LaRouche Outlines Step to New Bretton Woods

On the eve of a crucial meeting of the heads of state of the Organization of Petroleum Exporting Countries (OPEC), taking place on Sept. 26-27 in Caracas, Venezuela, Radio Mágica in Caracas turned to Lyndon LaRouche for commentary and forecast. The OPEC Presidents and their ministers have been denouncing speculation in "virtual oil" as the cause of the skyrocketting price of oil. Venezuela's oil minister, Alí Rodríguez Araque, stated on Sept. 21 that "speculation can only be minimized by agreements between producers and consumers, but . . . I don't know if the governments where this occurs, are prepared to intervene." This was the core issue of the questions to LaRouche on Sept. 21, from Radio Mágica, one of the largest FM stations in Caracas. The interview was conducted by the well-known Venezuelan journalist and former ambassador, Román Rojas. The full exchange follows:

Rojas: Hello, friends. Today, we have in the Radio Mágica studio with us, by telephone hookup from Washington, D.C., the great American economist Lyndon LaRouche, who is an intellectual of great value, worldwide, because of his proposals to deal with the crisis. His writings are known here in Venezuela through the magazines *Executive Intelligence Review* and *Resumen Ejecutivo*. How are you today, Mr. LaRouche?
LaRouche: I'm feeling frisky, and in a fighting mood.

Rojas: As usual. What's the latest fight you're involved in?
LaRouche: Well, first of all, we're in the worst hyperinflation since Weimar Germany of 1923, in which the skyrocketing increase in the price of petroleum is a leading feature. I'm trying rather urgently to get the President of the United States to take certain measures.

Rojas: Mr. LaRouche, in terms of European countries, some people are saying that the cause of the rise of the petroleum prices is not so much because of the producer countries, but the tax question. Is this a positive factor in this current situation?
LaRouche: No, it's not. The key problem here is that you have a concentration in the international spot market, of control over speculation against future deliveries. You also have the complication of the insanity of the U.S. oil companies, in not building up refining capacity. Plus the fact, that those who are speculating against the futures market in petroleum, are part of a, probably, $3 trillion a year rate, currently, of looting other countries, to try to prop up a sick dollar.

My problem in this, is that the people around the President believe that they have to try to prevent a collapse of the dollar from occurring. The fact is that there is nothing they can do about it. The collapse of the dollar is inevitable for sometime in the weeks immediately ahead. And you have people like Larry Summers, the Treasury Secretary of the United States, who is trying to postpone the collapse until after the November general election.

My warning to the government and others is: Look, stop this nonsense! You can't save the dollar this way! What you must do right now, is act on the petroleum crisis to bring that under control. The solution is obvious to people in Venezuela who understand this problem.

What we have to do, is return immediately to the government-to-government annual contracts we used to have as a system, 20 to 25 years ago. In other words, the governments must give priority to nation-to-nation agreements on delivery of petroleum, and override all other deliveries. And since you're going to have a refinery crisis in the United States this coming month, the United States must not only import petroleum; it must now import refined product from countries which have idle refinery capacity. We must also agree among these nations on some kind of a price-pegging for one-year contracts, to cover the situation.

Now, some people will argue that doing that, would collapse the present financial speculation market. But since the market is going to collapse anyway, catastrophically, the most important thing is: Don't worry about the collapse, but prepare to deal with it by doing sensible things on this petroleum issue right now.

The world economy depends, more than any other single factor in the short term, on reliable energy supplies at reasonable prices. And I believe that the oil-exporting countries can agree with countries in Asia and Europe, and the United States, that such agreements are in the mutual interest of all parties. I believe, for example, that the Saudis would agree. Iran would agree. We have 5% of the world's refinery capacity tied up, blockaded, in Iraq. That should be turned around. So, what we need are some governments with clear heads, and resolution to take action, and we can begin to bring this crisis under control.

Rojas: What are the steps that have to be taken on the global financial crisis?
LaRouche: Well, what we have to do, essentially, is go back to the protectionist model of the 1950s, but at least the protectionist model that was in effect through 1971. And the countries and national economies involved, must agree on organizing long-term trade agreements, including organizing private, long-term contracts on delivery and supply of commodities, and also on establishing stable price levels which protect both the exporting and importing countries. In other words, we

have to do very much like what was done between 1945 and 1958, in terms of emergency agreements, and get this whole business under control, to prevent an economic and social catastrophe. What we'll have to do is freeze and reorganize large parts of the outstanding financial assets and debts.

As a matter of fact, if we do not do precisely that, very soon, in the weeks ahead, this planet is going to go into a New Dark Age for decades to come. If you allow the currencies to blow out and financial systems to break down, without state-to-state agreements to bring this under control, you'll have a chain reaction of chaos which will cause a large-scale depopulation of the planet, for economic reasons.

So this is the time when we need really strong leaders, like Franklin Delano Roosevelt, who can take the kind of actions the situation demands. I don't think that Bill Clinton is an FDR, although he's an intelligent person. But I would hope that he would act like a Roosevelt, at least for the period of this crisis. I think that's the best chance for civilization at this point. That's why I'm fighting to accomplish this.

Rojas: Mr. LaRouche, there was recently a summit meeting of the 12 Presidents of South America. In what direction should that process move?

LaRouche: I was very happy with that. This coincides with the kind of thing I proposed in 1982, which was named "Operation Juárez." And we also did some special studies of South America and Central America in that period, which were looking in the same direction that Peru's President Fujimori, for example, presented in the Brasilia conference.

My general view is that there should be a regional agreement among the leading states of Central and South America, to form a group not too much different from what was proposed for the ASEAN-Plus-Three group. My objective is to create a situation on this planet where we have a new kind of replacement for the Bretton Woods system. So we need groups of nations which are strong enough as groups, to participate with the authority of a great power, with the other great powers, in running a new kind of Bretton Woods system very much like that of the 1950s, but this time with the developing sector of the world fully represented. And therefore a strong federal agreement among the states of Central and South America, is one of the essential building blocks of that new kind of Bretton Woods.

Rojas: Mr. LaRouche, Thank you very much.

New Asia Crisis Hits as AMF Talks Delayed

by Kathy Wolfe

Asian stocks and currencies took a deep dive the third week in September, but the "Asia Crisis II" now hitting, as in 1997, is part of a new global financial meltdown, with Europe's euro and South American currencies also in free fall. South Korean, Thai, Indonesian, Hong Kong, Shanghai, and Tokyo stock indices dropped 21%, 20%, 20%, 17%, 10%, and 7% over September, and are down 20-40% for the year. Their currencies are also falling fast against the dollar, with the Japanese yen down almost 3% during September and the Thai, Indonesian, and Filipino currencies down by 10-12% on the month. Multibillion-dollar bankruptcies, such as Kumagai Construction, which announced non-payment of $4.2 billion in loans to Tokyo banks on Sept. 18, and Seoul's Daewoo Motors, which had $6.9 billion in stock dumped by Ford Motor Co. on Sept. 15, are reported daily. Non-performing bank loans in Japan, China, and Korea alone now approach $2 trillion.

Blamed are rocketing oil prices, falling markets for Asian computer chip exports, the same vague charges of "crony capitalism" which triggered the 1997 blowout, and any "excuse *du jour*" which Wall Street and the City of London may provide. In a single day, Sept. 22, the Seoul market plunged 7.1%, Taiwan sank 4.5%, and Tokyo dropped 3% when New York and London investors yanked funds home after reports that Intel Corp. will post only a 3% income rise, rather than 5%, for the third quarter, weakening computer stocks. On Sept. 18, the Seoul market fell 8% when Ford summarily decided to dump the Daewoo stock. On Sept. 10, Moody's downgraded the national bonds of Japan to below the level of IBM paper, an action which even Japan's staid octogenarian Finance Minister Kiichi Miyazawa called "nonsense."

All these explanations, notably the oil price hike (see article, p. 4), are *nonsense*. The physical economies of Japan, Korea, and China have some of the best heavy machinery and machine-tool production on earth. Their shares are enormous bargains at these prices.

In fact, today's "Asia crash," with the new European and South American crisis, is being provoked significantly in order to strengthen the U.S. dollar. Wall Street and the City of London are hysterical about the threat of a dollar meltdown, and are pulling funds from all possible fronts, to increase flows into dollar markets.

Meanwhile, finance ministers from Japan, Korea, and China, meeting Sept. 9-10 in Brunei on the sidelines of the