating it would have no issue getting other hesitant Western nations to sign up if the UK did; but likely the UK wants to discourage any competition while it positions itself as China’s indispensable partner. The British government is simultaneously stepping up its military confrontation with China in the South China Sea.

Green’s analysis also provides insight into the UK’s post-Brexit economic model: “The Corporation plans to use its gateway status for emerging Asian markets as a bargaining chip to secure the City of London’s continuing centrality to Europe.” Given that “the City provides three-quarters of EU hedging and foreign exchange, and half its lending and securities transactions”, according to a July 2017 *Financial Times* article, its China strategy must not fail.

In conclusion, Green acknowledges that London’s financial pre-eminence relies upon the “concerted political agency” of the City and that “it is quite possible that if the political will for this diminishes, particularly from within the Treasury, then the City’s interests may well be harmed and its influence reduced”. The UK Labour Party’s manifesto has long had a pledge to abolish the City of London Corporation, and although Tony Blair quietly dropped it in 1996, current Labour leader Jeremy Corbyn has promised to curb the City of London’s power if elected.



## Can North America's two insurgent Presidents get along?

*Special to the AAS*

On 1 July Mexican voters gave a landslide victory to leftist populist Presidential candidate Andrés Manuel López Obrador (known as AMLO). In a three-way race against centrist Institutional Revolutionary Party (PRI) candidate José Antonio Meade and conservative National Action Party (PAN) candidate Ricardo Anaya Cortés, AMLO won 53 percent of the vote. His National Regeneration Movement (Morena), founded in 2012 after the Democratic Revolution Party (PRD), of which he had been a member, made a rotten political deal with the PRI and the PAN, scored major victories in Congressional and Senate elections, and his coalition with a small conservative Christian party and another leftist party has an absolute majority in both houses.

While there are vast differences between López Obrador and US President Donald Trump, there is an unmistakable pattern in the United States and Mexican electoral votes: A majority of voters rejected the existing political party establishments and the policies they represented.

In the case of Trump, who campaigned as a populist outsider to Washington's corrupt corridors of power, that political establishment was responsible for permanent overseas wars, obscene Wall Street bailouts, collapsing national infrastructure, and falling real standards of living for a majority of families, due to the outsourcing of jobs and failed trade policies.

In the case of López Obrador, the populist message was that he would end political corruption, wage war against the murderous drug cartels, make Mexico safe, and uplift the population out of poverty. In 2017, 25,000 Mexicans were killed, according to official statistics. Most of the murders were related to the activities of the country's rival drug cartels. AMLO's pledge to defeat the cartels resonated with a population exhausted by violence and political corruption. His economic recipe was to impose austerity on wasteful government spending, scale back bloated government bureaucracy, and establish new programs to alleviate poverty.

Unlike Donald Trump, who had never held political office before running for President, AMLO is a well-known and experienced politician, who was a popular mayor of Mexico City. He helped found the PRD in 1988, as a break-away from the long-ruling PRI, in protest over the notoriously corrupt Carlos Salinas de Gortari's selection as the party's Presidential candidate (Salinas de Gortari was elected president and ushered in the era of drug cartel violence and corruption, which continues to this day).

In 2000 López Obrador was elected mayor of Mexico City. It was the first time in 70 years that a mayor of the capital came from outside the PRI. Under his leadership, Mexico City restored financial discipline, while establishing a wide range of social programs, including pensions for senior citizens.

In 2006, at the height of his initial popularity, AMLO was narrowly defeated in an election for the Presidency by the PAN's Felipe Calderón. The close vote required recounts, and López Obrador refused to accept the official results. He organised street protests that went on for months, after the courts refused to rule in his favour.

### **Mexico and the United States**

One of AMLO's populist messages in this latest election campaign was that Mexico would defend its national



Mexico's new President, Andrés Manuel López Obrador, attracted a large popular vote. Photo: Twitter

economic interests against the "bully to the north", meaning Trump. He has supported the North American Free Trade Alliance (NAFTA), and is already working closely with outgoing Mexican President Enrique Peña Nieto to assure continuity in negotiations with the USA and Canada over the future of that free trade alliance.

But issues that are hot buttons in the United States, including Trump's vow to build a US\$25-billion wall across the US-Mexico border and force Mexico to foot the bill, were not prominent in Mexico's 1 July vote. Mexicans are far more focused on violence, corruption and economic problems at home.

Trump was one of the first world leaders to congratulate López Obrador on his stunning electoral victory. AMLO responded with thanks, vowing, "We are not going to get into fights. We are going to extend our hand honestly in the search of a friendly and respectful cooperation."

AMLO has already spoken of his goal to reach a broader agreement with Trump, including American aid and investment in rural development in northern Mexico to discourage illegal immigration to the USA. In reality, Mexican migration to the United States has declined for years, even as Mexico has become a major transit point for Central Americans seeking refuge from the violence and poverty in the region.

Can President Trump and President-elect López Obrador strike up a friendship and reach an agreement on the issues that have divided the two North American neighbours? While it is clearly too early to tell, the possibility cannot be ruled out, given Trump's unpredictability and the shared populist messages of these two victors. While relations between Trump and Peña Nieto never got off the ground, US-Mexican bilateral trade reached an all-time high of US\$557 billion in 2017.

The stakes for both countries' economies are enormous. Mexico and the United States have established an integrated supply chain for many sectors of the economy, and Mexican oil is now almost exclusively refined in the United States. And if AMLO is to deliver on his pledge to reduce the violence and terror, he will have to develop a coordinated anti-drug cartel strategy with the Trump Administration. These are just two of the reasons for the two leaders to find common ground and "make both America and Mexico great again".



## OPCW reports no nerve agent used in Douma, Syria

By Richard Bardon

10 Jul.—The rationale for the illegal 14 April 2018 US-UK-French missile attack on Syria has just gone up in smoke. Contrary to the Trump Administration's so-called assessment, published 13 April just hours in advance of the bombardment, that the Syrian "regime" one week earlier had used both chlorine-gas munitions and the organophosphorus nerve agent sarin on civilians in Douma, eastern Damascus, investigators from the Organisation for the Prohibition of Chemical Weapons (OPCW) now report that no traces of nerve agent could be found, while the only chlorine compounds discovered were common substances used in water purification and household cleaning products.

In its "Interim report of the OPCW Fact-Finding Mission in Syria regarding the incident of alleged use of toxic chemicals in Douma, Syrian Arab Republic on 7 April 2018", published 6 July, the OPCW Technical Secretariat reports that the Fact-Finding Mission (FFM) collected samples from four sites in Douma—including the locations of the two alleged chemical-weapons strikes, and the hospital where "victims" were treated—in the ten days beginning 21 April. Contradicting Western government and media accusations that the Syrian government and Russian military had hindered the investigation, the report states that whilst the FFM "was not able to enter Douma for almost a week after its arrival", this was due to "high security risks to the team, which included the presence of unexploded ordnance, explosives, and [jihadist] sleeper cells still suspected of being active in Douma." The report makes clear that these security risks were confirmed by UN Department of Safety and Security (UNDSS) personnel on site, and were not the invention of the Syrian or Russian authorities. The team's security detail even came under small-arms fire on 18 April, during a reconnaissance visit to two sites of interest. Once these concerns had been addressed, however, the team was able to proceed without incident or interference. "Environmental sampling at the alleged incident sites in Douma was conducted by the FFM team, using its own equipment and ensuring full chain of custody throughout the operation in accordance with OPCW standard operation procedures, work instructions, and guidelines", the report states. "Samples were collected, sealed, and documented in photos and video recordings in the presence of Syrian Arab Republic representatives, and unpacked at the OPCW Laboratory for splitting and redistribution to the OPCW designated laboratories in the presence of the Permanent Representative of the Syrian Arab Republic to the OPCW." The FFM also received environmental and biological samples in a second country, referred to as "Country X", which it handled according to the same procedures from the moment of receipt; inspectors also conducted interviews with, and drew blood samples from "witnesses allegedly exposed to toxic chemicals" in both Country X and Syria.

Over 100 samples in total were collected and transported to the OPCW's laboratories, 31 of which were selected for the first round of analysis. The results speak for themselves: "analysis of the prioritised samples submitted to the designated laboratories were received by the FFM team on 22 May 2018. *No organophosphorus nerve agents or their*



In April, Russia held a press conference at the Hague with alleged victims of the chemical weapons attack, who revealed they had experienced no attack, but had been terrified by being hosed with water and filmed. Now the evidence from the OPCW confirms their story, but the corporate media that screamed about a chemical attack have barely mentioned it. Photo: Sott.net

*degradation products were detected*, either in the environmental samples or in [blood] plasma samples from the alleged casualties." (Emphasis added.) In other words, there cannot have been a sarin attack. To anyone not brainwashed by Western propaganda, this should already have been obvious, as the release of such a potent nerve agent in a densely populated area would have killed thousands—including the Syrian soldiers already pouring in to Douma, who took control of the whole district mere hours later—and would thus have been impossible to cover up. But the OPCW report removes any doubt.

### Chlorine compounds no smoking gun

The OPCW did report that "Various chlorinated organic chemicals were found in samples from Locations 2 and 4 [sites of the alleged chemical strikes], along with residues of explosive", a sentence cherry-picked by mainstream media to claim that the OPCW had proven the Syrian government guilty of using chlorine gas—deliberately ignoring the caveat that "Work by the team to establish the significance of these results is ongoing", as are efforts to determine the provenance and significance of the two cylinders allegedly used to deliver the gas. None of the chemicals listed in the report are primarily military in their application. Chloral hydrate along with di- and trichloroacetic acid, for example, are all by-products of the chlorination of water (including by the water-purification tablets which are reportedly used widely in Syria's war zones). Di-, tri- and tetrachlorophenol are common in household fungicides, herbicides, insecticides and disinfectants. All are toxic in large doses, but there is nothing in the report to suggest that more than trace amounts were discovered. And the explosive in question is 2,4,6-trinitrotoluene (TNT), common to nearly all explosive munitions the world over including those used by both sides in the battle for Douma, which, as already noted, was ongoing at the time of the alleged attack.

It is of course possible that chlorine weapons were used in Douma at some point, since the main jihadist group which controlled the area, Jaish al-Islam, is infamous for using chemical weapons improvised from household chemicals. Be that as it may, the OPCW's interim findings are consistent with what veteran British war correspondent



Robert Fisk reported in the 17 April *Independent*, based on eyewitness interviews;<sup>1</sup> and what Douma residents and medical staff reiterated, in detail, at a 26 April press conference at OPCW headquarters in The Netherlands.<sup>2</sup> No one was affected by toxic gas in Douma on the evening of 7 April, only by choking dust and smoke kicked up by the

1. "Russia blames British Intelligence for fake gas attack", AAS 18 Apr. 2018.  
2. "Syrian medics, 'victims' debunk Douma chemical attack lie", AAS 2 May 2018.

## Novichok nonsense part II sets new standard for absurdity

By Richard Bardon

11 Jul.—Britain's state security apparatus is either taking advantage of, or has itself orchestrated the poisoning of a middle-aged couple in Amesbury, England to revive—ahead of US President Donald Trump's UK visit this week *en route* to his summit with Russian President Vladimir Putin—the anti-Russian hysteria surrounding the alleged attack on ex-MI6 spy Sergei Skripal and his daughter Yulia, who were supposedly poisoned with a "Novichok" nerve agent in near-by Salisbury on 4 March. The new case compounds and builds upon the absurdities of the first,<sup>1</sup> to the point that it crumbles instantly under sober analysis.

According to a Wednesday 4 July statement from Wiltshire Police Deputy Chief Constable Paul Mills, paramedics were called to an address on Muggleton Road, Amesbury on the morning of Saturday 30 June after a 44-year-old woman, later identified as Dawn Sturgess, collapsed on the premises. They returned later that day because a man—Sturgess's boyfriend Charlie Rowley, 45—"had also fallen unwell in the same location". Both were taken to Salisbury Hospital, where Ms Sturgess died on Sunday evening local time, while Mr Rowley has reportedly regained consciousness and is in a critical but stable condition. Police initially treated the incident as drug-related, Mills' statement continues, but by the early hours of 4 July it had been upgraded to a "major incident". The *Guardian* reported that evening that terrorism officers from the London Metropolitan Police had by then been called in, and scientists from Porton Down, the UK government's chemical weapons laboratory—located six miles from Amesbury, seven from Salisbury—were running tests "to try to establish if a couple had been exposed to a nerve agent". By the following day the UK government had declared Novichok, and Russia, responsible.

British authorities' (current) official version of events is that Rowley and Sturgess, who were both unemployed, picked up a "contaminated item" left behind by the Skripals' failed assassin/s while the couple scavenged for salvageable items (or possibly cigarette butts) in the streets and parks of Salisbury, the day prior to their collapse. The British government thereby demands we believe a number of implausible and mutually contradictory things, among them the following:

- That Novichok, supposedly the deadliest military-grade nerve agent in the world, failed to kill either of the Skripals after being smeared on the handle of Sergei's front door because it had been degraded and/or dissipated by rain; yet it is at the same time persistent enough that a lethal

fighting. Allegations and video "evidence" to the contrary were cooked up by the British Intelligence-created, UK- and US-funded fake-humanitarian White Helmets to suck US President Donald Trump into maintaining the USA's illegal military occupation in eastern Syria. Let us hope Trump is properly briefed on these findings, because on 11 June Russian Defence Ministry spokesman Igor Konashenkov warned that the jihadist-dominated Free Syrian Army was again preparing to stage a chemical attack, in the eastern Syrian region of Deir ez-Zor.

dose remained on a "contaminated item" four months later;

- That said "contaminated item" somehow eluded the hundreds of detectives, crime-scene technicians and Organisation for the Prohibition of Chemical Weapons (OPCW) specialists who between them spent several weeks and millions of pounds scouring Salisbury for evidence and traces of Novichok, decontaminating as they went, and leaving heightened security measures behind them—such that heir to the British throne Prince Charles and his wife Camilla, Duchess of Cornwall had no qualms about visiting the town on 22 June, one week before the alleged second poisoning.

- And that, as Home Secretary Sajid Javid repeated in Parliament on 5 July, "there is no plausible alternative explanation to the events in March other than that the Russian state was responsible", when in fact no evidence of Russian involvement has ever surfaced; neither Porton Down nor the OPCW was able to identify the source of the toxin that affected the Skripals; and several "Novichok" compounds are known to have been synthesised for testing purposes at labs in various countries, including Britain's Porton Down.



Britain's chemical weapons lab, which holds samples of novichok, is midway between Salisbury and Amesbury, but the UK government insists that the source of the poison is 2,600 km away in Moscow.

### Unanswered questions

According to the government and various media, Mr Rowley is long-term unemployed and a registered heroin addict; yet as former British diplomat Craig Murray—who was among the first to sound the alarm on the original Novichok story—points out in a 5 July blog post, Rowley "was living in a very new house in Muggleton Road, Amesbury, ... [where] homes range up to £430,000 and the cheapest

1. See "Zero evidence for May's 'Novichok' accusation against Russia", AAS 21 Mar. 2018; and "Russia convenes special OPCW session as Brits' Skripal case implodes", AAS 4 Apr. 2018.

ones are £270,000 [about \$482,400 to \$768,200]. They are all new built, on a new estate, which is still under construction.” Noting that one of a handful of likes on Rowley’s still-active Facebook page is a mortgage broker, consistent with his having recently bought the house, Murray continues: “They don’t give mortgages to unemployed heroin addicts, and not many of those live in smart new ‘executive housing’ estates.”

Online newspaper *Morning Star* on 9 July highlighted earlier local media reports that contradict the official story. Both the 4 July Wiltshire Police statement cited above and a 5 July statement by Metropolitan Police Assistant Commissioner Neil Basu said that the first call came in on the morning of 30 June. Basu gave 3:30 PM as the time of the second emergency call, and said that only then were Wiltshire Police notified. But Salisbury radio station Spire FM reported 1 July that over 10 police, ambulance and fire service vehicles responded to the *initial* callout—suggesting the authorities expected a major incident of some kind from the outset—which came much later in the day than the police would later claim. “A South Western Ambulance Trust

spokesperson told Spire FM News they were called at 6:20 PM”, the station reported, after which one patient was taken to Salisbury District Hospital by ambulance. Local newspaper the *Salisbury Journal*, also on 1 July, confirmed that the ambulance was called at 6:20 PM, and added that the fire service was called just before seven. “Witnesses told the *Journal* that a number of residents were evacuated from their homes by firefighters. They also reported seeing people in hazmat suits at the scene ... [and] said about eight fire engines along with police and ambulance vehicles as well as specialist incident response vehicles were also at the scene”—hardly a normal response to a suspected drug overdose. BBC West correspondent Charlotte Callen essentially corroborated these reports on 4 July, albeit with minor differences in detail.

Britain’s state-secrecy regime and worthless mainstream media being what they are, unless a whistleblower comes forward from the intelligence services (or Porton Down) we will likely never know what really happened in Amesbury on 30 June, or to the Skripals for that matter. What is certain is that the official story is preposterous, and grows more so by the day.

## Court victory for political rights in Ukraine

4 Jul.—The Progressive Socialist Party of Ukraine (PSPU), headed by internationally prominent economist Dr Natalia Vitrenko, today won an appeal in the PSPU’s lawsuit against the Ukrainian Ministry of Justice, which had refused to register the party’s revised Charter and Program. The documents had been amended by three successive PSPU congresses, in order to comply with new laws. The refusal to accept them and register the party has prevented the PSPU from conducting normal activity, including running candidates. The Ministry of Justice stonewalling has been accompanied by dirty tricks against the PSPU, including the unlawful seizure of its headquarters and police refusal to investigate thuggery against its leaders.

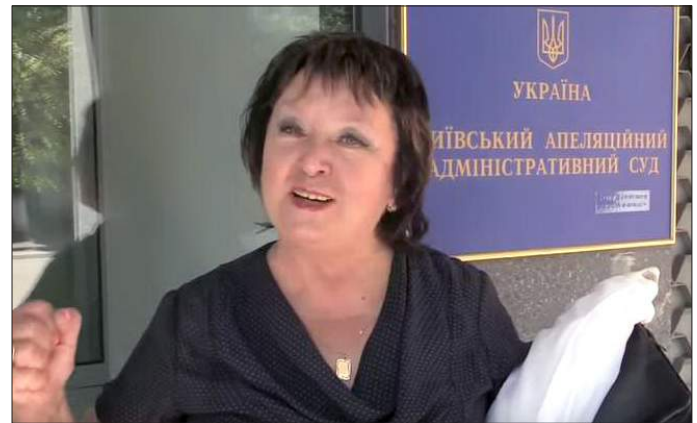
An important element in today’s court victory was international attention to the case. Addressing the court, Dr Vitrenko read aloud the formal parliamentary question on the regime’s treatment of the PSPU, filed in February 2018 by Member of the European Parliament Marco Zanni of Italy, and the reply from the European Union’s foreign affairs High Commissioner Federica Mogherini, who stated that she was aware of the case and added, “The EU encourages and supports the ongoing democratic reforms in Ukraine. In this context, international standards on the registration and activities of political parties should be duly observed.”

The PSPU website [www.vitrenko.org](http://www.vitrenko.org) reported the latest developments as follows:

“On 4 July 2018 the Kyiv District Administrative Appeals Court considered the Progressive Socialists’ appeal of the lower court decision, which had rejected the PSPU’s lawsuit against the Ministry of Justice of Ukraine.

“Ever since the Euromaidan regime came to power, a brutal struggle has been under way against the only extra-parliamentary systemic opposition party, the PSPU. The Party’s central office has been seized. Law enforcement agencies have instigated bandit and Nazi gangs against the Party’s leaders and against peaceful protest demonstrations organised by the PSPU. The Police and the SBU [Security Service of Ukraine] fail to investigate or call these thugs to account.

“In parallel, the Ministry of Justice of Ukraine has refused to acknowledge and register either the decisions of three congresses of the PSPU, which changed the PSPU Program and Charter in accordance with the requirements of [new]



A jubilant Natalia Vitrenko reports on her party’s victory from outside the court. Photo: Vitrenko.org

laws, or the new composition of the Party’s Central Committee. The Ministry of Justice has thereby flouted Ukrainian and international law, through its political discrimination against the PSPU.

“The Kyiv District Administrative Court, which is the lower court in question, took the side of the Ministry of Justice, with its unlawful decision of 20 March 2018. The PSPU appealed, and now has won, by defending the PSPU’s rights and demonstrating that the Ministry of Justice was politically motivated.

“The Party was represented in court by PSPU Chairman, People’s Deputy of Ukraine of the II and III Conventions, Dr of Economics Natalia Vitrenko.”

Dr Vitrenko reports that she will convene a PSPU leadership meeting on 17 July, to plan the party’s next moves. These are expected to include running candidates in next year’s Parliamentary and Presidential elections. In 1999 Vitrenko won 11 per cent of the votes in the Presidential elections, despite the disruption of her campaign by an assassination attempt. She has campaigned tirelessly against the economic tyranny of the International Monetary Fund and the EU, while advocating Ukraine’s industrial revival in the framework of Eurasian economic cooperation.

Background on the persecution of the PSPU and a strategic speech by Natalia Vitrenko appeared in the *Australian Almanac* published with the AAS of 6 December 2017.





## Parliament might be in recess but the CEC is not!

The CEC's campaign for Glass-Steagall bank separation is the only workable solution to the fast approaching banking crisis of which many leading economists are now warning. The Perth by-election and Barry Mason's campaign offers a unique and strategic opportunity to recruit people, not to simply vote and then forget, but to get actively involved in fighting for policies that are long overdue for Australia. This was the message a crew of twenty WA supporters and activists took doorknocking to hundreds of households at the weekend. If people weren't home, a flyer outlining our concerns and solutions along with Barry's calling card were left at the front door. Perth WTV's *Undercurrent* program helped focus attention on the necessity for Glass-Steagall with reporting and interviews recorded at the CEC's 30 June state seminar. Barry was interviewed as the candidate for the by-election and was asked what people can do. Barry called on the public to contact the CEC for more information and get a copy of the bank separation legislation tabled by Bob Katter on 25 June. People should take the legislation to their MP, he said, and insist that "as your elected representative, you want them to support it".

One supporter was told by the office of a high ranking ALP MP that they now have a "designated person" specifically to handle all the calls and letters regarding Glass-Steagall. Maintain this pressure on all MPs, particularly the ALP; they proclaim to be the party of working Australians so why are they not leading the fight for Glass-Steagall in Australia? (p. 5)

Raise this issue in the media! Two supporters did an excellent job on the ABC's morning program in Melbourne this week. On successive days, first Ann raised the necessity for Glass-Steagall to separate the banks, announcing Bob Katter's Bill to get it done in Australia; then John made listeners aware of the legislation already passed for bail-in of bank deposits, and the increased likelihood of a banking crisis due to the banks' high exposure to the housing bubble. Another supporter heard radio host Ray Hadley on 4BC quoting from Martin North's recent article on our derivatives figures ("The \$37 trillion black hole"). Supporter Max had an excellent letter published in the 5 July *Canberra Times* under the heading "Glass-Steagall crucial". A Queensland supporter, who has been inserting AAS articles into a group newsletter that goes out to 500 recipients, has requested the group have a CEC representative speak to them about Glass-Steagall.

The Northern Territory state seminar on 2 July was well attended and the level of engagement was high. Lots of discussion ensued with many people purchasing the bank manual and literature for distribution. While NT State Secretary, Trudy Campbell, wasn't permitted to distribute material at the Australia China Business Council's One Belt, One Road event in Darwin, she was able to leave a copy of our World Land-Bridge report at the registration desk to be passed on to the Head of the Council plus copies of the Glass-Steagall bill for attending MPs.

Organising in the street is never predictable. In the Brisbane Queen Street Mall, activists led by Jan Pukallus were checked out by the police who were "acting on a complaint" which they found somewhat amusing when

they realised it was over a sign—"Modern Day Bank Robbery"—depicting the long arms of the banks pointing guns at a customer with his arms in the air. Then, council moved the organisers into the centre of the Mall out of the main foot-traffic flow, which proved to be more productive, with people even lining up to speak to them and support what they were doing.

Whether in the city with large numbers of passersby, or a small country town where foot traffic is sparse, we are always on the look-out for singularities—the good people who want to do something to change the system rather than simply complain. The best thing for people to do right now is insist their MP support the break-up of the banks. One man met in Laidley in Queensland said this was exactly the motivator he needed to go and see his MP; he'd been in contact with his MP before but now he realises he must insist on a meeting. A lady who said she has never been political before got excited once she recognised the power of our mobilisation and what her participation could do to add to that power. In the words of Jeremy Corbyn, paraphrasing Percy Bysshe Shelley, "we are many, they are few"!

### In Memoriam: (Jack) John Edwin George

It is with much sadness that we mourn the passing of long-time CEC member and supporter, Jack George from Corrigin WA, who passed away 22 June, aged 93.

We first met Jack in 2005 as a result of calling farmers listed in the Yellow Pages. He responded immediately to our vision for great infrastructure projects for Australia. He had a healthy dislike for the banks and their vulture-like operations as he watched the decline of rural Australia.

Despite this he never lost his dry sense of humour and though his life growing up was very tough, he had a wonderful appreciation for good music and culture; one of his favourite songs was Brahms' Lullaby.

Every call to him evoked a great story from his eventful and very productive life on the land. Several times he recounted the story from his childhood when his father's horse Nugget pulled a rail carriage a considerable distance by himself, even though it nearly killed him. This event had a big impact on Jack and he would get quite emotional remembering the extraordinary courage of that tough little horse who would not give up. It epitomised his own courageous but matter of fact outlook on life.

We value tremendously Jack's support over the past 13 years. Despite his own illnesses and challenges in the latter years, he always helped as much as he could.

We will miss him dearly, even as we celebrate the great contribution he has made for a better Australia and a better world.



# The urgent need for a New Paradigm in international relations

*The following report on the Schiller Institute's recent German conference is taken from the EIR Strategic Alert Weekly Newsletter. Videos are available at [newparadigm.schillerinstitute.com](http://newparadigm.schillerinstitute.com)*

The Schiller Institute held a highly successful conference on 30 June - 1 July in Bad Soden, Germany, bringing together over 300 people from 35 different countries to deliberate on the ways to put a definitive end to geopolitics and base international relations on win-win economic cooperation. The tone for the two days was set by Helga Zepp-LaRouche in her keynote address on the "Coincidence of the Opposites, and the World of Tomorrow" (Almanac), elaborating a unique approach to resolving the various political problems of today.

The first panel on overcoming geopolitics was opened by Vladimir Morozov, Program Coordinator of the Russian International Affairs Council, who stressed the need to rebuild mutual trust among major powers and dealt with the question of multipolarity as opposed to multilateralism. Next, Dr Xu Jian, Vice President of China Institute of International Studies (CIIS) and Senior Research Fellow and Director of the CIIS Academic Council, spoke on the topic "Globalisation in Reverse and the Challenge for China's Foreign Policy in the New Era", pointing to challenges aggravated by globalisation and the market economy.

The audience then heard from US State Senator Richard Black from Virginia via a video presentation on "The True Interest of the United States". The Senator very strongly denounced the "undeclared US war against the Syrian people". Lt. Col. (ret.) Ulrich Scholz, a former German Air Force pilot and NATO planner, noted that politicians speak a lot about "values" and "human rights" to justify their wars, but they are pursuing and protecting brutish interests; Col. (ret.) Alain Corvez, International Consultant, former Counsellor for the French Defence and Interior Ministries, also denounced the policy of military interventionism.

Roger Stone, a political strategist from the Trump faction in the Republican Party, speaking on "The President Trump Europeans Do Not Know", denounced the "evil two-party duopoly" of the Bushes and the Clintons/Obamas that have so alienated Americans from both parties that they voted an "outsider" into the White House.

A panel on Asia, Africa and the Belt and Road Initiative (BRI) was opened by Hussein Askary, Southwest Asia Coordinator of the Schiller Institute, who stressed that to solve the many refugee crises in the world, we must create a new and just world order. He was followed by Wang Hao, the First Secretary for Economy and Trade of the Embassy of the People's Republic of China in Germany, who made a plea for the EU to join the BRI, as the largest trading partner of China. His Excellency Yusuf Maitama Tuggar, Ambassador of the Federal Republic of Nigeria to Germany, urged the audience not to "look through the binary lens of China vs. Europe, a leftover from the Cold War". Mohammed Bila, an Expert Modeller from the Lake Chad Basin Observatory of the Lake Chad Basin Commission, explained the Transaqua project, and where the project currently stands after being approved in March 2018. The long history of relations between China and Africa was



Speakers on the first panel at the Schiller Institute Conference. Photo: SI

taken up by Amzat Boukari-Yabara, an African historian and General Secretary of the Pan-African League Umoja. Abdullatif Elwashali and Aiman Al-Mansor of the Yemeni Association INSAN for Human Rights and Peace, reported on the horrendous situation in their country, due to the war of aggression conducted by the Saudi-led coalition.

A panel on the future of Europe was opened by Jacques Cheminade, President of Solidarité et Progrès. Dr Hans Köchler, Professor of Philosophy and President of the International Progress Organisation, then spoke on "The Re-establishment of International Law". Marco Zanni, a member from Italy of the European Parliament, spoke of the failure of the EU to address problems in many areas such as banking and finance, security, and immigration. Dr Armin Azima, from Hamburg University, spoke out against the shift to "renewable" energy rather than mastery of fusion technology.

The final panel on how Europe can help extend China's economic miracle heard from the Schiller Institute's Elke Fimmen; The "New Paradigm from the View of the Balkans" was the theme taken up by Prof. Ivo Christov, a member of the Bulgarian Parliament; Prominent German economist Folker Hellmeyer spoke about the integration of the Eurasian Economic Union with the BRI; Prof. Duško Dimitrijevic, a Fellow at the Institute of International Politics and Economics in Belgrade, Serbia, went into "China's New Silk Road: The Opportunity for Peaceful World Development"; Hans von Helldorff, Spokesman for the Federal Association of the German Silk Road Initiative, addressed the needed regulatory framework for investments along the New Silk Road; Leonidas Chrysanthopoulos, a former Ambassador of Greece and former Secretary General of the Black Sea Economic Cooperation Organisation (BSEC), stressed the important effects positive economic projects have on bringing former political adversaries together; and Professor Nuruly Bekturganov, Vice President of the Academy of Natural Sciences of Kazakhstan, talked about the Eurasian Canal which would allow large freight ships to go directly from the Caspian Sea to the Black Sea, on to the Mediterranean and the ocean, to enhance shipping throughout Eurasia.

Professor Michele Geraci, an avid supporter of cooperation with China's BRI policy, who has just been named Undersecretary of State in the Economic Development Ministry for the new Italian government of Giuseppe Conte, sent greetings.