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Obama, Bandar, and 9/11: The War Threat Grows
Protected Libor-Rigging Is Murder, Not Malfeasance
Geithner Can Lie, But He Can't Hide His Crimes

Dope, Inc. Bank Busted; Time for a New Monetary System

United States Senate

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Committee on Homeland Security and Governmental Affairs

Carl Levin, Chairman

Tom Coburn, Ranking Minority Member

U.S. Vulnerabilities to Money Laundering, Drugs, and Terrorist Financing: HSBC Case History

The HSBC logo, consisting of the letters "HSBC" in a stylized blue font with a white outline, is positioned on the left side of the image. It is set against a background of a modern building facade with glass windows and architectural details.

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EIR

From the Managing Editor

How sweet it is! The LaRouche movement has been doing battle with Dope, Inc., and specifically with the bank known historically as HongShang (now HSBC), since at least 1978. Now the whole world can see these banksters mumbling and stumbling in their testimony to Congress, trying to justify the billions in drug money that have flowed and continue to flow through their coffers.

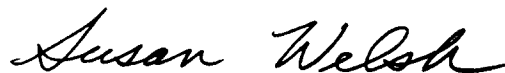
Our fight has had other sweet movements, such as the publication of *Dope, Inc.* (first edition 1978), which drove the drug bankers crazy and has been an “underground” best-seller for three decades. Then there was the 1986 victory in Illinois of two LaRouche Democrats, in the primary election for state lieutenant governor and secretary of state. The media cameras rolled as the candidates rode down Chicago’s State Street on a tank festooned with a banner that read, “War on Drugs.”

But the fight obviously has not yet been won. As Nancy Spannaus writes in introducing our *Feature*, putting the criminals in jail will not be enough; the entire corrupt system has to be changed.

If you want to know what’s going on and why this is happening now, you’ve come to the right place. Our package includes testimony to a Senate subcommittee by HSBC luminaries and government officials who were supposed to keep them honest; a capsule history of Dope, Inc.; the LaRouche movement’s record; and the link between drug banks and terrorism. Supplementing this is our *Strategy* feature, which investigates the case of Saudi Arabia’s Prince Bandar bin Sultan, former ambassador to the United States, whose connections to the 9/11 plotters get thicker and thicker.

Not surprisingly, some of the banks that are under Congressional scrutiny for drug-money laundering are also implicated in the Libor interest-rate scam. It is no coincidence that both scandals are surfacing now, with the bankrupt financial system in its death throes. Our *Economics* section details the effects of the bankers’ policies on the people of the United States and Spain.

The ouster of both Treasury Secretary Tim Geithner and President Obama is essential to saving the world from this desperate crisis of bankruptcy and war. That would be sweet indeed! Our *National* and *International* sections report steps in this direction—as well as what will happen if they are too little, too late.



Cover This Week

It's official: HSBC, the central bank for Dope, Inc., is now under Congressional investigation for its crimes.



Cover design: Alan Yue

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Top executives of the world's oldest Dope, Inc. bank, HSBC, were hauled before the U.S. Senate, and grilled on their roles in the criminal activities of money-laundering for drugs and terrorism, as outlined in a new 335-page report. A more than 30-year campaign by the LaRouche movement led up to this extraordinary scene, but there is much work still to be done before those responsible for the mass-murderous effects of Dope, Inc. meet their just rewards.
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Since HongShang's heyday as the bank of the British Empire's opium trade, the drug-money-laundering policy of the empire has not changed. Today, the trillion dollars generated annually from drug operations has become a major source of liquidity for the London and Wall Street banks, and for financing global terrorism.

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In an international webcast July 8, the two leaders of the LaRouche movement in Europe—Helga Zepp-LaRouche and Jacques Cheminade—addressed their fellow citizens, urging them to act now to save their nations from the imminent threat of dictatorship and collapse. We provide extensive excerpts of the dialogue that followed.

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Dope, Inc. Bank Caught; New Monetary System Now!

by Nancy Spannaus

July 23—It was an extraordinary scene, especially for the U.S. Congress, where bankers are used to having Congressmen and Senators kiss their feet. Several executives of the Hongkong and Shanghai Banking Corp. (now known as HSBC), joined by a number of government regulators, appeared July 17 before an all-day hearing of the Senate Committee on Homeland Security and Governmental Affairs (SHSG) and the Permanent Subcommittee on Investigations (SPSI), to face charges of their role in the criminal activities of money-laundering for drugs and terrorism, which had just been published in a 335-page report by those two committees. Gone was the usual arrogant attitude common to banking witnesses. The bankers especially were bending over backwards to try to appease their accusers.

The scene was all the more striking since the subject under discussion—bankers running the drug trade and terror—has been identified almost solely with the name of Lyndon LaRouche for more than three decades.

Indeed, the political environment in which the major London-Wall Street banks such as HSBC are operating, has changed dramatically. In the face of the accelerating failure of the London-run trans-Atlantic financial system, a powerful faction from the City of London itself has decided to pull back from the brink of financial and thermonuclear Armageddon by calling for the

immediate reinstatement of FDR-style Glass-Steagall banking separation, in cooperation with the United States. Not surprisingly, the very same institutions calling for Glass-Steagall have simultaneously taken the offensive in exposing, and calling for the prosecution of, such financial criminal activities as the Libor-rate-fixing and drug-money laundering by the likes of HSBC.

The U.S. Senate committees have been operating on their own track, however, and, during more than a year of investigation, they have amassed irrefutable evidence of the top bankers' involvement in crimes such as money-laundering for drugs and international terrorism. In leading off the hearing, SPSI Chairman Sen. Carl Levin (D-Mich.) clearly stated that, while the study he was presenting focused on the case of HSBC, HSBC was only one among many major international banks that have been documented to be up to their eyeballs in similar criminal activity—with Wachovia, Citibank, and Riggs Bank being three notable cases.

Equally importantly, Senator Levin and the ranking Republican on the Committee, Tom Coburn (Okla.), turned the spotlight on the criminal collusion with the money-launderers by government regulators, particularly those in Tim Geithner's Treasury Department, de facto adding another count to the bill of indictment



This small stash of cash was found at druglord Zhen Ye Gon's residence in Mexico when authorities arrived on July 24, 2007. Zhen was a client of HSBC's Mexican affiliate, HBMX.

against the Obama Administration. Geithner, and his boss Obama, are exposed as criminally complicit in facilitating the spread of deadly drugs and terror. They must immediately be removed from power.

A Drug-Money System

While the Senators did not openly threaten their witnesses with jailing for their crimes, Senator Levin clearly rattled the HSBC witnesses by raising the possible lifting of HSBC's operating license in the United States. Without access to the U.S. market, in which it even has the special privilege of being able to transfer physical U.S. dollars, HSBC's criminal career in fostering the deadly drug trade and terrorism mayhem would be severely crippled. Nor was criminal prosecution ruled out.

But, welcome as the sight would be of leading international bankers being frog-marched off to prison, at long last, the implications of the exposure of HSBC's role in drugs and terror reach far beyond law enforcement. Authorities on the drug trade, ranging from former UN Office on Drugs and Crime director Antonio Maria Costa to Russian anti-drug "czar" Viktor Ivanov, have testified to the fact that the *only* reason that the world financial system has not collapsed over recent years, is its infestation by drug money. The post-Bretton Woods system is built on corruption and fraud.

"I cannot think of one bank in the world that has not been penetrated by mafia money," Dr. Costa told *Financial Times* journalist John Paul Rathbone, according to a July 21 article in that paper. In his April 12, 2012 interview with [EIR](#), published in our April 27 issue, Dr. Costa also made clear that it was the *banks* that were seeking out the criminal monies, not the other way around. *EIR's* studies indicate that more than a trillion dollars in laundered proceeds of drugs alone, is likely involved.

In other words, it's the entire world financial system that is rotten to the core, not just a few banks; it must be *replaced* by measures that begin with Glass-Steagall banking separation, but then

proceed to the establishment of national banking, fixed exchange rates, and massive great projects, such as NAWAPA XXI in the United States.

Who Was in the Dock?

The July 17 hearing featured 11 witnesses, six from HSBC and five from the U.S. government agencies assigned to enforce the law against money-laundering. No single witness came off looking good.

Let's start with HSBC.

Take the testimony by **Paul Thurston**, the Chief Executive of Retail Banking and Wealth Management at HSBC Holdings in Hong Kong. Thurston had the misfortune to have been deployed to HSBC's Mexican branch in 2007-08, at the point when, according to Senator Levin's account, HSBC's anti-money-laundering director reported, "There were allegations of 60% to 70% of laundered proceeds in Mexico going through HBMX. He [the HSBC director] also stated that HBMX executives didn't care about anti-money-laundering controls."

Given that 80% of all drugs entering the U.S. are transhipped through Mexico, HSBC's 60-70% share of laundered money is no small matter. Also, HSBC has been the fifth-largest bank in Mexico for over a decade, so its role in money-laundering is disproportionately large, and points to the fact that it remains the central

bank of Dope, Inc., as LaRouche charged 34 years ago.

Thurston didn't have much to say about this allegation—nor could he defend the fact that, in the same period, it took years for HSMX to close accounts suspected of involving money laundering.

Senator Coburn went after the fact that just when Thurston began his tenure in Mexico, one of HBMX's clients was Zhenli Ye Gon, "a reported drug lord who got caught selling precursor chemicals for methamphetamine production to La Familia and the Sinaloa cartels." Asked what he had done about this flagrant violation, Thurston stammered and finally had to admit that the Mexican authorities had found HSBC to be one of the slowest banks to respond to their inquiries about money laundering! (See *Documentation*.)

David Bagley, head of Group Compliance at HSBC, also found himself with no more than a figleaf for defense. He took the occasion to announce his resignation from his position as head of Compliance. It is not clear whether he is leaving the bank altogether, or only his position.

Particularly slimy was the testimony of **Stuart A. Levey**, currently the chief legal officer of HSBC. Levey had only been at HSBC for six months, coming to the position, appropriately, from serving as the person in charge of the terrorism financial division at the Treasury Department (2004-07). In that position, Levey was in charge of putting the screws on nations such as Iran, by enforcing murderous sanctions. Now, he has apparently been deployed to "clean up" HSBC's record of evading sanctions, which they were charged with doing in the cases of Iran, North Korea, and Sudan.

While falling back constantly on the fact that he had had such a short tenure at HSBC, Levey was reduced to stuttering about questions of reporting the existence of accounts in the names of known, or suspected, terrorists to the relevant Treasury Department officials.

Who's Minding the Store?

On the hotseat for the lack of enforcement against HSBC, in the face of massive evidence of failures to



HSBC comes from a long historical line of banks making millions from the drug trade, including its predecessor, HongShang, established in 1865. Shown here is the founding of the granddaddy of them all, the British East India Company, in London in 1599. Illustration by Maurice Greifenhagen, 1908.

comply, were the Department of the Treasury and its subsidiary, the Office of the Comptroller of the Currency. While the trail of evidence goes back to the George W. Bush Administration (if not before), the evidence of oversight laxity, which looks more like involvement in a criminal conspiracy, over the last three and a half years, once again goes to none other than Obama's Treasury Secretary, Timothy Geithner.

David S. Cohen, Treasury Undersecretary for Terrorism and Financial Intelligence, was the first witness, and he began with his statement of the problem:

"Although it is difficult to measure with precision, by any estimate the total amount of dirty money moved through and concealed within the U.S. financial system is now in the hundreds of billions of dollars annually. The sheer volume of money moving through the banking system in particular makes banks both the most vulnerable financial institutions for money laundering and terrorist financing, and the most important line of defense against money laundering and terrorist financing."

Sounds fine? Look more carefully. Cohen is saying that the *banks* are the first line of defense—not the government.

The fact that Cohen means this statement to take his department off the hook, became clearer in later testimony. Pressed by Senator Coburn on the potential for

successful enforcement, Cohen squirmed. “I don’t think anyone expects to ever achieve a financial system where there is absolutely no money laundering,” he stated. But the banks should “implement robust anti-money-laundering programs across the range of their activities that is [sic] appropriately tuned to the risk that they face.”

Coburn was not buying, and pressed Cohen on whose responsibility is it to make the banks do the right thing. “All of our responsibility,” Cohen said. No, said Coburn, it’s specific to Treasury. Well, I only write the rules and can’t make sure they’re enforced, Cohen said.

Testimony from the Office of the Comptroller of the Currency (OCC) was even more devastating. **Grace Daily**, former Deputy Comptroller for Large Bank Supervision of the Comptroller of the Currency (2001-10), was one of the bureaucrats who gave HSBC’s U.S. branch (HBUS) a clean bill of health—after it had been under special enforcement—in 2006. She had to admit that the OCC had overlooked over 20 “Matters Requiring Attention” (MRAs) (suspicion of money laundering) in order to recommend lifting the sanction. Yet after HBUS was cleared in 2009, it still had 83 MRAs, “more than any other national bank”!

Thomas Curry, Comptroller of the Currency, has only been in office for three months, and therefore found it easy to get off the hook, by generalizing about “changing the culture” of the OCC.

Deputy Chief Counsel **Daniel Stipano** had a more difficult time. He has been in the OCC working on enforcement for 27 years! Stipano was constantly evasive. Asked by Levin about HSUS having 57 offshore banks which have come under suspicion for illegal activity, for example, he said he couldn’t discuss details because OCC was in the midst of a civil money penalty proceeding.

Senator Coburn’s conclusion was direct: that the hearing had established that there was “some complicity with OCC and HSBC.” What was going to be done about it was not clear.



Just as in the British Opium Wars of the 19th Century, financing and pushing mind-destroying drugs today means menticide and genocide. Shown is the first British Opium War against China, 1841. Painting by Edward Duncan, 1843.

The Real Crimes

Now, step back a minute from the details of this hearing, and look at the real crimes that are being talked about. What the bank money laundering is facilitating, and even organizing, are horrifying crimes, from the destruction of generations and lives with the drug trade, to the financing of terrorist assaults that have taken the lives of thousands, to murder “by the pen”—the denial of necessary funds to vital social and medical services because of financial transactions like the fixing of interest rates, diversion of funds, and the like.

Start with the *drug trade*. Just as in the British Opium Wars of the 19th Century, the financing and pushing of mind-destroying drugs is menticide and genocide on a scale otherwise unrivalled. Nations such as China and Colombia have to some degree “come back” from the assault, but many others—today, most notably, Mexico, Afghanistan, and Russia—are being battered by the expansion of the drug “business.” The crime cannot be measured in the trillions of dollars involved in the drug-pushing, money-laundering business; it has to be measured in the toll in human lives, and human futures.

HSBC has not been the only global bank to carry out this crime, but it was a pioneer, and it continues to do so.

This crime cannot be stopped without the restoration of national sovereignty—which is also a precondition for the establishment of national credit systems

that can build Great Projects, like NAWAPA XXI.

Then there's *terrorism*, on which the Levin-Coburn report contains significant evidence about HSBC financing. Most notable is the role that bank has played in providing funds for al-Qaeda. The committee documents that for more than 25 years, HSBC provided banking services to Al Rajhi Bank, *even after* evidence emerged that the bank, including one of its founders who was an early financial benefactor of al-Qaeda, was funding terrorism. In 2005, when the bank was indicted, HSBC Group Compliance recommended that HSBC affiliates sever ties with it; some HSBC affiliates disregarded the recommendation, while others terminated their relationships but protested and urged HSBC to reverse its decision. Four months later, HSBC Group Compliance reversed itself and announced that all HSBC affiliates could do business with the bank. On Dec. 1, 2006, HBUS Compliance agreed to allow HBUS to reinstate the relationship and resume supplying U.S. dollars to Al Rajhi. This was after Al Rajhi had threatened to pull all of its business from HSBC, if the U.S. banknotes business were not restored.

To put icing on the cake, HSBC was the bank which took over basically all the Saudi bank accounts in the United States, when Riggs National Bank was shut down after being exposed for its role in conduiting Saudi money for terrorists.

Drugs and terrorism are one kind of murder; murder by economic policy is another. The major Wall Street/London banks have specialized in the latter, with their demands for bailouts of their gambling debts, sabotage of sovereign oversight, and just plain looting. Here we once again find HSBC in the center of the process, currently identified with the Libor scandal of interest-rate fixing. HSBC was one of the one to two dozen banks involved in setting the Libor



This magazine of the LaRouche movement (November 1981 issue shown) led the fight against the drug banks' takeover in the United States, notably HongShang.

rate, in ways that ripped off municipalities, unions, and untold others around the world.

What Must Be Done

As Lyndon LaRouche has underlined for decades, there is no way to “reform” the current rotten banking system. It must be totally replaced, with a system based on the primacy of the sovereign nation-state, and the abandonment of monetarism. Value is determined by the contribution of an activity to the potential for human development in the future, through an increase in energy-flux density—not markets or money.

Thus, while the criminals who run HSBC, and the other banking institutions that have set the pace on drug and terror

money-laundering, should indeed be prosecuted and go to jail, that is not enough. Immediately, measures to replace the current system have to be taken.

They start with Glass-Steagall banking separation—dumping the gambling debts, and freeing governments and the commercial banking system of that burden.

But that will leave too little value in the system; after all, we have been producing either increasingly less, or increasingly worthless, “value.” So the only way we can restart the productive process, is by the immediate re-institution of a *credit system*, along the lines of Alexander Hamilton’s national banking system, and revived in various forms since then.

Yet a credit system is effectively meaningless without a Great Project for economic development, a project that will employ millions of people immediately to transform and upgrade the environment of the Earth and the Biosphere for future generations. Today, that Great Project is NAWAPA XXI, the bio-engineering project for moving water from water-rich Alaska into the Great American Desert, and beyond—into the necessary links with Russia to the west, and Mexico to the south.

Hearings in Congress: The Crimes of HSBC

What follows are excerpts from the Congressional Quarterly transcript of the July 17, 2012 Senate Committee on Homeland Security and Governmental Affairs, Permanent Subcommittee on Investigations on U.S. Money Laundering/Terrorist Financing Vulnerabilities. Subheads have been added by EIR.

1. Senator Levin's Opening Statement

Good morning, everybody. Today's hearing will examine the money laundering, drug trafficking and terrorist financing risks created in the United States when a global bank uses its U.S. affiliate to provide U.S. dollars and access to the U.S. financial system to a network of high-risk affiliates, high-risk correspondent banks and high-risk clients. Most international banks have a U.S. affiliate. They use it in part to compete for U.S. clients and businesses, but also to provide themselves with access to the U.S. financial system.

Global banks want access to U.S. dollars because they are accepted internationally. They are the leading trade currency and they hold their value better than any other currency. They want access to U.S. wire transfer systems because they move money across international lines quickly, securely and to the farthest corners of the earth. They want to clear U.S. dollar monetary instruments like traveler's checks, bank checks and money orders.

And they want the safety, efficiency and reliability that are the hallmarks of U.S. banking. The problem here is that some international banks abuse their U.S. access. Some allow affiliates operating in countries with severe money laundering, drug trafficking or terrorist financing threats to open up U.S. dollar accounts without establishing safeguards at their U.S. affiliate. Some operate in secrecy jurisdictions. Some allow poorly managed or corrupt foreign banks to make use of an affiliate's U.S.

dollar account.

Others allow high-risk clients to use those accounts without taking adequate anti-money-laundering steps. Some even allow those affiliates to pressure their U.S. cousins to ease up on U.S. anti-money-laundering restrictions, or look the other way when they spot suspicious activity. The end result is that the U.S. affiliate can become a sinkhole of risk for an entire network of bank affiliates and their clients around the world, playing fast and loose with U.S. rules.

The consequences are the ones that you'd expect from operating a U.S. bank with inadequate safeguards against money laundering. The U.S. bank can end up aiding and abetting transactions that fund terrorists, drug cartels, corrupt dictators and tax cheats. Because all of them want access to the U.S. financial system too and for the same reasons.

Wrongdoers can use U.S. dollars and U.S. wire transfers to commit crimes, arm terror groups, produce and transport illegal drugs, loot government coffers and even pursue weapons of mass destruction. That's why our country has made combating money laundering and terrorist financing a national security imperative. For the last decade, this subcommittee has contributed to the battle against money laundering and terrorist financing by exposing problems that increase U.S. vulnerabilities to abuse.

In 2001, for example, this subcommittee released a



levin.senate.gov

Sen. Carl Levin (D-Mich.) chaired hearings of the Senate Permanent Subcommittee on Investigations on U.S. Money Laundering/Terrorist Financing Vulnerabilities, in which he interrogated executives of HSBC on the bank's multiple crimes against the people of the United States.

report showing how U.S. banks that offer accounts to foreign banks engaging in what is known as correspondent banking, can become conduits for illegal proceeds involving organized crime, drug trafficking or financial fraud. Back then, most U.S. banks opened a correspondent account for any foreign bank with a banking license. After our hearing, U.S. banks took a harder look and assessed the risks before opening a correspondent account.

In 2002, Congress cited our hearings when enacting tougher anti-money-laundering or AML laws in the PATRIOT Act, including in that act a provision making it a legal obligation for U.S. banks to conduct a due diligence review before opening an account for a foreign bank. Tougher AML, or anti-money-laundering [laws], have helped deny criminals access to the U.S. financial system. And as our report that we're releasing today shows, enormous problems remain. To illustrate those problems, today's hearing focuses on a case study involving HSBC, one of the largest banks in the world.

The Case of HSBC

Headquartered in London, HSBC has a network of over 7,200 offices in more than 80 countries, 300,000 employees and 2011 profits of nearly \$22 billion. HSBC has been among the most active banks in Asia, the Middle East and Africa. It first acquired a U.S. presence in the 1980s. Today its leading U.S. affiliate, HSBC Bank, U.S.A., sometimes called H-bus or HBUS, that HBUS affiliate has now 470 branches across the United States and four million customers here. HBUS is the key U.S. nexus for the entire HSBC worldwide network.

In 2008, HBUS processed 600,000 wire transfers per week. In 2009, two-thirds of the U.S. dollar payments that HBUS processed came from HSBC affiliates in other countries. One HSBC executive told us that a major reason why HSBC opened its U.S. bank was to provide its overseas clients with a gateway into the U.S. financial system. Now on top of that, HBUS's history of weak anti-money-laundering controls and you've got a recipe for trouble. In 2003, the Federal Reserve and New York State Banking Department took a formal enforcement action requiring HBUS to revamp its anti-money-laundering program. HBUS which was then converting to a nationally chartered bank under the supervision of the Office of the Comptroller of the Currency, or OCC, made changes. even before the OCC lifted its order in 2006, the bank's anti-money-launder-

ing program began deteriorating. In 2010 September, the OCC issued a supervisory letter, 31 pages long, describing a long list of severe anti-money-laundering deficiencies.

And followed in October of 2010 with a cease and desist order requiring HBUS to revamp its anti-money-laundering program a second time. The OCC cited, among other problems, a massive backlog of unreviewed alerts identifying potentially suspicious activity, a failure to monitor \$60 trillion in wire transfers and account activity, a failure to examine risks at HSBC's overseas affiliates before providing them correspondent banking services and a failure over a three-year period to conduct anti-money-laundering checks on more than \$15 billion in bulk cash transactions with those same affiliates.

To examine the issues, the subcommittee issued subpoenas, reviewed more than 1.4 million documents and conducted extensive interviews with HSBC officials from around the world as well as officials at other banks and with federal regulators. HSBC has cooperated fully with our investigation. The subcommittee's work identified five key areas of vulnerability exposed by the HSBC history. The five areas involve the following; first, providing U.S. correspondent accounts to high-risk HSBC affiliates without performing due diligence, including a Mexican affiliate with unreliable anti-money-laundering controls.

Second, failing to stop deceptive conduct by HSBC affiliates to circumvent a screening device designed to block transactions by terrorists, drug kingpins and rogue nations like Iran. Third, providing bank accounts to overseas banks with links to terrorist financing. Fourth, clearing hundreds of millions of dollars in bulk U.S. dollar travelers checks despite serious suspicious circumstances. And finally offering bearer share accounts, a high-risk account that invites wrongdoing by facilitating hidden corporate ownership.

High-Risk Affiliates

Let's take each in turn. First, the issue of high-risk affiliates. HSBC operates affiliates in 80 countries including jurisdictions facing major money laundering, drug trafficking or terrorist financing challenges as well as weak anti-money-laundering laws and oversight. Yet until recently, HSBC's London-based parent company, known as the HSBC Group, instructed its affiliates to assume that every HSBC affiliate met the group's anti-money-laundering standards and automatically was

told to provide it with correspondent banking services.

HBUS did as told. It opened U.S. correspondent accounts for more than 80 HSBC affiliates, ignoring our law—the American law requiring due diligence reviews before opening U.S. accounts for foreign banks. HBUS dealings with an HSBC affiliate in Mexico illustrate the money-laundering dangers. HSBC Mexico, or HBMX, operates in a high-risk country battling drug cartels. It has had high-risk clients such as Casas de Cambios and it has offered high-risk products such as U.S. dollar accounts in the Cayman Islands, a jurisdiction known for secrecy and money laundering.

HBMX, or HB Mexico, also has a long history of severe anti-money-laundering deficiencies. You add all that up and the U.S. banks should have treated HBMX, the Mexican affiliate, as a high-risk account for anti-money laundering purposes, but it didn't.

Instead, HBUS treated HB Mexico as such a low-risk client bank that it didn't even monitor their account activity for suspicious transactions.

In addition, for three years, from mid-2006 to mid-2009, HBUS conducted no monitoring of a banknotes account used by HB Mexico to physically deposit billions of U.S. dollars from clients, even though large cash transactions are inherently risky and Mexican drug cartels launder U.S. dollars from illegal drug sales.

Because our tough AML or anti-money laundering laws in the United States have made it hard for drug cartels to find a U.S. bank willing to accept huge unexplained deposits of cash, they now smuggle U.S. dollars across the border into Mexico and look for a Mexican bank, or a casa de cambio, willing to take the cash.

Some of those casas de cambios had accounts at HB-Mexico, which in turn took all the physical dollars that it got, transported them by armored car or aircraft back across the border to HBUS for deposit in its U.S. bank notes account, completing the laundering cycle.

Over two years, from 2007 to 2008, HBMX shipped \$7 billion in physical U.S. dollars to HBUS. That was more than any other Mexican bank, even one twice HBMX's size.

When law enforcement and bank regulators in Mexico and the United States got wind of the banknotes transactions, they warned HBMX and HBUS that such large dollar volumes were red flags for drug proceeds moving through the HSBC network.

In 2008, after warnings from regulators, HBMX stopped taking large deposits of U.S. dollars. But for years HBUS provided an easy gateway into our finan-

cial system for suspicious cash from their foreign affiliate in Mexico.

Circumventing U.S. Bans

Next, the second problem involves actions taken by some HSBC affiliates to circumvent a U.S. ban on bank transactions involving designated drug traffickers, terrorists, or rogue regimes such as Iran.

To enforce that ban, the U.S. Treasury Department's Office of Foreign Assets Control, or OFAC, has developed a list of prohibited persons which banks use to develop what's known as an OFAC filter, to identify and stop prohibited or suspicious transactions.

The subcommittee found that for years HSBC affiliates in Europe and the Middle East acted to circumvent the OFAC filter when sending U.S. dollar transactions involving Iran through their accounts at HBUS.

Although they viewed these transactions as legal, under a U.S. exception for so-called U-turn transactions, the affiliates did not want to trigger the OFAC filter and undergo the individualized reviews required to make sure that they were legal.

So they stripped out or omitted any reference to Iran from the paperwork. An outside auditor hired by HBUS has found that from 2001 to 2007 HSBC affiliates sent nearly 25,000 transactions involving Iran, with over \$19 billion through HBUS and other U.S. accounts, while concealing any link to Iran in 85 percent of the transactions.

HSBC's chief compliance officer and other senior executives in London knew what was going on but allowed the deceptive conduct to continue.

While some HBUS officials in the United States claimed not to have known they were processing undisclosed Iranian transactions, documents show that key HBUS officials were informed early on.

HBUS compliance and payments executives repeatedly told HSBC affiliates that they had to use fully transparent Iranian transactions. But when faced with evidence that the affiliates were secretly circumventing the OFAC filter, nobody at HBUS confronted those affiliates, brought the issue to a head and forced the transactions to light. . . .

Links to Terrorist Financing

A third issue involves the fact that HSBC is active in regions of the world with significant terrorism challenges, while demonstrating a worrisome willingness to do business with banks that have links to terrorist fi-

nancing. One example involves Al Rajhi Bank, the largest private bank in Saudi Arabia. After the 9/11 terrorist attack on the United States, evidence emerged that the bank's key founder was an early financial benefactor of Al Qaida and that it provided accounts to suspect clients.

In 2005 HSBC Group told its affiliates to sever ties with that bank. But they made an exception for HSBC Middle East. Four months later, without explaining why, HSBC Group reversed itself and said that all of its affiliates could decide whether to do business with Al Rajhi Bank.

HBUS chose to close its Al Rajhi accounts. Over the next two years however, its own bankers and bankers from other HSBC affiliates pressed HBUS to resume ties with Al Rajhi Bank and in 2006, after Al Rajhi Bank threatened to pull all of its business from HSBC unless HBUS reinstated its U.S. dollar banknotes account, HSBC gave in.

And over the next four years HBUS supplied Al Rajhi bank with nearly \$1 billion, U.S. dollars, stopping only when HSBC made a global decision to exit the banknotes business altogether.

Bulk Traveler's Checks

The fourth area of concern involves HBUS' willingness to clear suspicious bulk traveler's checks for foreign banks. From 2005 to 2008 on a regular basis HBUS cleared \$500,000 or more per day in bulk traveler's checks from the Hokuriku Bank of Japan. . . .

Bearer-Share Corporations

Finally, there is HBUS' willingness to offer accounts to bearer-share corporations. These corporations are prime vehicles for money laundering and other illicit activity by providing anonymity through assigning legal ownership of the corporation to whoever has physical possession of its shares.

Over a decade HBUS opened accounts for 2,000 such corporations, despite warnings by internal auditors and outside regulators that the accounts posed high money laundering risks.

Documents show that the actual account owners deliberately pressured the bank to help hide their identities. One such account was used by a father-son team of Miami Beach hotel developers who were later convicted of tax fraud for hiding \$150 million in assets.

Bearer-share accounts, suspicious traveler's checks, banks with terrorist financing links, hidden

transactions, dodging OFAC safeguards and Mexican drug money, none of them represent the types of transactions we want in a U.S. bank.

If the parent corporation of a global bank can't do a better job policing its affiliates, we shouldn't be providing a bank charter to their U.S. affiliate. If the U.S. affiliate can't do a better job of standing up to affiliate pressures and safeguarding the U.S. financial system, federal regulators should consider whether to pull its charter [emphasis added].

HSBC Group recently issued a policy statement declaring that all of its affiliates would be subject to the highest anti-money-laundering standards among them, that its affiliates would start sharing information to strengthen their anti-money-laundering defenses, and that all affiliates would be subject to diligence reviews.

HBUS has more than doubled the size of its anti-money-laundering compliance department, put in a new anti-money-laundering monitoring system, and closed over 395 high-risk correspondent accounts. These are all good steps, but we saw that movie before in 2003.

The recent commitments are welcome. Apologies and commitments to improve are also welcome. *But accountability for past conduct is essential. And that's what's been missing here [emphasis added].*

Where Were the Regulators?

It's bad enough that a single bank, such as HSBC, exposes the U.S. financial system to multiple money-laundering risks. It's made worse when there's a failure of anti-money-laundering oversight by the regulator, which is supposed to oversee our biggest banks, the OCC.

It is of great concern to the subcommittee, and it should be of great concern to every American that the OCC tolerated the mounting anti-money-laundering problems at HBUS for five years without taking any formal or informal enforcement action.

In addition, when the OCC decided the problems had gone far enough, it lowered HBUS's consumer compliance rating instead of its safety and soundness rating. Every other federal banking agency treats anti-money-laundering deficiencies as a matter of safety and soundness of the bank.

Only the OCC treats anti-money-laundering deficiencies as if they were a matter of consumer protection. Anti-money-laundering safeguards aren't aimed at protecting bank customers. They are aimed at pro-



Creative Commons/Talk Radio News

The Levin hearings zeroed in on the use by HSBC of the infamous British offshore banking center in the Cayman Islands, grilling top HSBC executives David Bagley (far left), Paul Thurston (center), and others. Here, they are sworn in before testifying.

protecting the entire American public from wrongdoers seeking to misuse the U.S. financial system.

The new leadership at the OCC needs to move swiftly to correct the previous oversight shortfalls, and to assure that promised changes at HSBC are implemented promptly and effectively. Our report contains many recommendations to address the abuses that we've identified....

Global banks have caused the world a lot of heartache. Our focus today is on one global bank that failed to comply with rules aimed at combating terrorism, drug trafficking, and the money laundering that fuels so much of what threatens the global community....

2. The Cayman Island Accounts

The following are excerpts from the hearing discussions which zeroed in on the use by HSBC of the infamous British offshore banking center in the Cayman Islands, from Panel II, featuring HSBC witnesses David Bagley, head of Group Compliance, HSBC Holdings PLC; and Paul Thurston, Chief Executive, Retail Bank-

ing and Wealth Management, HSBC Holdings PLC.

Levin: And I want to get to some of that issue by discussing with you the Cayman accounts. Now, when you bought the Mexican bank, when HSBC bought the Mexican bank, it found that HBMX kept open a so-called branch office in the Cayman Islands.

Now, I say so-called branch office because my understanding is there was [no] actual building, no office, no employees. It was just a shell operation that offered U.S. dollar accounts.

The branch, so-called, in Caymans was run by HBMX itself using its own employees in Mexico. And HBMX branch could open a U.S. dollar account for a client.

And at one point, 50,000 clients had these Cayman accounts, holding \$2.1 billion in assets.

Now, we've spent a lot of time on this subcommittee raising questions about Caymans, and other tax havens for tax-avoidance purposes. But this is a little bit different.

And this subcommittee has a lot of interest in these issues involving the Caymans, because they are shell corporations, and they possess and pose significant money-laundering problems. And they do it as soon as they're organized, because nobody knows who's behind those corporations.

And here's a few of the highlights relative to the Caymans. Exhibit 9 is a 2002 audit of HBMX. And that audit notes that 41 percent of the accounts in the Cayman Islands had no client information.

Exhibit 31 is a 2008 e-mail by Mr. Rue [phonetic] saying that 15 percent of the customers there didn't even have a file. Fixing the Cayman accounts will be a huge struggle. He says, "How do you locate clients when there's no file?"

Exhibit 32 is a July 2008 e-mail noting that HBMX has discovered, "significant U.S. dollar remittances

being made by a number of HBMX Cayman customers to a U.S. company alleged to be involved in the supply of aircraft of drug cartels.” That’s exhibit 32.

Later e-mail, November 2008, which is Exhibit 34, describes the Cayman accounts as having been frozen, “due to massive misuse of them by organized crime.”

So Mr. Thurston, first of all, did you know that the Cayman branch was fictitious, just a shell?

Thurston: It’s what’s called a “Cat-B” license, I believe.

Levin: But did you know that it was just a shell company? There [were] no employees there, no office. Were you aware of that?

Thurston: I know that, sir.

Levin: And did you know about the problems at the Cayman accounts that I’ve just read?

Thurston: Mr. Chairman, no, I didn’t during the time that I was there. And I, on reading your report, I was really angry to find there had been an audit report on these in the previous year. But that has been closed off with no actions. So when I got there and went through what are the top risks and the big-audit outstanding items, these were nowhere to be seen.

Levin: All right. So you were unaware the Cayman accounts at the time that you were head of that office?

Thurston: Correct, sir. . . .

Bagley: Thank you. The point is that when we became aware of those Cayman accounts, the ones that remain have all been fully remediated.

So when we became aware and focused on the Cayman accounts themselves, what we did as a group, what HBMX did, was work through each and every one of those accounts, revise and refresh the KYC [Know Your Client—ed.] to satisfy ourselves that there was an explanation for the monies, and that we were satisfied with the source of the funds. And therefore, what is left has been subject to revised and enhanced due diligence, and a refreshment of all of the information that we’re holding.

Levin: Does that mean 20,000 accounts now that you’re going to keep there?

Bagley: Well, actually, the group has recently arrived at a decision which I support, which is to actually close all of those Cayman accounts.

Levin: Well, that’s the short answer, very welcome answer. Particularly, I think this subcommittee is really—looks at its work as contributing to this kind of pressure on you to do the right thing.

Bagley: Sorry to interrupt. I should just be very clear that we are in the process of closing those accounts. They are not yet closed, but they will be closed. . . .

From Panel Three, featuring Stuart A. Levey, Chief Legal Officer, HSBC Holdings PLC. Senator Levin is questioning Levey on legal compliance with the Office of Foreign Assets Control, which has a filter to identify and stop prohibited or suspicious transactions.

Levin: My question though is . . . if one bank knows that information is being sought by OFAC, will it make sure that that information is provided? That’s my question.

Levey: My—again, my—my view on this would be that we would give to any government as much information as we’re legally permitted to do when we get a valid request. So what I—I can’t tell you whether there would be some legal restriction, but we would do everything we could to get them the information.

Levin: Well you say what you’re legally permitted to do, were you legally permitted by the Caymans’, by their law, to provide this? Do you know Cayman law won’t allow this? They’re a secrecy jurisdiction.

Levey: I don’t—I don’t know, Senator.

Levin: Well, but you need to find out.

Levey: Pardon me? Well, if I. . .

Levin: Are you going to be bound by a secrecy jurisdiction’s law that says you can’t share that information, or are you going to be carrying out your commitment here that you’re going to treat all of your affiliates as though they’re one place globally and you’re going to respond to law enforcement with their request?

And if you’re going to say, if legally permitted by the Caymans or by any other country, you’ve got tax havens and so forth with secrecy jurisdictions, Caymans being one of them. Are you bound by that? Are you going to work with law enforcement or are you going to be bound by Caymans?

Levey: We’re going to do everything we can to cooperate with law enforcement.

Levin: But you say though that you’re—if it’s legally permitted, that’s your hedge word, U.S. law binds you to report to OFAC; what are you going to do, live up to Cayman law or U.S. law?

Levey: We would—I don’t know if there would be a conflict there. . .

Levin: There is. Assume there is. . . .

HSBC: Flagship Bank Of Britain's Dope, Inc.

by John Hoefle

July 23—It should come as no surprise that British banking giant HSBC was caught laundering money for drug cartels and terrorist groups. HSBC, as we shall show, is the kingpin bank of the global drug trade, a bank which, since its founding in 1865, has been devoted to financing drug crops and laundering the proceeds. HSBC is, in fact, one of the key controlling institutions of the global illicit drug cartel we call Dope, Inc.

If you think that is an outlandish claim, consider the fact that *EIR*, through its book *Dope, Inc.*, and in its affiliated *War on Drugs* magazine, published in the early 1980s by the National Anti-Drug Coalition, have made this charge for over 30 years, and have *never* been sued or challenged by the bank.

For years, when banks have been caught laundering drug money, they have claimed that they did not know, that they were but victims of sneaky drug dealers and a few corrupt employees. Nothing could be further from the truth. The truth is that a considerable portion of the global banking system is explicitly dedicated to handling the enormous volume of cash produced daily by dope traffickers. This banking apparatus is essential to the functioning of Dope, Inc.—without it, the drug cartels would quickly choke on their own cash.

Contrary to popular opinion, it is not “demand” from the world’s population which creates the mind-destroying drug trade. Rather, it is the world financial oligarchy, looking for massive profits and the destruction of the minds of the population it is determined to dominate, which organized the drug trade. The case of HSBC underscores that point.

The banks—not all of them, but most of the big international ones—are an integral part of Dope, Inc. Serving as the central bank of this global apparatus, is HSBC.

The Bank of Opium

HSBC was founded in Hong Kong in 1865 as the Hongkong and Shanghai Banking Company by a consortium of British opium, silk, and tea-trading companies which themselves were the spawn of the notorious British East India Company. Leading members of the consortium included Jardine Matheson, Dent & Company, David Sassoon & Company, James Innes, and Boston’s Russell & Company. Also supporting the new bank was the Peninsular and Orient Steam Navigation Company, which itself has a sordid history in the dope business.

The opium trade began in the early 1700s as an official monopoly of the British East India Company, which conquered India, and ran it on behalf of the British Crown and the financiers operating through the City of London. Indian-grown opium became a key component in the trade for tea and silk in China.

The East India Company had a thriving business selling British textiles and other manufactured products in India, and selling Chinese silk and tea in Britain. But the Company ran into problems with the opium end of the trade. The influx of opium caused major problems for China, and led the Emperor to issue an edict in 1729 prohibiting opium consumption. Then, in 1757, the Emperor restricted all foreigners and foreign vessels to a trading area in the port city of Canton. A stronger edict in 1799 prohibited the importation and use of opium under penalty of death.

None of this stopped the British from continuing to flood China with opium, creating millions of addicts, but it did cause the East India Company to protect its tea and silk trade by shifting its Chinese opium operations to nominally independent drug runners who bought opium legally from the East India Company in Calcutta, and smuggled it into China.

The most prominent of these drug-running firms was Jardine Matheson & Co. It was founded in 1832 by two Scotsmen, William Jardine and James Matheson. Jardine had been a ship’s surgeon with the East India Company, while Matheson was the son of a Scottish baronet. The firm today is controlled by the Keswick family.

In 1839, the Chinese Emperor launched an anti-opium offensive, which included the confiscation of all opium stocks in the hands of Chinese and foreign merchants. The merchants put up a fight, but were ultimately forced to concede, turning in their opium stocks



EIRNS

HSBC, originally, the Hongkong and Shanghai Banking Co., founded in 1865, is the central bank for the global drug trade.

after being indemnified against losses by British officials. In response, however, the British launched a propaganda campaign against China, accusing it of violating Britain's right to "free trade." Britain sent its fleet to China, to force the Chinese to capitulate to the opium trade.

The action, known as the First Opium War, resulted in the Treaty of Nanking in 1842, under which China not only capitulated to the opium trade, but also agreed to pay reparations to the opium runners and gave the British control of the island of Hong Kong. However, the treaty did not specifically legalize opium, so the British launched a second Opium War, which resulted in the 1856 Treaty of Tientsin, which legitimized the opium trade and opened China up to foreigners even more.

As the opium and other trade with China expanded, Britain's new territory of Hong Kong became a major imperial commercial center. The opium dealers gath-

ered together to form a bank, the Hongkong and Shanghai Bank, as the financial flagship of the British opium trade. Over time, the bank—now known as HSBC—would extend its reach into the drug fields of the Middle East and Ibero-America, as befitting its role as the financial kingpin of Dope, Inc.

Invading America

In 1978, the Hongkong and Shanghai Bank, commonly known as the Hong-Shang, announced its intention to move into the U.S. with the purchase of Marine Midland Bank of Buffalo, New York. The U.S. dope trade had expanded significantly over the past decade, and the British were determined to grow it even further.

The move touched off a major political fight, which we describe in the accompanying article on the LaRouche move-

ment's battle to destroy Dope, Inc. Ultimately, however, HongShang succeeded in getting a national charter. In July 1979, the Lehman Brothers partner who chaired Marine Midland moved to convert the bank to a national charter. Despite Comptroller of the Currency rules which stated specifically that a bank may not change its charter merely to circumvent state regulation—and over the expressed opposition of the State of New York—the charter change was approved, clearing the world's most notorious dope bank to take over a top-rank American bank.

HSBC extended its tentacles into America with the establishment in 1995 of a joint venture in California with Wells Fargo, the Wells Fargo HSBC Trade Bank; the same Wells Fargo, we should add, which took over Wachovia after that bank's offices in Miami were raided by Federal law enforcement officials after it was caught laundering large amounts of dope money.

Marine Midland also expanded, buying a large thrift institution.

HSBC took another significant step in 1999, with the purchase of Republic New York Corp., and its Republic National Bank. Republic was founded and controlled by Edmond Safra. Republic had a large gold bullion operation, and also a large “bulk cash” business which was featured in a 1996 exposé in *New York* magazine, detailing how Republic was sending hundreds of millions of dollars a week in \$100 bills to Russia to finance the expansion of the Russian mob.

Today, HSBC’s U.S. arm, HSBC North America Holdings, is the ninth-largest bank holding company in the country, with over \$340 billion in assets. It is the sixth-largest U.S. derivatives bank, with over \$4.4 trillion in bets outstanding.

Global Parasite

Thanks mostly to its thriving dope business, HSBC has become one of the biggest banks in the world. Among its leading acquisitions internationally: It took over the Mercantile Bank of India, London, and China, and the British Bank of the Middle East in 1959; and in 1992, it completed a slow takeover of England’s Midland Bank. In 1981, it made a bid for the flagship of the Inter-Alpha Group, the Royal Bank of Scotland, which was blocked by the British Monopolies and Mergers Commission.

In 1997, it made a major expansion into Ibero-America, buying parts or all of banks in Mexico, Argentina, Peru, and Chile, and founding a new bank in Brazil.

From the Far East to the Middle East to Ibero-America, everywhere the drug trade is flourishing, you will find HSBC. It may not handle the dope, but it does handle the money, making sure that the “citizens above suspicion” who run Dope, Inc. from places such as the City of London get their cut of the proceeds.

Now HSBC has been caught red-handed laundering money in the U.S. It’s time we set an example and revoke its charter to do business here. This is a bank which has abused us, assaulted our people, and violated the law with abandon. Revoke its charter and shut it down. Now.

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LaRouche’s Campaign Vs. Dope, Inc. & HSBC

July 21—In 1978, Lyndon LaRouche and his associates launched a national campaign to block the Hongkong and Shanghai Bank (HongShang, now known as HSBC) from taking over the Marine Midland Bank of Buffalo, N.Y. The HongShang was then, and remains still, the flagship bank of the British Empire’s global drug trade (see accompanying article).

As part of that campaign, we produced the book *Dope, Inc.*, which exposed the British Empire’s historic control over the global opium trade and the way in which large sections of the empire’s global banking apparatus were created specifically to launder the proceeds of the dope trade, and hide the flow of that money back into the imperial coffers. We present here a small sample of our 34-year battle to defend the U.S. and the world against the British Empire’s Dope, Inc. apparatus, and its “central bank,” HSBC.

- **In the Fall of 1978**, LaRouche’s *EIR* magazine uncovered the British strategy for invading the U.S. banking system, through the acquisition of major U.S. banks by British banks, a strategy being facilitated by financial insiders in the U.S., such as Paul Volcker at the Federal Reserve and Comptroller of the Currency John Heimann at Treasury. One of the feet in the door was the attempt by the dope bank HongKong Shanghai Bank Corporation to purchase 51% of Marine Midland, then the 12th-largest bank in the United States.

- **EIR published** a number of feature stories on the British dope banks, which it dubbed “Dope, Inc.,” while the LaRouche movement’s political arm, the U.S. Labor Party, intervened by presenting a 300-page dossier on HongShang’s connections to the drug trade to the Federal Reserve and the New York authorities, both of whom had regulatory power over the purchase.

- **In December 1978**, the LaRouche movement issued the first edition of *Dope, Inc., Britain’s Opium War Against the U.S.*, a groundbreaking book which detailed how the British Empire runs the global drug trade through a combination of chivalric and Masonic orders,

trading companies, and banks. We also identified the key role of the British territory of Hong Kong and its dominant bank, the HongShang, in the dope trade. The HongShang Bank, we noted, was “created in 1864 to finance the drug trade” and quickly became “the financial hydra unifying the production, transportation, and distribution of Asia’s opium.”

- **In early 1979**, *EIR* magazine defended the efforts of U.S. patriots to block HongShang’s purchase of Marine Midland Bank, identifying the move as a “projected City of London takeover of direct control of the world monetary system,” while the U.S. Labor Party continued to pursue the issue in the courts, seeking to overturn the March 16 Federal Reserve approval of the application.

- **In May 1979**, New York State banking superintendent Muriel Siebert made it known that she intended to disapprove the HongShang takeover attempt, by circulating a 48-page draft report within the state government. Siebert, whose decision was backed by the Independent Bankers Association of New York State, in her draft, questioned whether HongShang had “the attributes needed for management” of Marine Midland, and the appropriateness of having a bank controlled by a foreign power, especially in case of a national emergency.

- **In June 1979**, sensing that it would be denied, HongShang withdrew its application for approval as a New



The U.S. Labor Party issued the first edition of Dope, Inc., in December 1978.



In May 1979, New York State banking superintendent Muriel Siebert announced her intention to prevent the takeover by HongShang of Marine Midland Bank, as covered in this issue of EIR.

York State-chartered bank, and applied for a national charter, ultimately receiving approval from the Federal authorities, among whom, Paul Volcker was the most prominent.

- **In 1985**, *EIR* reported that the worldwide drug traffic had doubled in dollar terms since 1978, and previewed the upcoming, updated edition of *Dope, Inc.* Among the new revelations was the role of Henry Kissinger’s Kissinger Associates as a board of directors of sorts of Dope, Inc., based on its banking and political connections. In March of that year, LaRouche issued a call for “A Proposed Multi-National Strategic Operation Against the Drug Traffic for the Western Hemisphere,” delivered at a conference in Mexico City; the proposal in-

cluded the measures required to bust the international financial cartel which runs the drug trade from the top down.

- **In 1986 and 1992** *EIR* issued updated versions of *Dope, Inc.*, adding new information, and showing how the warnings we had issued were coming to pass. The dope trade had become a major problem for society, and our banking system, being increasingly deregulated, and delinked from any active role in investment in the physical-economic growth of the United States, had become hooked on the dope money.

- **In 1999**, *EIR* reported on the visit by New York Stock Exchange chairman Richard Grasso to Colombia, where he met with the leader



ANCOL/Fernando Ruiz

The infamous “Grasso Abrazzo”: New York Stock Exchange president Richard Grasso embraces Colombian drug kingpin Raúl Reyes, at his jungle hideout.

of the narco-terrorist FARC, Raúl Reyes. Reyes, Grasso declared, is “a man Wall Street can do business with.” A photo of the embrace between the banker and the terrorist, which the LaRouche movement printed in a widely circulated poster, provided poetic visual proof that Wall Street was not only hooked on dope money, but shamelessly seeking it.

- **In 1999**, *EIR* re-stated its long-standing attacks against “HongShang’s 150-year tradition as the central bank of the British opium trade in the Far East, from the time of the two British Opium Wars of the 19th Century.”

- **In 2009**, *EIR* updated the picture of the penetration of the global dope trade in the world economy yet again, identifying the role of British-run mega-speculator George Soros as the key operative behind the move for drug legal-

money-laundering, *EIR* wrote: “Briefed on the HSBC case, Lyndon LaRouche posed a crucial question:

How much of the drug money was funneled into the 2008 Obama Presidential campaign? LaRouche cited the pivotal role of British agent and dope legalizer George Soros in promoting the Obama Presidential run and financing it, noting that the Mexico-U.S. border area from Arizona to Texas was flooded with dope money, coming back into the United States, during the relevant period.”

Today, this enemy agency, now known as HSBC, stands exposed by the United States Senate as a criminal enterprise, laundering money for drug cartels and terrorists. To those who know their history, this is no surprise. It is past time to put this evil outfit out of business!



EIR's Aug. 29, 1997 cover, featuring George Soros's role in pushing drug legalization on behalf of the drug-money-laundering banks.

HSBC Funding Was Behind the Terror in Bangladesh, Mumbai

by Ramtanu Maitra

On July 17, the U.S. Senate released a report on the old British colonial drug bank Hongkong and Shanghai Banking Corp.'s (now called HSBC) ties to drug-money laundering and funding of terrorists through Saudi and Bangladeshi banks. That is, however, just one part of HSBC's role. The other part was to flow billions in drug money, laundered through offshore operations, into the bankrupt City of London and Wall Street banks, providing them with cash used to control influential leaders around the world.

During the British Empire's heyday, Hong Shang Bank was in full control of the opium trade to fund the Empire. During the late 18th Century, more than 50% of the Empire's income came from India's opium fields, whose output was then sold to Chinese retail opium markets. This has been documented in depth by *EIR's Dope Inc.*, published in 1978.

Since then, Britain's drug-money-laundering policy has not changed, but has morphed a bit, although the Empire, as a physical entity, ceased to exist. Now, with Wall Street and the City of London joined at the hip, almost a trillion dollars generated annually through drug operations has become a major source of liquidity for these two mega-financial districts.

The report of the U.S. Senate Permanent Subcommittee on Investigation (see above) shows how Afghan opium/heroin money, which was about \$800 billion in street value in 2007, played a role in triggering terrorist activities in South Asia—the massive attack on Mumbai in November 2008, in particular—and how that arrangement was set up.

Afghan Opium for Bankers and Terrorists

There is a general impression that Afghanistan has always been the center of opium production. In fact, it has not. Prior to the Soviet invasion in 1979, opium production in Afghanistan was less than 1,000 tons; that grew to 8,200 tons (based on conservative UN

Office on Drugs and Crime/UNODC figures) in 2008. Throughout this period, Afghanistan was in a state of war. Following the Soviet invasion, the anti-Soviet powers, particularly, the U.S., U.K., and Saudi Arabia, began generating larger amounts of drug money to finance much of the war to defeat the Soviets. Since 1989, after the Soviet withdrawal, there has been an all-out civil war in Afghanistan, as the U.S.-U.K.-Saudi-created mujahideen dipped further into the opium/heroin money.

Beginning 1995, it was the synthetic Taliban militia, created by the Saudis and the Pakistani ISI/military, who jacked up the drug production to finance their militia operation. After 2001, when the Taliban was ousted by the U.S./NATO forces, opium/heroin production took off, particularly since 2005. That was an important year in the drug money/terrorist-funding operation that led to the attack on Mumbai, India.

Opium production in Afghanistan between 1979 and 2005, however, did not grow steadily, but rather, as demanded for drug-money and terrorist operations. According to UNODC records, in 1994, the production was 3,416 tons. It fell to 2,000-plus tons until 1998. In 1999, the Taliban, having set up its money-laundering operations in Dubai with the help of the Indian drug trafficker/gun-runner/terrorist Dawood Ibrahim, jacked up production to 4,565 tons. Then, production fell abruptly to a mere 185 tons in 2001, when the U.S. invaded Afghanistan. Production rose to 4,200 tons in 2005, and then, it exploded, reaching 8,200 tons in 2007; 7,700 tons in 2008; and 6,900 tons in 2009.

What was happening in Afghanistan during this period that caused opium production to soar to those levels? History shows that the U.S. invasion in 2001 came close to wiping out the Taliban forces; the Afghan people, at least at that point in time, because of the Pakistani-Saudi links to the Taliban, and the oppressive nature of the Wahhabi-indoctrinated regime, supported the invading American and NATO forces. That began to change in 2005.

The year 2005 is important in this context, since one of the most damning parts of the U.S. Senate report details HSBC's relationship with the Saudi-based Al Rajhi Bank, a member of Osama bin Laden's "Golden Chain" of important al-Qaeda financiers. The HSBC-Al Rajhi relationship has spanned decades; perhaps that is why, even when HSBC's own internal compliance offices asked that it be terminated in 2005, and even when the U.S. government discovered hard evidence of Al Ra-



The attacks across Mumbai were carried out over a four-day period, Nov. 26-29, 2008, and killed more than 160 people. The attackers relied on the networks of the well-known drug/terror kingpin Dawood Ibrahim. Shown: the Taj Mahal Hotel in Mumbai, one of multiple targets of the terrorists.

jhi's relationship with terrorism, HSBC continued to do business with the bank until 2010.

In fact, the report said, Al Rajhi's links to terrorism were confirmed in 2002, when U.S. agents searched the offices of a Saudi non-profit U.S.-designated terrorist organization, Benevolence International Foundation. In that raid, agents uncovered a CD-ROM listing the names of financiers in bin Ladin's Golden Chain. One of those names was Sulaiman bin Abdul Aziz Al Rajhi, a founder of Al Rajhi bank.

Setting Up Drug Money-Laundering and Terror-Financing

Why did HSBC not terminate its links with the Al Rajhi in 2005? The answer lies in what was then put in place in Afghanistan to generate large amounts of cash. When it comes to opium/heroin and offshore banks, Britain rules supreme. In 2005, poppy fields in southern Afghanistan began to bloom, and it became evident to the bankers and the geopoliticians of Britain and the U.S. that cash to support the financial centers and the terrorists could be made right there.

It was announced on Jan. 27, 2006 in the British Parliament that a NATO International Security Assistance Force (ISAF) would be replacing the U.S. troops in Helmand province as part of Operation Herrick. The British

16 Air Assault Brigade would make up the core of the force. British bases were then located in the districts of Sangin, Lashkar Gah, and Gereshk.

As of Summer 2006, Helmand was one of the provinces involved in Operation Mountain Thrust, a combined NATO-Afghan mission targeted at Taliban fighters in the south of the country. In July 2006, the offensive essentially stalled in Helmand, as NATO (primarily British) and Afghan troops were forced to take increasingly defensive positions under heavy insurgent pressure. In response, British troop levels in the province were increased, and new encampments were established in Sangin and Gereshk. In Autumn 2006, some 8,000 British troops

began to reach "cessation of hostilities" agreements with local Taliban forces around the district centers where they had been stationed earlier in the Summer, and it is then that drug-money laundering began in earnest.

This drug money, at least a good part of it, is generated in this area with the help of Dawood Ibrahim, who also played a role in helping the Mumbai attackers by giving them the use of his existing network in Mumbai. At the time, Ibrahim worked on behalf of the British, and ran his operation through the British-controlled emirate of Dubai. Drugs came into Dubai through Dawood's "mules," protected by the Pakistani ISI and British MI6; the dope was shipped in containers which carried equipment sent there for "repair" from Kandahar and elsewhere in southern Afghanistan. British troops controlled Helmand province, where 53% of Afghanistan's gargantuan 8,200 tons of opium was produced in 2007.

The drugs were converted, and still are today, to cash in Dubai, where Dawood maintains a palatial mansion, similar to the one he maintains in Karachi. Dubai is a tax-free island-city, and a major offshore banking center. The most common reason for opening an offshore bank account is the flexibility that comes with it.

With the development of the Dubai International Financial Centre (DIFC), which is the latest free-trade

zone to be set up there, flexible and unrestricted offshore banking has become big business. Many of the world's largest banks already have significant presence in Dubai—big names such as Abbey National Offshore, HSBC Offshore, ABN Amro, ANZ Grindlays, Banque Paribas, Banque de Caire, Barclays, Dresdner, and Merrill Lynch, all have offices in the Emirate already.

In addition to Dubai, most of the offshore banks are located in former British colonies, and all of them are involved in money laundering. In other words, the legitimization of cash, generated from drug sales and other smuggled illegitimate goods, into the “respectable banks,” is the modus operandi of these offshore banks. The drugs that Dawood's mules carry are providing a necessary service for the global financial system, as well as for the terrorists who are killing innocents all over the world.

In December of 2007, this Britain-run drug-money-laundering and terrorist-networking operation was about to be exposed, when Afghan President Hamid Karzai learned that two British MI6 agents were working under the cover of the United Nations and the European Union, behind his back, to finance and negotiate with the Taliban. He expelled them from Afghanistan. One of them, a Briton, Michael Semple, was the acting head of the EU mission in Afghanistan, and is widely known as a close confidant of Britain's Ambassador, Sir Sherard Cowper-Coles. Semple now masquerades as an academic analyst of Afghanistan, and was associated with the Harvard Kennedy School's Carr Center. The second man, an Irishman, Mervin Patterson, was the third-ranking UN official in Afghanistan at the time that he was summarily expelled.

These MI6 agents were entrusted by London with the task of using Britain's 7,700 troops in the opium-infested, Pushtun-dominated, southern province of Helmand to train 2,000 Afghan militants, ostensibly to “infiltrate” the enemy and “seek intelligence” about the lethal arms of the real Taliban. Karzai rightly saw it as Britain's efforts to develop a lethal group within Afghanistan, a new crop of terrorists.

The drug money thus generated to fund the financial centers and terrorists was also responsible for ongoing terrorist attacks that have destabilized most of South Asia. The most important of these was the massive attack on Mumbai, which killed 166 people at the railroad station, two major hotels, and a Jewish Community Center. It was a well-organized and long-planned attack. While the Pakistani ISI was the keeper of these

terrorists, they had links to the United States, U.K., Saudi Arabia, and Bangladesh, not to speak of Dawood Ibrahim's network inside India.

The Bangladesh Connection

The July 17 U.S. Senate Report mentioned HSBC's links to two terrorist banks in Bangladesh, Islami Bank Bangladesh Ltd (IBBL) and Social Islami Bank Ltd. The report, prepared by a team led by Sen. Carl Levin, said that Al Rajhi Bank was associated with Islami Bank Bangladesh, which provided an account to a Bangladeshi who had been accused of involvement in a terrorist bombing. In the case of Islami Bank, the factors included substantial ownership of the bank by Al Rajhi, the central bank's fines for failing to report suspicious transactions by militants, and an account provided to a terrorist organization.

Al Rajhi Bank provided a correspondent account to Social Islami Bank, whose largest single shareholder for many years had been the International Islamic Relief Organization (IIRO), a “charity” based in Saudi Arabia. A second shareholder was the precursor to the Benevolence Islamic Foundation, also later designated by the U.S. as a terrorist organization, said the report. In the case of Social Islami Bank, the factors included ownership stakes held by two terrorist organizations whose shares were exposed but never sold as promised, and a bank chairman found to be involved with criminal wrongdoing.

Since the focus of India's investigation was directed toward Pakistan, the Bangladesh connection to the attack was never fully exposed. Some early reports indicated that some SIM cards in the cell phones used by the Mumbai attackers belonging to the Pakistan-headquartered Lashkar-e-Taiba (LeT) terrorist group, were purchased a month earlier from three different locations in Kolkata, and sent to Pakistan via Bangladesh.

A July 22, 2011 *Asia Times* article, “Bangladesh link to Mumbai blasts tests ties,” by Syed Tashfin Chowdhury, said that Abdullah Khan, of the Indian Mujahideen (IM), was possibly involved in the logistics set up for the Mumbai attack. The article said: “Abdullah Khan is now ‘operating the IM module which is assigned to maintain liaison with the Bangladesh-based Harkat Ul Jihad Al Islami (HuJI) and, in a joint venture, has recruited a few new cadres for their outfit.’” Investigators said that even six months ago, Khan was stationed in Nepal, and used to shuttle between Bangladesh and Pakistan, the article said.

Abdullah Khan's terrorist activities were reported again in 2011. According to Indian media reports, Khan was the suspected mastermind of the serial bomb blasts that killed at least 19 people and injured over 130 more in Bangladesh in July 2011.

But it seems either the trail ended there, or investigators did not follow the leads. Bangladesh has serious terrorism problems. It has two major political parties, the Awami League (AL), now in power, and the Bangladesh Nationalist Party (BNP). BNP, led by former Prime Minister Khaleda Zia, has its political base entrenched in two groups of Bangladeshis. These are the anti-India population and the pro-jihadi faction. To build a political movement on the basis of this ideology immediately attracts the usual providers, such as Britain, which still would like to see India break into pieces, or stay in a state of instability which would stymie its growth potential; and the Wahhabi-promoting Saudis.

There are more than 100 Islamic groups in Bangladesh. Most of them are funded from Saudi Arabia and some of them, such as Muslim Aid (U.K.) and Hizb ut-Tahrir, which were involved in assassination attempts on Prime Minister Sheikh Hasina Wazed, are directed by the MI6-controlled "Londonistan" Islamic forces.

The Islami Bank Bangladesh, linked to militancy and controlled by the Jamaat, has been accused of funneling money to al-Qaeda-linked militants and supporting radical Islamism in other countries. Yassin Qadi, a U.S.- and UN-designated financier of terrorism, is also close to the bank. Qadi is a Saudi businessman and son-in-law of Sheikh Ahmed Salah Jamjoom, a foreign sponsor of IBBL. Jamjoom is a former commerce minister in the Saudi government. The Kuwaiti-based Revival of Islamic Heritage Society (RIHS) also had accounts at the bank that are suspected of financing terrorism in Bangladesh and elsewhere. It is believed that the organization helped finance the Aug. 17, 2005 serial bombings in Bangladesh.

A major go-between in this operation is Tarique Rahman, Khaleda Zia's son, and perhaps the most powerful individual within the BNP. Rahman, senior vice chairman of BNP, is now under threat of arrest on a number of criminal charges. He has fled to—yes, you guessed it—London. He was allowed to leave Dhaka as he sought treatment at Wellington Hospital in London. At the airport he signed a statement forcing him to retire from BNP politics in Bangladesh. At present, reports indicate, Tarique is living in a rented accommodation in Edmonton, London, with his wife and daughter, and re-

ceiving treatment for his broken spinal cord.

According to available reports, Tarique and his crony Giasuddin al-Mamun, managing director of Channel 1 television, who has been recently charged with money-laundering at the Dhaka Court, were under inspection by the intelligence agencies, and their findings started making headlines: bank accounts in Switzerland, Singapore, South Africa, Malaysia; investments in UAE. Among others, Tarique was dealing with Dawood Ibrahim.

In March 2012, the fugitive Rahman, now under protection of MI6, was charged, along with 29 others, in the 2004 Chittagong Port arms-smuggling case. He allegedly masterminded the botched supply of 10 truckloads of Chinese arms to Paresch Baruah, the boss of the northeast Indian separatist movement ULFA, with help from the Pakistani ISI. The cache of arms included 27,020 Chinese-made grenades, 840 rocket launchers, 300 accessories of rocket launchers, 2,000 grenade-launching tubes, 6,392 magazines and 1,140,520 bullets, which, according to a Bangladeshi intelligence official, could have supplied 20 Mumbai-type attacks if they had been delivered.

10 Years Later

An LPAC-TV
Feature Film

Eight months before the September 11, 2001 attacks, Lyndon LaRouche forecast that the United States was at high risk for a Reichstag Fire event, an event that would allow those in power to manage, through dictatorial means, an economic and social crisis that they were otherwise incompetent to handle. We are presently living in the wake of that history.

<http://larouchepac.com/10yearslater>



Obama, Bandar, and 9/11: The War Danger Grows

by Jeffrey Steinberg

July 25—Last week, Saudi Arabia's King Abdullah named Prince Bandar bin-Sultan as the new head of Saudi Arabia's intelligence service. The announcement is not only a slap in the face to every family that was a victim of the Sept. 11, 2001 terrorist attack on the World Trade Center and the Pentagon. The appointment signals an escalation on the part of the Kingdom of an Anglo-Saudi drive for a new hundred-year religious war to engulf all of Eurasia and beyond.

Prince Bandar is not only one of the principal architects of the "Al-Yamamah" arms-for-oil barter deal behind the world's biggest terrorist slush fund. As King Abdullah's national security advisor, prior to the new assignment, Bandar had been the central coordinator of the flow of money and weapons to radical Salafist insurgents, deployed in Syria, Pakistan, Afghanistan, and throughout the African continent.

The Bandar appointment, according to several American and Middle Eastern terrorism experts interviewed in recent days, means that Saudi Arabia is committed to an immediate escalation in Sunni-versus-Shi'ite and Islamist-versus-secularist conflicts, that could spread rapidly into Russia and China, as well as the entire Central Asian arc.

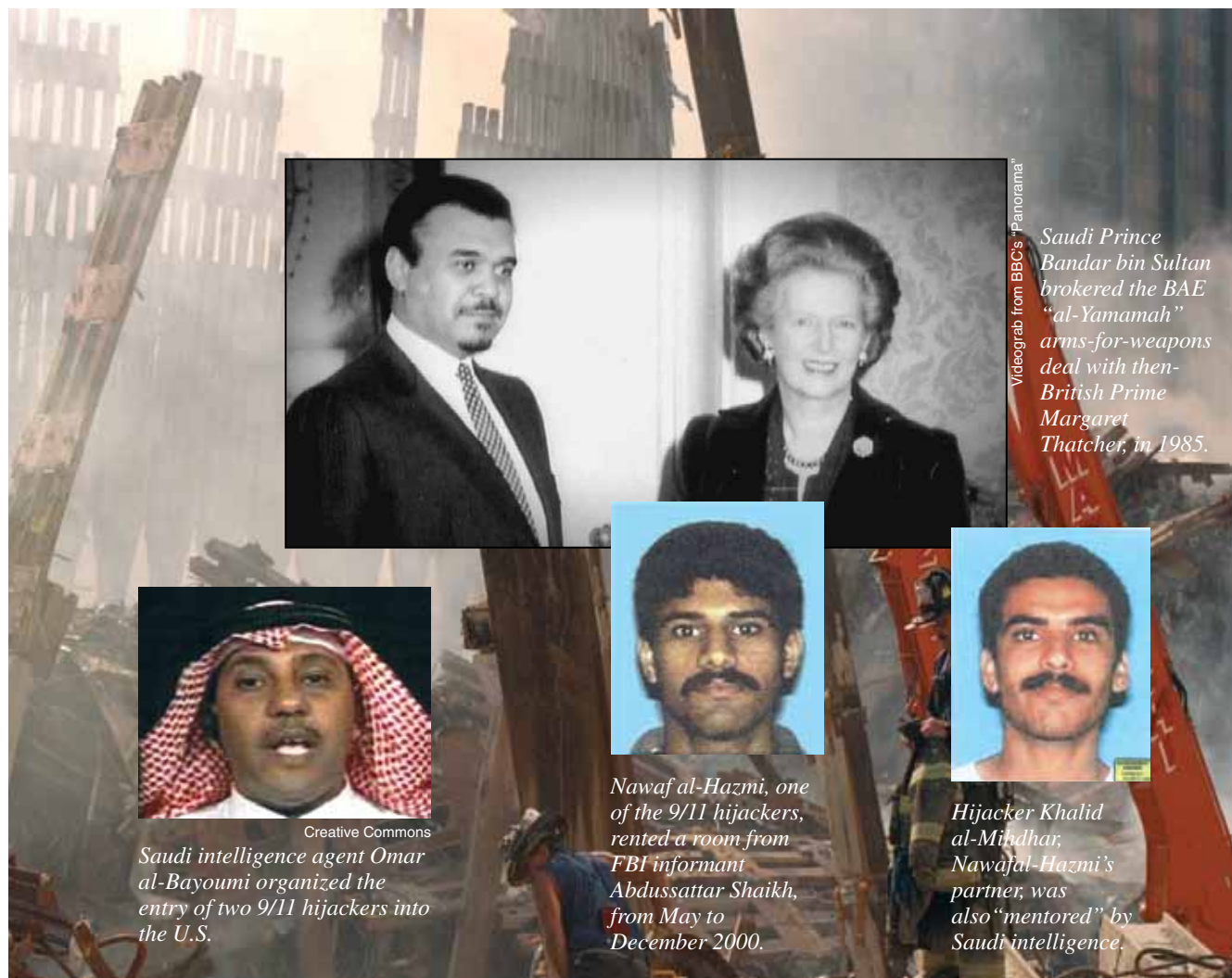
There is one other stunning implication of the Bandar promotion. President Barack Obama, as well as his predecessor George W. Bush, will have even more blood on their hands. Since coming into the Presidency

in January 2009, Obama has perpetuated one of the most scandalous coverups since the Warren Commission covered up the true story behind the assassination of President John F. Kennedy.

Through acts of omission and commission, Obama has blocked the release of damning evidence that Prince Bandar was a conduit of funds from Saudi Arabia and Great Britain into the hands of at least two of the 9/11 hijackers (see below). Two experts on the 9/11 attacks who participated in the official U.S. Government investigations—former Senators Bob Graham (D-Fla.) and Bob Kerrey (D-Neb.)—have both filed affidavits in an ongoing Federal Court case, accusing the Saudi government of financing and otherwise supporting *all* of the hijackers who perpetrated the worst terrorist massacre of Americans in our history.

The evidence of the Bandar/Saudi hand behind the 9/11 events is only partially buried in the secret files of the U.S. Government. Many details have come to light, and were known even before President Obama's inauguration. On July 17, 2009, this author published an in-depth report on the Bandar-9/11 links, based, in part, on recently released documents from the 9/11 Commission, and in part, on *EIR's* exclusive investigation into the Al-Yamamah program.¹

1. Jeffrey Steinberg, "9/11 Cover Is Blown," [EIR](#), July 17, 2009.



Video grab from BBC's "Panorama"

Saudi Prince Bandar bin Sultan brokered the BAE "al-Yamamah" arms-for-weapons deal with then-British Prime Margaret Thatcher, in 1985.



Creative Commons

Saudi intelligence agent Omar al-Bayoumi organized the entry of two 9/11 hijackers into the U.S.



Nawaf al-Hazmi, one of the 9/11 hijackers, rented a room from FBI informant Abdussattar Shaikh, from May to December 2000.



Hijacker Khalid al-Mihdhar, Nawaf al-Hazmi's partner, was also "mentored" by Saudi intelligence.

From the July 2009 Exposé

Early in 2009, the National Archives released documents from the files of the 9/11 Commission, which were previously classified. Three of those documents, recently obtained by *EIR*, provide the "smoking gun," proving the central role of Saudi intelligence, and the critical support role of British intelligence in the preparation, execution, and coverup of 9/11. The most significant of the documents, still partly classified, is a "Memorandum for the Record," summarizing an April 23, 2004 interview with a Southern California-based FBI informant, who rented out a room in his home to two of the 9/11 hijackers, during 2000. Although the memorandum redacted the informant's name, other public sources have identified the man as **Abdussattar Shaikh**.

In the interview, Shaikh provided a detailed account of his first encounter with the two 9/11 hijackers, **Nawaf al-Hazmi** and **Khalid al-Mihdhar**. In April 2000,

Shaikh posted an announcement on the bulletin board at the Islamic Center of San Diego (ICSD), offering to rent rooms in his home to "devout Muslims." At that time, Shaikh was already acting as a paid informant for the FBI. According to his account to 9/11 Commission investigators Quinn John Tamm, Jr. and Dietrich Snell, Shaikh was approached after Friday prayers by Al-Hazmi, who said he and al-Mihdhar urgently needed housing. By Shaikh's account, the two men moved into his home on May 10, 2000. Al-Mihdhar left after six weeks, claiming that he was returning to Saudi Arabia to visit his wife and young child. Al-Hazmi lived in the room until Dec. 10, 2000, when he moved out to attend pilot school in Arizona.

At one point in the interview, the 9/11 investigators asked Shaikh about another Saudi, **Omar al-Bayoumi**. From the Commission document: "Dr. Xxxxxx [Shaikh] noted that Omar al-Bayoumi also visited al-Hazmi at his

house. Dr. XXXXXX knew al-Bayoumi as a Saudi national who Dr. XXXXXX met at the ICSD. Al-Bayoumi stated to Dr. XXXXXX when he visited, that ‘I referred them (al-Hazmi and al-Mihdhar) to you.’ Dr. XXXXXX restated that this was not the case and that he met the two in the hallway of the ICSD after the Friday prayer service.”

The report continued: “al-Hazmi did not like al-Bayoumi and told Dr. XXXXXX that al-Bayoumi was ‘an agent for the Saudis.’ Al-Hazmi complained to Dr. XXXXXX that al-Bayoumi videotaped people associated with the ICSD constantly. Dr. XXXXXX noted that was his experience when he attended events at the ICSD. Dr. XXXXXX said that al-Bayoumi always had his videotape recorder and sought comment to the open mike on the videotape recorder. Dr. XXXXXX stated that, ‘I have heard that al-Bayoumi is an agent (of the Saudis).’”

Shaikh’s candid description of al-Bayoumi as a Saudi intelligence agent, in regular contact with one of the 9/11 hijackers, is stunning in its own right. The fact that Shaikh was an FBI informant, who, according to several U.S. intelligence sources, regularly received payments from the Bureau to keep tabs on the Muslim community in the San Diego area, and hosted two of the hijackers, is equally stunning. But the full extent of the al-Bayoumi dossier, as known to the FBI and other U.S. government agencies, goes well beyond the surface scandal.

Al-Bayoumi was far more than a “frequent visitor” to Shaikh’s home while al-Hazmi was living there. The essential facts are as follows.

On Jan. 15, 2000, al-Hazmi and al-Mihdhar arrived at Los Angeles International Airport on a flight from Kuala Lumpur, Malaysia, where they had attended a meeting of number of al-Qaeda members and allies. The two men were met at the airport by al-Bayoumi, who brought them to San Diego, rented them an apartment, co-signed the lease, and even put down a \$1,500 deposit and rent. Al-Bayoumi would later arrange for the two men to enroll in flight training school.

Al-Bayoumi’s association with three of the 9/11 hijackers (he hosted a third hijacker, **Hani Hanjour** at his apartment on a number of occasions, in the Spring of 2000, according to FBI and Congressional documents) prompted one Federal government source to tell reporters, “Some Federal investigators suspect that al-Bayoumi could have been an advance man for the 9/11 hijackers.”

But, al-Bayoumi was also, undisputedly, an agent of Saudi intelligence! According to the FBI and CIA dossiers on him, and records from both the House-Senate

joint intelligence probe and the 9/11 Commission, al-Bayoumi came to the United States in August 1994. He was previously employed by the Saudi Ministry of Defense, and continued to draw a salary of \$3,000 a month from the Ministry after he moved to the United States, through 2002. In the U.S., he was formally listed as an employee of Dallah Avco, a Saudi defense company that held lucrative contracts with the Ministry of Defense and Aviation, and was owned by members of the Saudi Royal Family. According to U.S. Federal investigators, al-Bayoumi never actually did any work for Dallah Avco. However, his monthly salary from the firm increased to \$3,500 right after al-Hazmi and al-Mihdhar arrived in the U.S.A.

Further adding to al-Bayoumi’s considerable personal finances, in June 1998, an anonymous contribution arrived from Saudi Arabia. The \$500,000 was a down-payment on a new mosque, to be built in San Diego—with the proviso that al-Bayoumi be appointed director of maintenance, with an office and a guaranteed salary. Eyewitnesses told the FBI and the 9/11 Commission that al-Bayoumi was rarely seen at the mosque.

Al-Bayoumi was, however, in constant communication with top Saudi government officials in the U.S. and in Riyadh. According to the records of the joint Congressional investigation and the 9/11 Commission, between January 2000—when al-Hazmi and al-Mihdhar arrived in California—and May 2000, al-Bayoumi made 32 calls to the Saudi Embassy in Washington, 37 calls to the Saudi Cultural Mission in Washington, and 24 calls to the Saudi Consulate in Los Angeles. His contact at the Consulate was **Fahad Thumairy**, who held diplomatic credentials, but was one of the most virulently anti-American imams in the area. He would be deported from the United States after 9/11.

In late June or early July 2001, al-Bayoumi and his wife, **Manal Ahmed Bagader**, suddenly left San Diego, and moved to England, where al-Bayoumi ostensibly entered business school at Aston University. Within days after the 9/11 attacks, he was detained by Scotland Yard and held for one week. However, he was released for lack of evidence, and he immediately left England for Saudi Arabia.

Osama Basnan

Omar al-Bayoumi was not alone in his liaison work between Saudi intelligence and some of the 9/11 hijackers. He worked closely with another Saudi intelligence officer, Osama Basnan, who entered the United States

in 1980 on a short-term tourist visa, but remained in the country until October 2002, when he and his wife were deported as illegal aliens.

An FBI report, written shortly after 9/11, warned that evidence gathered on Basnan “could indicate that he succeeded Omar al-Bayoumi and may be undertaking activities on behalf of the Government of Saudi Arabia.” A classified FBI report dated Oct. 3, 2001 noted that Basnan was in contact with members of the **bin Laden** family, who were living in the United States. In the days immediately following 9/11, members of the bin Laden family, along with other top Saudis, were quietly flown home—at a time when no other non-military flights were allowed.

Basnan was a subject of FBI interest long before Sept. 11. In 1992, according to news accounts, he was investigated by the Bureau for ties to Eritrean Islamic Jihad (EIJ), an organization that was closely linked to al-Qaeda by no later than 1996. On Oct. 17, 1992, Basnan, then living in Washington, hosted a party at his home for **Sheikh Omar Abdul Rahman**, the so-called “Blind Sheikh,” now in jail for plotting terrorist attacks in New York City. At the time, according to U.S. intelligence sources, the FBI produced a still-classified report, detailing Basnan’s work for the Saudi government, despite his ties to Islamic radicals.

Indeed, U.S. intelligence sources report that Basnan was arrested on drug charges in the Los Angeles area, but the charges were dropped, after intensive pressure from the Saudi Embassy.

The Ambassador and the Princess

In April 1998, Prince Bandar sent a \$15,000 check to Basnan. Bandar claims that the check was an “act of charity,” in response to a written appeal by Basnan for help in paying medical bills for his wife. Beginning in November 1999, just weeks before the two 9/11 hijackers arrived at the Los Angeles Airport, Bandar’s wife **Princess Haifa** began sending monthly cashier’s checks, from her account at Riggs National Bank in Washington, to Basnan’s wife, **Majida Ibrahim Ahmad Dweikat**. The checks continued until May 2002. The royal couple sent a total of \$53-72,000 to Basnan and his wife. According to the House-Senate joint investigation, many of the cashier’s checks were signed over to the wife of al-Bayoumi. Most of these transactions took place while Basnan and al-Bayoumi were “handling” the financial affairs of at least two of the 9/11 hijackers, al-Hazmi and al-Mihdhar. And the

pair of Saudi intelligence officers also had some, as yet not fully known ties to a third hijacker, **Hani Hanjour**.

Prince Bandar’s BAE Bounty

At the time that Prince Bandar and Princess Haifa were making their “charitable” contributions to Basnan and al-Bayoumi, the then-Saudi Ambassador to the United States was on the receiving end of at least \$2 billion in kickbacks from Great Britain’s premier defense firm, BAE Systems. The BAE scandal exploded into public view several years ago, when BBC, the London *Guardian*, and other publications revealed that BAE was making tens of billions of dollars in payouts to Saudi Defense Ministry officials, and other members of the Royal Family, in return for lucrative arms contracts.

The BAE-Saudi scandal dated back to 1985, when Prince Bandar personally brokered a deal with then-British Prime Minister **Margaret Thatcher**, to sell an initial \$40 billion in BAE military hardware and services to Saudi Arabia, in return for Saudi crude oil. The deal, cynically known as “Al-Yamamah” (“the Dove”) was far more than a barter arrangement. BAE padded the costs of the fighter jets, training planes, air defense systems and support services by an estimated one-third, to launder payoffs to top Saudis—including Prince Bandar. In return, Saudi Arabia delivered the equivalent of one supertanker of oil *per day* (on average) to BAE, which had a contract with British Petroleum and Royal Dutch Shell, to immediately sell the oil on the spot market. For the Saudis, it was a lucrative deal. Even aside from the kickbacks that lined the pockets of many a Saudi prince and ministry official, the crude oil cost the Saudis under \$5 a barrel. BP and Royal Dutch Shell sold the oil at fantastic markups.

As the result of this unique arrangement, an offshore Anglo-Saudi intelligence slush fund was amassed, amounting to hundreds of billions of dollars. In a semi-official biography of Bandar, author William Simpson wrote that Al-Yamamah was, first and foremost, a geo-strategic partnership between London and Riyadh, which funneled money covertly to the Afghan mujahideen who were battling the Soviet Army in the 1980s; funded Chad in its border war with Libya; and bypassed the U.S. Congress to deliver American military hardware to the Saudi Air Force.

Some senior U.S. intelligence officials insist that a full investigation of Prince Bandar’s role in the Al-Yamamah scheme would reveal that some of the BAE payoffs went from the Bank of England, to Bandar’s ac-

count at Riggs National Bank—into the hands of Basnan, al-Bayoumi, and the California 9/11 hijackers cell. By Aug. 2, 2003, so many questions had been raised about the Bandar payoffs to Basnan, that the ambassador was forced to issue a personal statement, through the Saudi Embassy, branding the allegations “baseless and not true,” nothing more than “rumor, innuendo, and untruths.” He cited President George W. Bush, who “praised the Saudi commitment to fighting terrorism.”

Bandar’s efforts to cover up the Saudi government hand in 9/11, by invoking the words of President Bush, only served to further infuriate those U.S. officials who were trying to get to the bottom of the Sept. 11 plot. House and Senate intelligence committee investigators knew, for example, that when their final “Report of the Joint Inquiry into the Terrorist Attacks of Sept. 11, 2001” was submitted to the White House for final review before publication, the entire text of a 28-page chapter, documenting evidence of Saudi government support for the hijackers—including the Bandar payments to Basnan—was blocked from publication and remains classified to this day. In a recent meeting with the families of the 9/11 victims, President Barack Obama was pressed to declassify the chapter.

Both Presidents Bush were so close to Prince Bandar he was widely referred to as an “honorary member of the Bush family.” The G.W. Bush White House commitment to suppress the evidence of the Anglo-Saudi hand in 9/11 was so deep that Osama Basnan, the Saudi intelligence officer, felt confident enough to be in Houston on April 24-25, 2002, when then-Saudi Crown Prince Abdullah, along with Prince Bandar, visited Bush 43 at his Crawford ranch. The Prince’s entourage was massive—eight plane loads of aides and hangers-on. Among the crowd were three Saudi officials suspected of ties to al-Qaeda.

Four months later, Sen. Bob Graham (D-Fla.), who chaired the Senate Select Committee on Intelligence, which conducted the joint Congressional 9/11 probe along with the House Intelligence Committee, declared that, to his knowledge, the CIA had “incontrovertible evidence that there is support for these terrorists within the Saudi government.” He would later emphasize the point in his book on the joint Congressional probe, *Intelligence Matters*.

Britain: State Sponsor of Terrorism

In December 2000, the editors of *EIR* submitted a lengthy memorandum to then-Secretary of State Mad-

eleine Albright, seeking an investigation of British government sponsorship of international terrorism. The memo, prepared with the assistance of State Department attorneys, relied exclusively on official government documents, from no fewer than nine nations, that had formally protested British government protection, and, in some cases, financing of active terrorist cells on British soil.

Among the charges against the British government: British intelligence had looked the other way, throughout the 1990s, as **Osama bin Laden** moved between Pakistan, Afghanistan, Sudan, and England. The London *Times* admitted that, throughout the second half of 1996, bin Laden made frequent trips to London, “clearly under the protection of British authorities.” The *Times* had spotted bin Laden, earlier in the 1990s, at the London estate of **Khalid bin Mahfouz**, a wealthy Saudi banker who was a leading Muslim Brotherhood funder of a wide array of Jihadi groups, and a major shareholder in the Bank of Credit and Commerce International (BCCI).

In 1994, the French and Algerian governments filed diplomatic démarches with the British Foreign Office, charging that bin Laden had met with leaders of the **Islamic Group of Algeria (GIA)**, which was then carrying out terror bombings in both countries. French intelligence tracked the bin Laden/GIA meetings to a bin Laden-owned estate in Wembley. For three months in 1994, according to other French sources, including investigator Roland Jacquard, Osama bin Laden lived on Harrow Road in London. Even after he left the country, bin Laden’s leading propagandists operated out of London.

Obama and Bandar

Since no later than February 2009, when Obama met with 9/11 family members in the Oval Office, the President has stonewalled on releasing the 28-page classified chapter from the 9/11 report. He has gone further, ordering then-Solicitor General Elena Kagan to file briefs before the Supreme Court, exempting Saudi Arabia from trial in any U.S. court for the 9/11 attacks on grounds of sovereign immunity. He has further, cut off all contact between the 9/11 families and Justice Department prosecutors.

Now, with the still-protected Prince Bandar taking charge of Saudi intelligence, a new Anglo-Saudi “Al-Yamamah” rampage can be expected, leading to far more bloodshed. That blood will be on President Barack Obama’s hands.

Protected Libor-Rigging Is Murder, Not Malfeasance

by Marcia Merry Baker

July 21—The consequences are evident, in poverty and lives lost, from the years of interest-rate-rigging through the Libor (London Interbank Offered Rate), knowingly protected by Treasury Secretary Timothy Geithner, for the City of London-serving President Obama.

The Libor rate manipulation, done by a cartel of megabanks, was perpetrated as a standard operating procedure in recent years, in particular, since 2005. Three of the banks in the cartel are on the U.S. Dollar Libor 18-bank London panel: JP Morgan, Citibank, and Bank of America. The idea was to use specialized debt and so-called debt insurance contracts—especially interest-rate swaps—to rig terms and obligations in order to extract huge money flows from state and local governments; from authorities responsible for water, transportation, and public safety; from hospitals, educational institutions, and others. If the entrapped cities and entities want to vacate these looting contracts, they face huge termination fees to the banks. This is the international situation, especially in the trans-Atlantic region.

In the United States, an estimated 75% of all municipalities have interest-rate swaps connected to their debt. One in six non-profit hospitals in the United States do likewise. The fifth-largest public transit system in the nation, Boston's Massachusetts Bay Transit Authority, is enmired in interest-rate swaps, as are scores of others. It is estimated that interest-rate swaps account

for over 80% of the derivatives market, which had a notional amount outstanding, as of December 2011, of \$706 trillion, according to the Bank for International Settlements.

The nature and extent of this show that the impoverishment of the United States, and destruction of essential government functions at all levels—police, fire-fighting, public health, courts, education—have resulted not only from the erosion of physical economic activity under globalization, but from deliberate looting by interest-rate swaps.

The political question posed is: How long before we can get Geithner and Obama out of office? The same question goes for Mitt Romney, whose identity is also located within this evil system. Under the nationwide Glass-Steagall drive to *change the system* to sound banking, and for credit for economic build-up and government functioning, these wrongful swap deals can be frozen, then nullified, or restructured as warranted.

Hospitals Looted

The blatant nature of Libor crime of murder is best shown in the case of hospitals—venues of life or death. This is a hallmark of both Obamacare and Romney-care in action. More than 500 nonprofit hospitals, one in six nationwide, bought interest-rate swaps in recent years. Dozens were then hard-hit in these deals, paying out millions of dollars because of rigged inter-

Jefferson County's Cooper Green Mercy Hospital seeks sites for cancer, OB needs as cutbacks start

Published: Monday, April 16, 2012, 5:50 AM Updated: Monday, April 16, 2012, 6:15 AM



By Barnett Wright -- The Birmingham News

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Jefferson County Manager Tony Petelos said Cooper Green is continuing to negotiate with area hospitals for provisions for delivery of babies and our oncology group. (The Birmingham News/Mark Almond)

BIRMINGHAM, Alabama -- Cooper Green Mercy Hospital officials are scrambling to find medical facilities for cancer patients and new and expectant mothers as the hospital prepares to close its oncology and OB/ GYN units.

Marc Sussman, a spokesman for Cooper Green, said the hospital's oncology unit will remain open until facilities are found for about 40 cancer patients.

"We will be providing care until arrangements can be made," Sussman said. "We will not abandon our na-

The Birmingham News covers cutbacks at a hospital for the poor in Alabama. The hospital is financially supported by Jefferson County, which suffered the biggest municipal bankruptcy in U.S. history in November 2011. Its finances were ruined by years of interest-rate/Libor-rigged swaps, on top of the general economic collapse.

est rates and terms of contract. They had to cut medical services.

The mode of looting by rigged interest rates involved luring hospitals away from steady, low-interest, long-term borrowing, into using the "auction-rate securities market" for their borrowing (which re-set bond prices weekly or monthly through auctions), along with interest-rate-swap contracts. Then in 2008, when the auction-rate market was suddenly made to crash, hospitals were left with higher interest rates for their debt, and were stiffed on the Libor rates in the swaps. Some hospitals saw their interest rates rocket up from 5% to 20%!

One Wall Street banker politely summed it up this way in July 2010: "Financial engineering [read: fraud—ed.] by Wall Street has been a huge part of hospitals' financial problems and has even translated into a lack of hospital beds." This was the description by wheeler-dealer Brian McGough, at the Bank of Montreal Capital Markets office in Chicago.

From 2009 to the present, Obama and Geithner perpetuated this debacle, all the while swooning over their new health-care system. Some examples:

Owensboro Medical Health System, Ky., was stung by the deals. It paid out a \$14 million termination fee to Merrill Lynch (later part of Bank of America) to

end its interest-rate swaps, in Spring 2010.

Sarasota Memorial Hospital, Fla., lost more than \$5 million on its package of auction-date securities and interest-rate swaps. The hospital company had to cancel plans to build a new hospital in nearby North Port, where the population was growing. "We were going to build a 300-bed hospital there, but I don't see that happening for a long time, partly because of this Wall Street mess. Now, 50,000 people are without a hospital," said Sarasota Hospital's chief financial officer David Verinder, in 2010.

Tri-City Medical Center, Oceanside, Calif., refinanced its debt with interest-rate swaps in Spring 2007, pitched to the hospital by Citigroup and Smith Barney (later co-owned by Morgan Stanley). In the end, Tri-City was hit by a jump to a 17% interest rate, and had to pay some \$16 million more

than its prior borrowing costs. Tri-City ended up paying \$6 million to Citigroup to get out of its securities (which were auction-rate) and interest-rate swaps. This came about after the hospital sued Citigroup and Smith Barney, in April 2010. The hospital had to delay capital improvements and services because of this bilking, according to Tri-City's attorney Daniel Callahan, who said, in 2010, that the financial loss "continues to impact Tri-City's ability to meet the needs of the entire community."

Rogue Valley Medical Center, Medford, Ore., saw its interest rate shoot up from 5 to 18%, during the chaos when the auction-rate securities market was collapsed in 2008. The hospital had to pay out \$5 million more than it had figured on, at the same time that its revenue fell, because people in the community were losing their jobs and couldn't pay for treatment. Merrill Lynch/Bank of America demanded a \$30 million termination fee to end the swaps. This was paid, after a hospital staff reduction, job freeze, and other cutbacks were imposed.

Public Safety Jeopardized

The same process of looting has taken its toll in terms of drastic downsizing of police, firefighting, rescue, and other public safety workers, as municipali-

ties cut budgets, all the while paying more and more in rigged debt service.

The Mayor and Council of the City of Baltimore, in August 2011, filed suit in Federal Court against 16 banks, over the rigging of interest-rate swaps, on

grounds of how their collusion and manipulation caused harm to city functioning. Baltimore is the lead plaintiff in a consolidated case of several class action suits over this (see box).

While the accused banks filed a response asking the

Baltimore-Led Group Sues Banks for Libor Crimes

July 19—One of the Libor-rigging lawsuits consolidated now in New York’s Southern District, brought by the Mayor and City Council of Baltimore (Md.) and the City of New Britain (Conn.) Firefighters’ and Police Benefit Fund, gives a whole new meaning to the phrase “urban warfare.” The lawsuit, alleging violation of Federal antitrust laws, seeks to recover from the damages wrought on those municipal entities from their purchases of interest-rate-swap derivatives tied to Libor, from one or more of the defendant banks.

The banksters in question are Bank of America Corporation, Bank of Tokyo-Mitsubishi UFJ, Barclays Bank Plc, Citibank NA, Citigroup Inc., Cooperative Central Raiffeisen-Boerenleenbank B.A., Credit Suisse Group AG, Deutsche Bank AG, HBOS Plc, HSBC Bank Plc, HSBC Holdings Plc, JPMorgan Chase & Co., JPMorgan Norinchukin Bank, WestDeutsche Immobilienbank AG, and WestLB AG.

The Complaint filed on April 30, 2012 says that Baltimore purchased “hundreds of millions of dollars worth” and the New Britain pension fund purchased “tens of millions of dollars worth” of these derivatives. The defendants’ actions are described as “a global conspiracy to manipulate LIBOR—the reference point for determining interest rates for trillions of dollars in financial instruments worldwide—by a cadre of prominent financial institutions.”

The lawsuit asks for a judicial declaration that the defendants’ actions were in violation of the Sherman and Clayton antitrust acts, an injunction against them and their employees from any further violations, and treble damages, as the antitrust law

provides. It requests a jury trial.

The Complaint summarizes: “This action arises from Defendants’ unlawful and intentional misreporting and manipulation of—as well as their combination, agreement and conspiracy to fix—LIBOR rates and to restrain trade in the market for LIBOR-based derivatives during the Class Period,” which is defined as Aug. 8, 2007 through at least May 17, 2010.

“Defendants collusively and systematically manipulated LIBOR rates....

“This case arises from the manipulation of LIBOR for the U.S. dollar (‘USD-LIBOR’ or simply ‘LIBOR’)—the reference point for determining interest rates for trillions of dollars in financial instruments—by a cadre of prominent financial institutions. Defendants perpetrated a scheme to depress LIBOR for two primary reasons. First, well aware that the interest rate a bank pays (or expects to pay) on its debt is widely, if not universally, viewed as embodying the market’s assessment of the risk associated with the bank. Defendants understated their borrowing costs to the British Bankers’ Association (‘BBA’) (thereby suppressing LIBOR) to portray themselves as economically healthier than they actually were....

“Second, artificially suppressing LIBOR allowed Defendants to pay lower interest rates on LIBOR-based financial instruments that Defendants sold to investors....”

In describing the British Bankers’ Association, the Complaint points out that it is not a regulatory body, and reports to no regulatory body. A commentator is quoted: “If the BBA admits that LIBOR isn’t a market rate but a cartel rate that was established through price fixing, it will be subject to global lawsuits resulting from fraudulent behavior and misrepresentations. The likelihood of the BBA reforming itself, providing transparency and giving up its cartel monopoly is very low given the astronomical liability that will result.”

court to dismiss the lawsuit against them, Baltimore Mayor Stephanie Rawlings-Blake reiterated the damage her city has suffered, using as an example, the losses to firefighting capability. “We cannot stand by when we feel that we are being cheated,” she told CBS-TV. “You’re talking about \$1 or \$2 million. You know, that’s a fire company, that’s recreation centers, that’s services that our city needs, and we’re going to fight for that.”

Baltimore Firefighters Union President Michael Campbell said that the city’s safety is affected by what the banks did. Some of the fire stations had to be closed. “Say, they’re closed today and nobody’s there. It’s going to take a longer time for the next truck company to get here. So yes, it’s a dramatic impact on safety.”

The same situation exists across the country. Take the example of Oakland, Calif., a city of 390,000, which has been bled by Goldman Sachs interest-rate swaps, while cutting its government functions in order to pay up. Over the last few years, the police force has been cut from 800 officers to 650. Crime has shot up 25% since 2000. Five hundred jobs have been eliminated from the city staff at large in the last three years. The only reason these numbers aren’t higher still, is that Oakland’s unions agreed to a 10% reduction in pay and benefits over the same time period. Public works, maintenance, and all other departments are reduced. Meantime, Oakland has continued to pay Goldman Sachs its blood money.

On July 3, 2012, the City Council unanimously voted up a measure to cut ties with Goldman Sachs, if the firm continues to refuse to cancel or even renegotiate an interest-rate-swaps contract, under which the city is being gouged for multi-millions of dollars yearly, because of interest-rate flim-flam. The vote comes after six months of fruitless meetings with Goldman, which refuses to either alter the contract, or to budge on demanding a \$15 million cancellation fee. The City Council set a deadline of 70 days.

Oakland, in 1998, entered into the interest-rate-swaps deal with Goldman Sachs, tied to the city’s issu-



Creative Commons/Dorret

Baltimore is the lead plaintiff in a Federal lawsuit against 16 banks, over the rigging of interest-rate swaps. The city, like so many others, has been forced to cut back basic services.

ance of fluctuating interest-rate bonds, to fund its police and firefighter pensions. The city has paid Goldman \$32 million to date—owing about \$4 million a year—and owes \$20 million more before the deal expires in 2021. The pitch for these interest-rate-swap deals, is that you, the locality, pay a flat annual fee to the gouger, as “insurance” against high interest rates. Of course, the gouger club, when interest rates were dropped to about 0.25% in 2008, kept getting blood money from you, the victim, at the rate, in Oakland, of 6% annually.

Transportation Gutted

In June, a report was issued documenting that, for 12 major metropolitan areas, the local transportation systems are paying out \$528.6 million annually in interest-rate-swap deals, which were foisted on them by the bank cartel, now shown to have diddled the Libor rates.

The report is titled, “Riding the Gravy Train; How Wall Street Is Bankrupting Our Public Transit Agencies by Profiteering Off Toxic Swap Deals.” The report, sponsored by the Refund Transit Coalition of 19 member groups, including two locals of the SEIU (Service Employees International Union), gives specifics on each of the 12 situations (**Table 1**).

Boston and its mass transit system comprise one of the 12 cases of cities reviewed in detail by the study. The Massachusetts Bay Transit Authority (MBTA, also

TABLE 1

Transit Agencies & State/Local Government's Annual Losses on Swap Deals

Metro Area	Public Entity/Agency with Swap	Annual Swap Losses	Banks/Swap Counterparties	Related Transit Agency
Baton Rouge	City of Baton Rouge & Parish of East Baton Rouge	\$13.3 million	Bank of America, Citigroup Deutsche Bank	Capital Area Transit System (CATS)
Boston	Massachusetts Bay Transportation Authority (MBTA)	\$25.8 million	Deutsche Bank JPMorgan Chase Morgan Stanley, UBS	Massachusetts Bay Transportation Authority (MBTA)
Charlotte	City of Charlotte	\$19.4 million	Bank of America Wells Fargo	Charlotte Area Transit System (CATS)
Chicago	State of Illinois	\$88.2 million	AIG, Bank of America BNY Mellon, Citigroup Deutsche Bank Goldman Sachs JPMorgan Chase Loop Capital Morgan Stanley Wells Fargo	Chicago Transit Authority (CTA)
Detroit	City of Detroit	\$54.0 million	Citigroup JPMorgan Chase Loop Capital Morgan Stanley SBS Financial, UBS	Detroit Department of Transportation (DDOT)
Los Angeles	Los Angeles County Metropolitan Transportation Authority (LACMTA)	\$19.6 million	Bank of Montreal Deutsche Bank Goldman Sachs Wells Fargo	Los Angeles County Metropolitan Transportation Authority (LACMTA)
New Jersey	State of New Jersey	\$83.2 million	Bank of America Bank of Montreal Citigroup Goldman Sachs Morgan Stanley Natixis, UBS Wells Fargo	New Jersey Transit
New York City	Metropolitan Transportation Authority (MTA)	\$113.9 million	AIG, Ambac BNP Paribas, Citigroup JPMorgan Chase Morgan Stanley, UBS	Metropolitan Transportation Authority (MTA)
Philadelphia	Southeastern Pennsylvania Transportation Authority (SEPTA) and City of Philadelphia	\$39.0 million	Bank of America Citigroup JPMorgan Chase, RBC	Southeastern Pennsylvania Transportation Authority (SEPTA)
San Francisco Bay Area	Metropolitan Transportation Commission (MTC)	\$48.1 million	Ambac, Bank of America BNY Mellon, Citigroup Goldman Sachs JPMorgan Chase Morgan Stanley	Metropolitan Transportation Commission (MTC)
San Jose	Santa Clara Valley Transportation Authority (VTA)	\$13.0 million	Bank of America, Citigroup Goldman Sachs Morgan Stanley	Santa Clara Valley Transportation Authority (VTA)
Washington, DC	District of Columbia	\$11.1 million	JPMorgan Chase Morgan Stanley Wells Fargo	Washington Metropolitan Area Transit Authority (WMATA)
TOTAL		\$528.6 MILLION		

Source: *Riding the Gravy Train: How Wall Street Is Bankrupting Our Public Transit Agencies*, 2012.

known as the T) had a dozen interest-rate-swap agreements valued at \$1.6 billion over a five-year period. Last week, Jonathan Davis, acting director of the MBTA, said, “We’re . . . going to look and see what our legal recourse is” about the losses associated with Libor-manipulation.

The Refund Transit Coalition wrote:

“The Massachusetts Bay Transportation Authority operates the nation’s fifth largest regional transit system, serving 175 cities and towns in Massachusetts that cover about 70% of the state’s population. . . . [The T, according to its *Fare and Service Change Information Booklet*] has ‘the highest debt burden of any U.S. transit agency.’ Just about every dollar the T collects in fares goes to pay down the debt. This crushing debt burden has helped contribute to a FY 2013 deficit of \$160 million. In order to plug the hole in the budget this year, the T approved an average fare increase of 23%. Riders with disabilities and seniors, however, face draconian and disproportionate hikes of up to 150% and 87.5%, respectively. . . .

“Wall Street banks have swooped in to take advantage of a financially desperate transit agency—and its riders—by roping the T into risky interest-rate-swap deals. The T is losing about \$26 million a year on five toxic swaps still outstanding with Deutsche Bank, JPMorgan Chase and UBS. . . .”

Ending just half of this flow to these banks would be enough to reverse the fare hikes.

When Will Geithner, Obama Go?

The momentum is already sufficient to usher Geithner out of office, and with him, President Obama.

A reflection of the potential is the high-profile deployment against taking such action, in Washington this month, by long-standing thugs for the bankers, Paul Volcker, Alice Rivlin, and Richard Ravitch. They issued a new report on states’ budget crises, and are conducting behind-the-scenes pressure, to insist that there is no such thing as Libor rate-fixing, or bank fraud. States and municipalities must be forced to meet their debt obligations no matter what, by cutting support for the sick, the poor, and old (see box).

Meantime, at least five state governments—New York, Connecticut, Massachusetts, Florida, and Maryland—are currently looking into Libor manipulation by the megabanks, for the scale of losses incurred in their states, for culpability, and in some cases, for restitution.

A number of other states have statewide agencies doing likewise, for example, CALPERS in California, the largest state pension fund in the country.

Florida Gov. Rick Scott (R) on July 17 called for a “thorough investigation” of the New York Federal Reserve, and whether it failed to take “sufficient action to protect Americans.” He included this in a letter he sent that day to all members of his state’s Congressional delegation, asking them to “focus attention on this issue to determine the extent to which LIBOR manipulation may have driven up interest rates unfairly or denied the appropriate returns on retirement savings and other investments. . . . Based on what has been reported already, these inappropriate banking practices have cost hardworking Floridians money. As investigations into other institutions proceed, the question that must be answered is, ‘how *much* money has this cost Florida families?’”

Florida Attorney General Pam Bondi is reviewing whether legal action can be taken at the state level.

Massachusetts state agency leaders were scheduled to meet this week with state Attorney General Martha Coakley on their review of the losses by state investments, and also the harm to municipalities. Besides the MBTA, there are such agencies as the Massachusetts Water Resources Authority, which is looking into its longstanding \$350 million interest-rate-swap deals. Massachusetts General Hospital is involved in interest-rate swaps, and losses. Its parent company is Partners HealthCare, which used more than \$500 million in swaps in the past ten years. Partners, which also owns Brigham and Women’s Hospital, is considering what to do. Harvard University and Lesley University hold interest-rate swaps, as do many other educational institutions.

Officials in New York and Connecticut have had a joint investigation underway for over six months, “with the goal of providing restitution to state agencies, municipalities, school districts and not-for-profit entities nationwide that may have been harmed by any illegal conduct,” said Jaelyn Falkowski, a spokesperson for Connecticut Attorney General George Jepsen.

In Maryland, Libor losses and fraud are being looked into, according to the office of state Attorney General Douglas Gansler.

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Volcker Gang's Libor Protection Racket

by Marcia Merry Baker and Ed Spannaus

July 22—Former Federal Reserve chairman Paul A. Volcker joined with other hoary Wall Street henchmen of recent decades—George P. Shultz, Richard Ravitch, Alice Rivlin, et al.—to issue on July 17, their “Report of the State Budget Crisis Task Force,” blaming such factors as the costliness and rising enrollment of Medicaid, and too many promises to employee pension funds, for the blowout of state and local budgets.

Rivlin, a former Federal Reserve vice chairman, spoke at a press conference in Washington, D.C., to release the report; she called for the establishment of a new Federal-state intergovernmental entity for “better communication,” in effect, to implement fierce cuts in government functions and spending.

Her proposal and the report completely cover up the Libor rate-fixing crime spree which cost states and municipalities billions of dollars in losses on fraudulent interest-rate swaps tied to the rigged Libor rate.

This is not surprising, coming from such as Volcker, who is known to be actively counterorganizing against Glass-Steagall and H.R. 1489 (the Return to Prudent Banking Act). He did the same thing during the 2010 Congressional debate on financial



Paul A. Volcker: Leader of the bankster gang

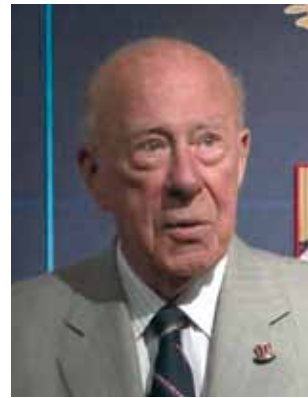


Alice Rivlin: Shut down D.C. General Hospital

regulation, by offering his “Volcker Rule” for sham bank separation. The Dodd-Frank Bill process used his ruse—the Volcker Rule of pseudo-separation of commercial from speculative banking—to rout the forces moving to re-instate Glass-Steagall at the time.

Now Volcker and cohorts are again hyperactive—among governors, on Capitol Hill, and in the media—to define the crisis of states and cities as having nothing to do with the collapse of the economy, nor of Libor-looting by Wall Street.

Volcker is co-chairman of the privately funded State Budget Crisis Task Force, along with Ravitch, who has similar Wall Street-serving credentials, if less prominent. Rivlin, Shultz, and seven others are on the Advisory Board. Funders of the Task Force, which was formed in June 2011, include the Open Society Foundations of drug-legalization financier George Soros. The content of the new report, and the pedigree and activity of its sponsors, make clear their evil purposes.



George P. Shultz: With Volcker, ended the Bretton Woods system

Dump the Poor, Sick, and Old

The report focusses on six states (California, Illinois, New Jersey, New York, Texas, and Virginia) and summarized their situations as being under six “threats” to state “fiscal sustainability.” The threats are:

1. Medicaid is “crowding out other needs.”
2. Federal deficit reduction means states will have less funding.
3. States have made retirement “promises,” which they have underfunded.
4. States have an eroding tax base, and high revenue volatility.
5. Local governments’ “fiscal stress poses challenges for states.”
6. “State budget laws and practices hinder fiscal stability and mask imbalances.”

The report characterizes these features of states’ conditions as adding up to a “structural” crisis, and presents recommendations, which amount to ordering states to knuckle down, pay their debts, especially to Wall Street

creditors, and roll over. Volcker and Ravitch warn, “The ability of the states to meet their obligations to public employees, to creditors and most critically to the education and well-being of their citizens is threatened,” so state governments had better get prepared to cut back. This is essentially the same message as the infamous but failed “Catfood Commission” (Simpson-Bowles Commission)



Creative Commons/Matt Ryan

Richard Ravitch: With Felix Rohatyn's Big MAC, looted New York City

set up by Obama, so named by its opponents because it would lead to putting the poor on a diet of catfood.

The reality behind these recommendations—which the states have already been carrying out over the last decade and more—is the insistence that the population’s welfare continue to be sacrificed to the payoff of the gambling debts of the major Wall Street/London banks—a sacrifice that could be stopped in its tracks with Glass-Steagall.

The Messengers’ Record

In the case of this message, look at the record of the messengers.

Volcker and Shultz were both architects of the Aug. 15, 1971 collapse of the Bretton Woods system which ushered in the era of floating currency exchange rates, and the world casino economy of speculation and genocidal globalization.

Volcker was president of the Federal Reserve of New York, 1975-79, and forced through the approval of the Hongkong and Shanghai Bank, the British empire operation known for dope-money laundering, to buy into Marine Midland Bank, based in New York. He bulled this through over the intense opposition by state and community leaders at the time. Now the scandal has blown wide open, documented by Congress this month, of the longstanding dope-money operations of the HSBC (formerly the Hongkong and Shanghai Bank).

In August 1979, Volcker became chairman of the Federal Reserve Board, instituting his policies of high-interest-rate harm to the physical economy, while implementing more and more deregulation for Wall Street and the City of London.

In 1975, when New York City was devastated by sweeping cuts in its essential services—fire, police, public health, sanitation—under the dictates of the newly formed Municipal Assistance Corporation—Big MAC—to force payment of bank debt, Ravitch helped implement the destruction. Ravitch headed up the New York State Urban Development Corp., while Felix Rohatyn was head of Big MAC.

Rivlin has earned her stripes for gutting cities. From 1998 to 2001, she headed up the District of Columbia Financial Responsibility Management Assistance Authority—a Congressional agency formed to issue orders to Washington, D.C., while restricting its resources—which took actions in the name of “fiscal sustainability,” such as shutting down the 400-bed, full-service D.C. General Hospital in 2001, to “save money.”

On July 17, 2012, Rivlin called for re-creating such a commission, modeled, she said, on the Advisory Commission on Intergovernmental Relations of the 1970s. Her idea is to have all levels of government—Congress, mayors, governors, state lawmakers—talk about their “fiscal condition,” while the chosen megabanks exercise their license to kill.

Lyndon
LaRouche

On
Glass-Steagall
and
NAWAPA:

The North American Water and
Power Alliance

“The greatest project that mankind has ever undertaken on this planet, as an economic project, now stands before us, as the opportunity which can be set into motion by the United States now launching the NAWAPA project, with the preliminary step of reorganizing the banking system through Glass-Steagall, and then moving on from there.”

“Put Glass-Steagall through now, and I know how to deliver a victory to you.”

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The Euro Eats Its Children: Spain Gone, Italy To Follow

by Gretchen Small

July 23—The Trans-Atlantic financial system is evaporating, less than one month after the June 28-29 European summit was hailed as having, this time, finally, established the basis to restore confidence in the euro system. Had not two great obstacles been overcome? The European Stability Mechanism (ESM) for a permanent bankers' dictatorship and bailout mechanism for Europe could finally go ahead, Germany's Angela Merkel having agreed to this new Versailles reparations scheme. And did not the EU100 billion "no conditions" bailout for Spain's banks head off the threat of a general Spanish bankruptcy, without Greek-style social explosions?

Instead, less than a month later, Spain's banks, and central and regional governments, have been cut off from the capital markets, blowing a hole in the euro dike so big that only a trillion-euro-plus bailout could temporarily plug it. Interest on Spanish 10-year bonds topped 7.5% on July 23, with 5-year bonds running close behind, at nearly 7%. Emergency meetings, reportedly underway to cobble together another immediate bailout for Spain, this time for EU300-400 billion, are yet another criminal exercise in futility.

As goes Spain, so goes Italy. Europe's third-largest economy is now chasing Spain, Europe's fourth-largest, over the cliff into national bankruptcy. The hope of the quick creation of the ESM's greater bailout capability has been dashed, since the German Constitutional Court put off a ruling on a temporary restraining order on the ESM until September. With Timothy Geithner and the Federal Reserve already in the cross-hairs for their collusion in Liborgate, not to mention criminal drug-money laundering by HSBC and other banks, who is left standing to simultaneously bail out Spain and Italy, never mind all the other cracks in the dike?

Within days of the June 28-29 EU summit, a faction of prominent British financiers delivered their verdict

on that summit's "success," joining Lyndon LaRouche in demanding the immediate adoption of FDR's full Glass-Steagall principle as the only possible course for survival.

The Way Out

Five years ago this week, in a July 25, 2007 international webcast, LaRouche pronounced the Trans-Atlantic financial system dead, uttering his now-celebrated statement that "there *is* no possibility of a non-collapse of the present financial system—none!" three days before the collapse of the system officially began. LaRouche specified then that "only a fundamental and sudden change in the world monetary-financial system will prevent a general, immediate chain-reaction type of collapse." That chain-reaction collapse is "unstoppable" under the current system, he warned, and the longer governments wait to make that change, the worse it will get.

The situation has gotten much, much worse than all but a few are brave enough to contemplate. Even most who recognize that the euro side of the Trans-Atlantic system is finished, still fail to recognize the speed and totality of the breakdown underway. So, for example, Greek economist Costas Lapavistas, an advisor to the leading opposition party, Syriza, visited Argentina last week to discuss alternative policies to the Troika (IMF/European Union/European Central Bank) hell being imposed on his country, but he told a July 18 seminar at the state-owned Banco de La Nacion in Buenos Aires, that Greece will default in the next 6 to 12 months, and leave the euro, which will bring down the euro system, which cannot, and will not last six months.

In fact, the ECB and the IMF already pulled the plug on Greece, announcing this week that they are cutting that nation off from international credit. A Greek default now looms for September, if not earlier.

Writing as the June 29 EU summit concluded, Helga Zepp-LaRouche, chairwoman of Germany's BüSo party, demanded the summit's decision be rescinded, and spelled out the measures Europe must take in carrying out the sudden and fundamental change in system required for survival:

"The EU Treaties from Maastricht to Lisbon must be annulled; national sovereignty over currency and economic policy must be taken back again; and in the process, Germany must leave the Eurozone and introduce the new D-mark. A two-tier banking system, in the tradition of Franklin Roosevelt's Glass-Steagall Act, must be introduced, to end the casino economy once and for all. Fixed exchange rates must put an end to currency speculation. A new credit system, in the tradition of the Kreditanstalt für Wiederaufbau (KfW) of the post-1945 reconstruction, must make credit available for the real economy. The 'Development Program for a New Economic Miracle in Southern Europe, the Mediterranean and Africa,'¹ which we have published, must be immediately undertaken."²

The Attempted Murder of Spain

There is a lawful relationship between the conditions imposed for the Spanish bailout, and the immediate financial blowout which followed. Every condition imposed undermines the necessary preconditions for Spain's continued existence as a viable nation, and not everyone is so stupid as to fail to see that.

Two weeks after bragging that the EU had granted it a precedent-setting, "no conditions" bailout for its banks, Spain's Rajoy government revealed that it had signed a 32-point Memorandum of Understanding (MOU) with the EU, imposing conditions every bit as brutal as those killing Greece.

Prime Minister Rajoy went to Parliament on July 11 to announce *EU65 billion* in cuts over the next three years. Rajoy said that he had been forced to implement his fourth austerity package in seven months in office, and hand over sovereignty to the hated Troika, because "circumstances have changed and I have to adapt to them. . . . We cannot choose whether or not to have sacrifices. We do not have such freedom."

1. Helga Zepp-LaRouche, "Reject the Second Versailles Debt Dictatorship for Europe," *EIR*, July 13, 2012.

2. Helga Zepp-LaRouche, "There Is Life after the Euro! An Economic Miracle for Southern Europe and the Mediterranean!", *EIR*, June 8, 2012.

In a country in which a quarter of the population, and over half of its youth, are already unemployed, jobless benefits, pensions, and social security were ordered slashed; a full month's worth of wages cut from public employees' wages (the so-called "bonus" month); and labor and professional rights overturned. The Autonomous Communities (regional governments) were ordered to pile their own cuts on public sector wages, on top of the central government's, and to slash health and education services as much as required to meet even larger deficit reduction requirements.

Privatization fire sales of public companies will begin. High on that list for destruction is Spain's vanguard rail sector, a sector critical for Spain's contribution to the Mediterranean and North African components of building the World Land-Bridge, which will take off in the wake of a Glass-Steagall reorganization of the global financial system.

Business groups are already estimating how many firms will close, and how many tens of thousands of layoffs will result from the fall in consumption they project from the tax increases announced. The general value-added tax (VAT) rate jumps from 18 to 21%, and the reduced rate from 8 to 10%; and numerous products and activities currently taxed at the reduced rate are reclassified for the general rate. Thus, come September, taxes on activities ranging from health-care-related items (dental services and many categories of medical supplies, equipment, and instruments), to concerts, libraries and museums, barbershops, street cleaning, and funeral services, will increase from 8 to 21%.

The elimination of the tax deduction for home mortgages delivers the *coup de grâce* for the already crushed real estate sector.

Government ministers have made clear that these measures are only the beginning. Initially, the government promised that the only item currently taxed at the "super-reduced rate" of 4% that would be moved to a higher bracket, would be purchases of new housing, on which taxes will jump from 4 to 10%. But within days, a decree was issued moving 20% of the school supplies purchased by families, and 60% of those bought by schools, out of the super-reduced category and into the general category, thus increasing taxes on them from 4 to 21%, in one fell swoop.

The principle employed, is that "what cannot be



YouTube/Russia Today



YouTube/Russia Today

paid, must be cut,” Economics Minister Cristóbal Montoro told Parliament, because the “absolute priority” is to cut the deficit—everything, except the billions of euros being pumped in to bail out the banks.

Over a million government workers and trade unionists held mass rallies in 80 cities across Spain—this one is in Barcelona—on July 19, a week after the Rajoy government announced that it had signed a new agreement with the EU imposing conditions as brutal as those in Greece. The sign (insert) reads “Usurious Banks!”

An ‘Anti-Glass Steagall’ Reform

Two other features of the MOU threaten Spain’s continued existence as much as the immediate austerity imposed. Both are 180° opposed to the principle of Franklin Roosevelt’s Glass-Steagall law which could have saved, and would still save Spain from imminent generalized bankruptcy and chaos.

First, the Bank of Spain has handed over all sovereign control over its financial system to the Troika, which is now empowered to decide which banks survive, and which will be shut. The Troika will oversee creation of a “bad bank” to hold all the toxic assets from the real estate bubble. Those worthless gambling bets made and lost, the government must assume responsibility for, and make “good.”

At the same time, the Troika effectively ordered that the savings of up to a million Spanish families be wiped out, to bail out the banks. The MOU orders that ordinary Spanish citizens suckered into putting their savings into bank stocks (*preferentes*) and “subordinated” bonds, must take a huge or even total “haircut”—a writedown of their value—while the big financiers get bailed out. An estimated EU67 billion of

people’s savings are involved.

The preferred-stock scam practiced by the Spanish banks is, in fact, similar to the 1930s looting of consumers carried out by First National City Bank (today Citibank), whose exposure by chief counsel Ferdinand Pecora, in the 1933 Congressional hearings, led to passage of FDR’s Glass-Steagall law.

The mid-July ruling by Judge Olga Martin in the city of Cambados, that Novagalicia Bank must return EU7,560 to a client to whom they had sold fraudulent *preferentes* hybrid bonds, apparently with no intention of ever paying the money to the defrauded investor (the return on the non-performing bonds was scheduled for the period from the year 2050 on), could unleash a firestorm in the country against the Troika’s attack on savers. Manuel Pardos, the president of Spain’s ADICAE (a bank customers’ association), warned that “there are more than a million families and more than 52 institutions that have been charged. . . . We are dealing with a massive fraud, not a particular, concrete, specific one which affected just a few people.”

Under these conditions, the stage is being set for a

constitutional fight over the principle of sovereignty. Which law rules in Spain: Spanish law, or supranational EU law?

In Search of Leadership

Should it continue with this program, this government will fall, sooner rather than later. What is unknown, is what kind of government can replace it, or even if any government will come together at all. The potential for chaos and breakdown is enormous, given the lack of leadership for the alternative policy required.

Leadership or no, the Spanish population is taking to the streets to protest against the Greek-style genocide it faces. Spontaneous demonstrations across the country began the day Rajoy announced the package, and they have not stopped. Public employees are taking the lead; protesting firemen wearing their helmets and gear are now a daily sight.

Calls are proliferating for a referendum on the program and on the government's continued existence. A call to occupy the Parliament on Sept. 23, and stay until the government falls, is circulating.

Over a million Spaniards poured into the streets of more than 80 cities on July 19, in the first of what organizers promise will be many nationwide protests, including in the "vacation" month of August. That protest, organized by three trade union federations, was joined by the 15M social movement, the Unified Association of Spanish Military Personnel (AUME), and the Unified Police Union (SUP). Under the organizing slogan, "They Want To Ruin the Country. That Must Be Stopped. We Are More Than They Are," organizers demanded that a referendum be held on rescinding the "brutal" austerity program.

The current party and trade union leadership has said nothing on what *should* be done, other than saying "no," and toppling the government. LaRouche movement activists participating in the demonstrations report that ordinary citizens, however, are looking for leadership, furious at all the politicians, and sick of the right-left ideological barricades on which Spanish politics has floundered for decades.

Actions by two sectors, in particular, epitomize just how dangerous a situation the government now faces. Three trade unions representing the military and public security forces have announced their support for the mobilizations against austerity. AUME Secretary General Mariano Casado told the 20min-

utes.es news website on July 15 that they do not rule out a military protest action to express the "deep and generalized unrest" within the Army against cuts which "could drive many families into a truly dramatic situation," creating "veritable chaos." The Unified Civil Guard Association (AUGC) called on its members to demonstrate, saying they "are not going to tolerate" being used as "scapegoats to pay for the economic outrages of others." The SUP, whose members are already participating in the demonstrations, called on their members to work "according to what they pay you" (that is, if their pay is cut, they do less work).

The secretary general of the Union of Students announced that it intends to put the youth of Spain "on a war-footing," to stop the de facto takedown of public education. The announcement came as Marco Peña, president of the Economic and Social Council of Spain, issued an urgent warning that the 450,000 youth of Spain who today are neither working nor studying constitute "a timebomb."

Publicly, the majority of Rajoy's Popular Party remains fanatically committed to the government's homicidal (and suicidal) course, with the PP's parliamentary delegation disgracing itself by applauding Rajoy's announcement that the unemployed and needy had to sacrifice more. The mass media continue to churn out scare stories that Spain has no choice but to go for "more euro," not less.

However, private discussions about the necessity of Spain leaving the euro and returning to the peseta are occurring even within circles close the government. The decision by Spain's leading conservative daily, *ABC*, to feature an interview with Hans-Olaf Henkel on July 16 puts the lie to the silly claim that "no one in Spain is considering leaving the euro." Henkel is a prominent figure among the Germans suing to block the ESM, and favors saving the euro by splitting it into a "euro of the north" and a devalued euro for the countries not meeting Maastricht criteria, arguing for austerity reforms. But when *ABC* asked him, "Why not return to the peseta?" he answered: "Without a doubt, returning to national currencies is a better alternative than leaving things as they are... [A] country which controls its own currency has better options than one trapped in an over-valued currency."

ABC introduced the Henkel interview, by endorsing his arguments for being as "as provocative as they are solid."

Geithner Can Lie, But He Can't Hide His Crimes

by Nancy Spannaus

July 24—When Treasury Secretary Timothy Geithner steps before the House and Senate Banking Committees on July 25 and 26, to try to defend his record and that of the Obama Administration, he will be fighting for his political life.

For, with the breaking-open of the Libor-rigging scandal, in the midst of the accelerating collapse of the trans-Atlantic financial system, Geithner's sordid and criminal efforts on behalf of the murderous Wall Street and British system have become a major point of attack for those committed to saving the nation by Constitutionally removing President Obama from office, and creating a financial system that can bring the U.S. and the world out of what is otherwise a terminal crisis.

Leading the charge is the LaRouche Political Action Committee (LPAC), which is launching two weeks of action in Washington, D.C. around the theme, as stated in a mass leaflet (see below) titled, "Dump Obama and Geithner This Week." Dozens of LaRouche activists, backed up by supporters around the country, are "taking over" the Capitol this week, with the

demand that sentient members of Congress and the government act now to implement LaRouche's three-point program of recovery, and remove Obama to prevent a threatened war against Syria and/or Iran, that could lead to thermonuclear confrontation with Russia.

Already, LPAC's activity has brought the support for a renewed Glass-Steagall law (the first step in the three-point plan), specifically H.R. 1489, to 77 sponsors, with the pressure continuing to heighten as localities and institutions around the country proclaim their support for Glass-Steagall, a new credit system, and the

NAWAPA XXI great project. But, as the LPAC leaflet emphasizes, time is running short for implementing that program and removing Obama as President and candidate. As FDR put it in his Inaugural address, we need "action, and action now"—indeed, revolutionary action immediately.

There are clear signs that some leading Democratic circles recognize this as well—as the outspoken criticism of Geithner over the last weeks by former New York Governor and Attorney General Eliot Spitzer, and former Spe-



swiss-image.ch/Moritz Hager

Treasury Secretary Tim Geithner may be feeling a bit off-balance these days, as he is called to account to explain his actions on behalf of the London and Wall Street bankers in the Libor scheme. He knows he could be facing many years behind bars.

cial Investigator General of TARP (SIGTARP) Neil Barofsky reflects.

Geithner's Crimes

Obama's choice of former New York Fed Chairman Geithner to head Treasury signalled fairly clearly that this President was going to go with Wall Street all the way. While not a banker per se, Geithner's career was almost entirely within the international banking community, including the Treasury Department and the IMF. At the Fed in New York, he hobnobbed with Hank Greenberg of AIG and John Whitehead of Goldman Sachs, both of whom got bailed out generously in the midst of the 2007-08 crash.

While other nominees to Federal office might have been disqualified by the matter of failing to pay self-employment tax for several years, not so Wall Street club member Geithner. He was confirmed and jumped right in to support Obama's policy of using Hitler-like health-care "reform" to cut costs, and ongoing bailouts of the desperately bankrupt international banks. He has continued that policy to this day, using his office to pressure Europe to adopt a suicidal policy of hyperinflation and austerity, and implementing the same policy here at home.

According to *EIR* sources on Capitol Hill, Geithner has also found time to visit Congressmen and Senators to pressure them against going for a Glass-Steagall banking separation. Nor was he above consorting with the rating agencies during the budget crisis of 2011, working with them to push a program of draconian budget cuts for the period ahead.

Now, with the recent exposé of the Libor interest-rate-fixing, it is clear that Geithner also played a hands-on role in that operation, although it's not known how extensive it was. Minimally, he covered up a crime which devastated hundreds, if not thousands, of cities and states worldwide, by the scam known as interest-rate swaps, which were immensely profitable to his real "constituency," the money-center banks.

Spitzer Takes the Point

"Eliot Spitzer Is Willing To Suspend Judgment Before Determining Whether or Not the New York Fed Let Barclays Molest Young Boys," read the headline of CNBC's July 13 interview with former New York AG



EIRNS/Stuart Lewis

Former Governor and Attorney General of New York, Eliot Spitzer.

Spitzer about the conduct of Treasury Secretary Geithner on the Libor interest-rigging crime. That was one of Spitzer's opening shots in what has been an aggressive campaign against Geithner, the defender of Wall Street.

Asked by interviewer Maria Bartiromo whether Geithner had done enough by flagging the Barclays Libor-rigging revelations to the Bank of England, Spitzer replied, "This is something that needs an awful lot of examination. I think the fact that he knew in '07, sent a memo in '08, is only the first layer of inquiry. Did he follow up on it? Libor, as everyone who watches

CNBC knows, is the heart and soul, it is the bloodstream of the financial system. If anyone is rigging it or playing games with it, then you must follow up. Anybody who is in the regulatory position that Tim Geithner was in, in my view the most important bank regulatory position in the world, how do you not follow up and say, wait a minute guys; what have you done? So it's unclear, and I hate to use this metaphor perhaps, but was this the sort of memo that was being sent at Penn State where you just kind of brush it aside, or was it really an effort to do something?"

Geithner, of course, did not come clean, but instead insisted that he had alerted all the relevant people, including at the Bank of England, on his concerns. It later came out that the memo he sent to them, however, was almost a direct "supercopy" of what his buddies in the New York banking community had recommended to him.

Spitzer, who as Attorney General, was known as the "Sheriff of Wall Street," has not let the matter drop. Not only has he continued to mention the analogy to the coverup of the Penn State pederasty scandal, but he has demanded a full investigation of the New York Fed and its board by an untainted authority. As he put it in a July 16 column published in *Slate*:

"We need an investigation of the New York Fed and its board by someone we can trust. And so far that doesn't seem to be any of the existing government agencies. Let's get a special prosecutor, maybe Louis Freeh, to find out what happened, who spoke to whom, and why the Fed once again did nothing." (It should be noted again, that Freeh was the outside investigator

who wrote the definitive report on what happened in the Penn State scandal.)

In his ongoing campaign against Geithner's role in the Libor fraud, Spitzer has frequently pointed out the irony that Geithner, in his confirmation hearing to be Treasury Secretary, insisted that he had never been a regulator. Yet, Spitzer argues, "as president of the N.Y. Fed, he was the most important regulator out there, and he didn't even know it?"

Of course, Geithner didn't act like a regulator, as Spitzer points out. He rather acted to bail out his buddies in the New York banking community. The way Spitzer put it is: "And maybe the prosecutor can find out one other thing. If Tim Geithner wasn't a regulator, what was he?"

Barofsky Spills the Beans

Neil Barofsky, former Inspector General of the TARP program, launched his media offensive against Geithner on July 13. In an interview with Bloomberg TV, he called for criminal prosecutions of both the bankers who rigged the Libor rates and the regulators who covered up the crimes. Barofsky zeroed in on Geithner's Fed presidency, pointing out that, based on the memos that Geithner sent to the Bank of England in June 2008, it was clear that he knew, in detail, what the Libor-rigging was all about. If all he did was to send an e-mail, Barofsky continued, then this is equally a scandal for the regulators. The regulators are complicit, as has already been alleged in England.

Clearly referencing Geithner's lack of action, Barofsky emphasized that the regulators allowed criminal activities to continue. "It is a significant act of deception if the regulators were aware and did nothing." Barofsky ran down a string of serious crimes that have been committed in the Libor rigging, including cheating counterparties, and securities fraud.

"I want to see indictments," he declared. He warned that banks like JPMorgan Chase and Citigroup, who were both on the Libor rate-setting committee, committed outright criminal acts. But the government lacks leverage over these "too big to fail" institutions, because criminal prosecutions of these banks would bring down the whole system. He warned that this will happen over



Neil Barofsky, former Inspector General of the TARP program.
YouTube/bloomberglaw

and over again, until we break up the big banks and put people in handcuffs. "This was a scheme to defraud. This is textbook securities fraud," he concluded.

Barofsky has escalated his campaign in the week since, in appearances generally centered on the July 24 release of his book *Bailout: An Insider Account of How Washington Abandoned Main Street While Rescuing Wall Street*. In each interview, he has emphasized that it is indeed true that the Treasury is serving the Wall Street banks, not the population, and that he was in constant battles, including shout-

ing matches, with Geithner over how to treat the banks.

Barofsky has hit home. After he appeared on Bloomberg TV, Geithner, on the July 23 Charlie Rose PBS-TV Show, claimed to be "deeply offended" by the Barofsky charge that he was cozy with the banks, and protested that such charges were "damaging" to Obama as well.

As well they should be, but that's not enough. To shift to a sane economic policy, both Geithner and Obama have got to go.

Dump Geithner and Obama This Week!

The LaRouche Political Action Committee (LPAC) issued this leaflet on July 22, for a blitz two-week mass mobilization throughout the country, but with a special focus on Washington, D.C. A ready-to-print version can be found on LPAC's [website](#).

President Obama's Treasury Secretary Timothy Geithner has been caught dead to rights covering up the rigging of interest rates on \$800 trillion in financial transactions, including mortgages, college loans, credit cards, and municipal debt. Documents from the New York Federal Reserve Bank and the Bank of England show that Geithner knew, by no later than 2007, that the 18 biggest U.S. and European banks were fixing the Libor rate (London Inter-Bank Offered Rate) to profiteer at the expense of now-bankrupt

cities and counties throughout the United States and Europe.

Geithner is guilty of covering up the crime of the century. He should have resigned from office two weeks ago, when the filthy details of the Libor scandal first came to light. President Obama should have fired him on the spot for his role in the deaths and suffering of tens of millions of Americans, who lost health care, fire, and police protection due to the bankers' looting.

Of course, President Obama has no intention of dumping Geithner, since he, himself, is guilty of a string of "high crimes and misdemeanors," and has followed Geithner's every demand on behalf of Wall Street and London, from one bailout to the next, as millions of Americans lost their jobs, their health care, their life savings and, in too many instances, their lives. What did the President know about Geithner's role in the Libor scandal? When did he know it? These are questions that Congress and the American people have every right to have answered.

Both Obama and Geithner are also complicit in the protection of drug-trafficking bankers, who have laundered trillions of dollars in dope proceeds, through some of the biggest Wall Street banks. On July 17, the Senate Permanent Subcommittee on Investigations, chaired by Sen. Carl Levin (D-Mich.), released a 330-page report with an additional 100 pages of documents, showing that HSBC, formerly the Hongkong and Shanghai Banking Corporation of British Opium Wars infamy, has been responsible for laundering over half of all of the illegal drug money that has gone through U.S. banks over the past decades.

That same British bank not only laundered money for the murderous Mexican drug cartels. HSBC also laundered funds for Saudi banks implicated in financing the 9/11 attacks. All of these criminal acts by HSBC, documented in the Senate report, took place while Geithner was president of the New York Federal Reserve Bank overseeing HSBC, or, later, as Obama's Treasury Secretary.

From drone assassinations of American citizens without a trace of due process, to launching an illegal war in Libya, to covering up the Fast and Furious government program that armed Mexican drug cartels with weapons that killed at least two American Federal agents, to the most devastating leaking of U.S. national security secrets ever, this President has done far more damage to the United States than George W. Bush and Richard Nixon combined.

If these crimes by Obama and Geithner are tolerated any longer, there is a very high probability that the world will be brought to the very edge of thermonuclear extinction, through new wars in the Middle East targeted against Russia and China, ostensibly over Syria and Iran. War on Syria and Iran was intended to be launched immediately after the assassination of Muammar Qaddafi last October, but strong war-avoidance efforts by the Russian government, by the U.S. Joint Chiefs of Staff and other patriotic circles around the globe, have stalled—but not prevented—those wars. Russia has made clear that any new wars, under the banner of "humanitarian interventionism" and the end of national sovereignty can and will lead to general war, involving the use of thermonuclear weapons. Russian President Vladimir Putin is not bluffing on this in the least.

Lyndon LaRouche has spelled out a clear way out of this civilizational crisis, beginning with the removal of President Obama from office through Constitutional procedures. This must be done immediately, starting with the ouster of Geithner and his immediate criminal prosecution for his role in Liborgate and the drug-money laundering of HSBC. With Obama and Geithner removed from office, Congress can immediately pass H.R. 1489, restoring the complete Glass-Steagall separation of commercial banks from the gambling activities of investment banks and hedge funds. Those guilty of the Libor-rigging, the drug-and terror-money laundering, and related crimes must be sent off to jail.

If you want to avoid war and want to see a real economic recovery, Obama must be out of office before the Sept. 3, 2012 start of the Democratic Convention. There are plenty of viable candidates to replace him as the Democratic Presidential nominee. As long as the choice is between Obama and Mitt Romney, the United States and the rest of the world are doomed to depression collapse and potential thermonuclear extinction.

LaRouche called the shot on the global financial crash that began in July-August 2007. He has championed the return to Glass-Steagall, a revival of an American System of sovereign credit and national banking, and has spelled out the North American Water and Power Alliance (NAWAPA XXI) great projects path to the creation of millions of new productive jobs and an era of scientific progress and restored prosperity for all.

Are you prepared to throw that all away for fear of removing President Obama from office while there is still time? Will you act this week?

World War III Looms; Put Criminal Bankers in Prison

by Helga Zepp-LaRouche

July 21—As it became clear just how thoroughly rotten the collapsing trans-Atlantic financial system is, from the threat of criminal investigations of the Libor scandal, including by American prosecutors, the British establishment had two fundamentally opposite reactions. One faction, for which the *Financial Times*, Peter Hambro, and Lord Myner are spokesmen, stated publicly that only a return to the two-tier banking system, in the full tradition of Franklin D. Roosevelt's Glass-Steagall standard, could prevent total collapse into financial and political chaos. The second faction, which includes British Foreign Secretary William Hague, proceeds from the standpoint that a confrontation with Russia and China could distract people from the criminal and dramatic situation of the bankrupt financial system; they would rather risk a military catastrophe than accept the rise of the Asian countries, while the trans-Atlantic region goes down.

Given that on the single day of July 18, there were three terrorist attacks—in Syria, Bulgaria, and the Russian Republic of Tatarstan—we know we are not dealing with three separate events, but with an expression of the strategic conflict within the Anglo-American establishment over how to respond to the disintegration of the financial system.

The Obama Administration did not even see fit to condemn the terrorist attack in which the Syrian defense minister, security chief, and two generals were killed, or to express condolences to the Syrian govern-

ment. Instead, U.S. Ambassador to the UN Susan Rice, backed by Great Britain, France, and Germany, tried to push through a UN resolution that would have allowed stricter economic sanctions and military action. The veto by Russia and China in the UN Security Council signifies a red line, beyond which thermonuclear confrontation with these two powers is on the agenda.

Hague then announced that “humanitarian aid” and material support for the Syrian opposition could be increased, even outside the framework of the UN Security Council. It is well documented that the opposition is infiltrated by Libyan terrorists and al-Qaeda fighters, and is funded by Saudi Arabia and Qatar. Russian UN Ambassador Vitaly Churkin mocked the “humanitarian aid” from the self-described “greatest humanists in the world,” the United States and Britain, giving as an example, the invoking of non-existent weapons of mass destruction in Iraq, which resulted in 150,000 civilian deaths, millions of refugees and displaced persons, and the destruction of the entire country.

In a security conference in St. Petersburg earlier this year, Prime Minister Dmitri Medvedev clearly explained the Putin Doctrine, which means the absolute defense of the inviolability of national sovereignty rights as laid down in the UN Charter, and that military intervention under the pretext of humanitarian assistance could itself lead to the use of nuclear weapons. This clash between the so-called Blair Doctrine, which

allows military intervention anywhere in the world, and the Putin Doctrine, shows that in light of the Syrian situation, the world is a hair's breadth from World War III, and demonstrates how irresponsibly the Western media is acting, parroting British war propaganda.

After the attack on a bus in Bulgaria, in which five Israelis were killed, Israeli Prime Minister Benjamin Netanyahu immediately charged Iran with responsibility, and said that Israel would respond with force. Former CIA officer Paul Pillar warned on July 19 in the foreign policy journal *National Interest* of the danger that the West could very easily be drawn inadvertently into an escalation to war, by the combination of economic warfare and the massive military buildup of the U.S. Armed Forces in the region. War with Iran "would be a really bad thing for the United States," Pillar wrote, adding that it would not be surprising if Iran were behind the attack in Bulgaria, given Israel's assassination of Iranian scientists, which, Pillar said, "entailed terrorism in the purest sense of the word." Netanyahu's bellicose statements should be taken seriously, since "he may be looking for excuses to up the ante and the heat no matter who ultimately turns out to be responsible for the attack in Bulgaria."

The third terrorist attack, that on high-level Islamic religious leaders in Kazan, in the Russian Republic of Tatarstan, also bears the earmarks of the masterminds from the British war faction. A spokesman for the Russian secret service accused the organization Hizb ut-Tahir of responsibility; it is propagating the ultra-orthodox version of Saudi Wahhabite

Islam in Tatarstan, and its headquarters is located in London.

Sources close to the U.S. Joint Chiefs of Staff, who reject the strategy of confrontation, are urgently warning that the moment of maximum danger of being drawn into a war that can no longer be stopped is being reached, and this will continue throughout the month of August.

This will be particularly likely if the U.S. Congress goes on its Summer recess, and if the consequences of the Libor scandal do not prevent Obama's confirmation as the Presidential nominee of the Democratic Party National Convention in early September.

The political action committee associated with Lyndon LaRouche has therefore launched an extraordinary mobilization for the coming week throughout the United States and especially in Washington, to work for impeachment of President Obama and the immediate implementation of Glass-Steagall by the Congress.

A Strategic Battle

It is also clear to various other patriotic forces that what is at stake is nothing less than the existence of the United States. A number of prosecutors, Congressmen, and Senators are firmly committed to exposing the systemic criminality of the trans-Atlantic financial system, as it is now being revealed with the Libor scandal and the huge amount of drug-money laundering in the case of HSBC bank.

The strategic battle is taking place between those who want a return to Glass-Steagall, which will ultimately re-

Secret Meetings Plan Post-Assad Syrian Regime

According to Josh Rogin, writing on the *Foreign Policy* magazine blog "[The Cable](#)" on July 20, for the last six months, 40 senior representatives of various Syrian opposition groups have been meeting quietly in Germany under the tutelage of the U.S. Institute for Peace (USIP), to plan how to set up a post-Assad Syrian government.

"The project ... was partially funded by the State Department," he writes. "The leader of the project,

USIP's Steven Heydemann, an academic expert on Syria, has briefed administration officials on the plan, as well as foreign officials, including on the sidelines of the Friends of Syria meeting in Istanbul last month.

"The project is called 'The day after: Supporting a democratic transition in Syria.'" Heydemann described the project to "The Cable" as "working in a support role with a large group of opposition groups to define a transition process for a post-Assad Syria." The group has been meeting since January and providing updates on its work to the Arab League, the Friends of Syria group, the team of UN Special Envoy Kofi Annan, and the opposition Syrian National Council.

store the character of the United States as a republic in the tradition of the American Revolution, Alexander Hamilton, Abraham Lincoln, and Franklin Roosevelt, and those who consider paramount the interests of Wall Street as a subsection of the British Empire. After Roosevelt's death, these circles immediately set out to block the power that FDR had used to curb Wall Street.

To get to the beginning of the Libor scandal and thus to the biggest fraud in the history of the financial markets, look at a paper that Alan Greenspan wrote in 1984 as director at JP Morgan, entitled "Rethinking Glass-Steagall," and in particular the role that Greenspan, and before him, Paul Volcker, played as Federal Reserve chairmen, in eliminating regulation of the financial markets, piece by piece, eventually leading to the repeal of Glass-Steagall in 1999, and the full deregulation of the markets. The manipulation of interest rates such as Libor, which was created in 1986, and probably also of Euribor and the Japanese Tibor, was from the outset left undisturbed by any bank supervision, and extensive investigations will have to determine how this scam could have occurred, in which there are hundreds of thousands, if not millions, of victims.



Planetary Defense

Leading circles in Russia have made clear their intent to judo the current British-Obama insane drive towards war, by invoking the principle of Lyndon LaRouche's Strategic Defense Initiative (SDI). Termed the Strategic Defense of Earth, the SDE would focus on cooperation between the U.S.A. and Russia for missile defense, as well as defense of the planet against the threat of asteroid or comet impacts.

The destiny of mankind now is to meet the challenge of our "extraterrestrial imperative"!

Available from [LaRouchePAC](#)

The graphic includes a top section with a green sphere and a red/orange explosion, a middle section with a bar chart showing green and red bars, and a bottom section with a blue area chart labeled 'Forbush Decreases' with two red arrows pointing to peaks. The text is overlaid on the left side of the graphic.

Banks and Drugs

The investigation of HSBC in the U.S. Congress for laundering of the profits of the Mexican drug cartels is likewise just the first step toward exposing another aspect of a banking sector for which breaking the law is standard operating procedure. By the late 1970s, as documented in the book *Dope, Inc.*, the annual liquidity inflow from drug money was approximately \$800 billion. It's more than an order of magnitude larger now.

Antonio Maria Costa, the former executive director of the UN Office on Drugs and Crime, and Victor Ivanov, the Russian anti-drug chief, have both emphasized repeatedly in recent weeks that the entire international financial system would have collapsed long ago without the massive liquidity from the illegal drug trade. On July 21, the London *Guardian* wrote that the global banks are just financial service providers for the drug cartels, citing Costa that the four pillars of the international banking system are: drug-money laundering, evasion of sanctions, tax evasion, and weapons trafficking. The politicians were afraid of a serious legal attack on this reality, for the simple reason that the sums involved are too large ("too big to fail"), and that they themselves have been promised lucrative consulting contracts after their political careers are over. Thus the British government had just signed on a former chairman of HSBC as Trade Minister, at the very moment that the drug-money-laundering scandal broke.

Looking at the dark side of an obviously thoroughly criminal financial sector which has lost any sense of justice, the bottom line is that there must be immediate implementation of a two-tier banking system as the first, indispensable step. That would cut off the power of the imperial faction committed to military confrontation with Russia and China.

Under these circumstances, to create the European Union's permanent rescue fund, the ESM (European Stability Mechanism), a lawless zone in which all the members of its directorate will enjoy lifetime immunity, and will be able to speculate on the primary and secondary markets without banking supervision, with no accountability to any parliaments, would mean that the nations of Europe are giving themselves up in favor of the mafias of the world, to whom they are handing an engraved invitation.

This article was translated from German.

A Global Economic Miracle Or Collapse of Civilization

In an international [webcast](#) July 8, the two foremost leaders of the LaRouche movement in Europe urged their fellow citizens to act to save their nations from the imminent threat of dictatorship and economic collapse. Helga Zepp-LaRouche, chairwoman of the Civil Rights Solidarity Party (Büso) of Germany, gave the first keynote address; a second keynote was presented by former French Presidential candidate, and leader of the French Solidarity and Progress party, Jacques Cheminade.

In her speech, Zepp-LaRouche extended an invitation to viewers, “not to watch this webcast passively, but to join with us in a plan of action, which has to be implemented because we have to find an urgent way to get out of this crisis...”

The primary purpose of the webcast, she said, is, “to make clear to the world, to politically responsible people, and to the masses of the population at large, that there is no reason to despair, that there *is* an alternative, and all which is required is the political will to implement it.”

She then presented an overview of the strategic situation, reviewing the shift of a faction of the British oligarchy toward Lyndon LaRouche’s proposal to revive the Franklin Roosevelt-era Glass-Steagall Act, to put a firewall between merchant (speculative) banking, and commercial banking; the implications of the Libor credit-rate-fixing scandal; growing support for Glass-Steagall in the United States; the crisis in Euroland, with the threat of Weimar-style hyperinflation from the



EIRNS/Christopher Lewis

There is a solution to the existential crisis facing civilization, Helga Zepp-LaRouche told a webcast audience July 8, and invited viewers to “join us in a plan of action.”

ballooning bailouts; etc.

But, there *is* an alternative, Zepp-LaRouche declared. “And I want to put it on the table, to be discussed around the world, around all countries in Europe. With the Glass-Steagall in the United States and Great Britain, a Glass-Steagall is possible in all of Europe. We just should cancel the EU treaties from Maastricht to Lisbon, and go back to the EU as it was before.”

This will allow us to move immediately to a development perspective, said Zepp-LaRouche, who then elaborated the details of the great infrastructure project, “An Economic Miracle for Southern Europe and the Mediterranean,” (published in [EIR](#), June 8, 2012.)

Cheminade opened his speech, titled, “The Secret Behind an Economic Miracle in Southern

Europe, the Mediterranean Region, and Africa,” with this provocative challenge:

“The secret behind a miracle is that it is never located outside us but in the function of our mind to change for the better our environment, our fellow human beings and ourselves. So the best way I can find to start my intervention this evening is to say: *Let’s get out of the suicidal mess that they have the nerve to call Europe!* We have reached the end of the oligarchic system, based on an endless spiral of indebtedness and the betrayal of the common good of our and future generations.”

The Mediterranean development program will “open the road to recover our national sovereignty,” he

said. Moreover, it will be “a link between an East-West development, the Eurasian Land-Bridge perspective, and a North-South development from the Mediterranean to South Africa, two legs for one World Land-Bridge of infrastructural advance.” To defeat our enemies, who operate on a world scale, “we have to challenge them at the highest level, from the top down, harnessing all the mental, human, and economic means to develop the physical economy, once we have put an end to the virtual one.”

Following the speeches, Zepp-LaRouche and Cheminade engaged in a lengthy dialogue with the audience, moderated by Stefan Tolksdorf, and excerpted here.

Stefan Tolksdorf: [This question is] from a representative of the Ministry of Rural Development and Foods in Greece. The questioner points out that there is substantial regional disparity in Greece, but also other Mediterranean countries, and then asks: “How in this present crisis, could the aim be achieved, to make the European Union the most competitive economy in the world?” He further points out, that the policies of austerity have caused unemployment to increase, and asks which measures can be taken to prevent unemployment’s further increase. And then, how a shift from a services economy to a real economy can be achieved.

There’s another question, also from Greece: “How do you define wealth, in a credit system?”

Jacques Cheminade: What has been tried in the last 40 to 50 years, is to replace growth with credit, which means, to control people through both the world of images, and the manipulation of images; and credit, but credit miscarried from what credit should be, which is the service of future generations, high technology, and creating the means for the future to be; and to see with the eyes of the future, and the ears of the future, what has to be done today.

Contrary to that, they tried to establish a parallel universe, and this is what has gone on in Greece, in particular, but also in France in the same way: You push luxury goods; for example, in Greece, olive oil, wine, snails. I see a big article in the French press about how producing snails is becoming profitable in Greece. And then, services: tourism, commercial services, and financial services. And you create an economy based on that.

In France, as I said before, only 15% of the gross national product comes from industry. So if you add to that certain useful services, you arrive at 25%. And the

rest is an economy which is not directly productive. So, this is what they have produced: a non-productive economy!

At this point, it’s not only in Greece, it’s in all of Europe. Certain countries have gone further, like France, to a certain extent, among the more developed ones, and Greece, which was less developed, but they’re going exactly in the same direction. And *this is what is falling apart, today.*

It’s this model of the euro, of Brussels, of this oligarchical, continental empire, which is falling apart. It’s finished. And, at the same time, the world financial system is also finished.

A Shift in the Oligarchy

You have people—and this is very important to understand—in the British oligarchy who said: “Well, we killed Qaddafi, but after killing Qaddafi, we could not go for a war” The Russians resisted; part of the military in Europe, but much more, the military establishment in the United States. They said, “No! We don’t want a war there, because we know that it can degenerate into a thermonuclear confrontation. We don’t want that.”

Today, this British establishment cannot go for that option. The British do not have thermonuclear means to go for that option. So, the British say, “Well, we have to survive.” When that point of history is reached—and we have seen that with Churchill, as Helga mentioned—on the fringe of the oligarchy appear voices of people who said, because they are on the fringe, “We are more free to say, our crowd has to survive. Our oligarchy has to survive.”

So: Hambros, Lord Jacob Rothschild, today, of all people! All these people are saying, today, in the same way as Churchill was saying, “For the sake of the future of our social formation as an oligarchy, we have to do something to escape from this chaos and destruction of the system that we ourselves, our friends in the oligarchy, have created. So we have to escape.”

And the way they choose to escape is to give these messages to LaRouche on the Glass-Steagall principle. “We would go for a Glass-Steagall principle, we want to find people in the United States who would go for the same thing.”

What it means is yet difficult to analyze in depth. But what’s clear, and what LaRouche always did—he sees from the future, so he jumps on the possibility, and he says, “I respond!”

It doesn’t mean that we like this oligarchy. It doesn’t

mean that they go towards something that would be coherent with our worldview. But, in the short term, they go for Glass-Steagall, because they want to survive. They know if they don't do that, they are going to die, and probably bring down with them the rest of the world. But they don't want to die, so they react as they reacted. Like Churchill reacted, going to Roosevelt and telling him, "Please, help me! Help me!" in 1940. So you have now a similar phenomenon.

Thinking from the Future

This means that we, on our side, have to take advantage of that, to push like hell for the Mediterranean plan, for our Southern Europe-Mediterranean-African plan, and for the Eurasian Land-Bridge. This is the way to do it. And, seeing that there is a response on the part of certain Russians, who are probably connected with certain of the British, with Indians, and with Chinese, we will bring together these forces, with a credit-based policy, which is a bet on the future.

As they would say in France, when certain people were still thinking in France, in the '60s and '70s: You start from the standpoint of what is needed in the future, and you establish credit as the means to bring that, but for that, you have to change Europe absolutely: You have to get out of the euro system, get out of the European Central Bank, and go back to national banks, and an association of national banks for great projects.

And then, you get out of the service economy, which is, I think, the main aspect of the question. And the service economy is what? The Japanese call it, "the economy of the smile," an economy of servants, of ass-lickers. And that's what we have to get out of. Tourism, as such, as it has developed, tourism is a very dirty business, because it's not to go and see what's good in a country, to help to develop that country and to do good things for it, no! Tourism has become also a way to satisfy the mis-oriented curiosity of people, and to satisfy their senses. And it means, very often, a form of prostitution—accomplished or unaccomplished, but it's prostitution.

So we are in this universe, and we have to get out of it. And it's not a matter of being competitive or not being competitive. It's a matter of working to the benefit of humanity, and to establish a grand design in that direction. And to be really competitive, if you want to have that terminology, is to be the best in working for



Solidarité et Progrès

Jacques Cheminade, former French Presidential candidate, described the shift which has taken place in the British establishment. "We have to survive," they think, because they don't want thermonuclear war.

the future, the best in making great discoveries, the best in applying them as technologies, and dropping the greenie/tourist/service approach, for a science-driver, and a society where the advantage of the other would be the rule, the Westphalian conception.

So I think today, it's very important that a country like Greece, or a country like Spain, which are really the victim countries, could react and inspire, and see what we mean, go very thoroughly through our proposals and support them, bringing in the energy, bringing the intelligence, bringing in the sense of historical need, and with us, launch this program, which is not a thing in itself, again, but it's the key to open the door to the future.

Glass-Steagall vs. Hyperinflation

Tolksdorf: Now, here are some questions that reflect unclarity about this, as such. . . . For instance, one questioner, from Germany, asks whether the introduction of Glass-Steagall would not be "too little." Whether introducing Glass-Steagall would not keep intact a lot of old structures that would then make it possible to abolish Glass-Steagall again in the future.

Another questioner asks why the pumping of money into the banking system should cause inflation. He adds, "Hyperinflation after all is not that bad, because we get rid of all the debt."

Helga Zepp-LaRouche: I think that the admission that the derivatives trade is 800 billion euros, or dollars—it doesn't make a huge difference these days—

that is probably a vast underestimation. There were publications of figures of 1.5 quadrillion, and the problem is, if you just think about all this worthless money, the structure paper, the securitizations, the vast amount of such paper; if you try to keep them up, with a shrinking base of the real economy—I mean, look, the collapse of the real economy is not just happening in Greece and Spain. It's happening in Germany; it's happening all over the place! So, this could happen very, very quickly.

If you go now, into the direction of the ESM [European Stability Mechanism], and more bailout packages for the banking system of Spain, Portugal—but it's really the French *banks*, the German *banks*, the British *banks*—it's not the countries, it's the banks which need to be refinanced—you could have an explosion of hyperinflation in a *few weeks*!

And the decision to go for hyperinflation was made at the recent EU summit! The ESM is a mechanism—I mean, please, think it through, what it requires, or what it means if you have a limitless refinancing; if even people like Peter Hambro [scion of the oligarchical Hambros banking dynasty—ed.] say that the problem is that the bankers never had to feel any pain; it doesn't make a difference if you have a loss! You get a bailout package, and then you can take that bailout money, and speculate against the currency of the country which bailed you out—or rather, the taxpayers thereof! And then you get bailed out again, and you speculate another round. Wow! That's a fantastic system!

This thing exploded in Weimar Germany, from the Spring to the Fall [1923], in half a year. And this time, since it's a much larger area—the trans-Atlantic region, all of Europe, all of the dollar zone—this could explode *in weeks*, and we are just days and weeks away from that.

And obviously, if that happens, I can see only social chaos erupting, if people realize that they have lost everything. And this argument that “inflation takes away the debt”: I mean, our parents, or grandparents, great-grandparents, know that it takes away your life's earnings! It destroys everything you thought you had as a pension, you had as a reserve against hard times. It goes out of the window with one piece of bread you buy.

So, this is not a light issue. And you ask the people of Zimbabwe, for example, what happens. There it happened just very recently, where you cannot buy things any more. And it kills people!

So, coming back to the question before, I want to

make Europe the most prosperous region of the world, but not necessarily the *EU*. We don't need this supranational structure! We can work together as a fatherlands alliance, like de Gaulle was saying. We can perfectly happily work for a common mission of Europe, to develop the Mediterranean and Africa, without supranational bureaucrats.

They're an obstacle anyway, because their heads are filled with thoughts that make that impossible. So let's get rid of this bureaucracy, have a reeducation program for them so they learn some useful skills, and can have a useful function in life.

Where are the areas in the world right now which are prosperous? China, despite problems, still has a large growth rate; India, Korea; Russia is on a very good track. They have only one Achilles' heel, and that is that they still have not considered the question of a credit system, and they still think that they have to use the revenues from the raw materials, from gas and oil exports, to balance future problems and so forth. Russia has only one weakness: They have not studied Alexander Hamilton, the First and Second National Banks of the United States. They like Franklin D. Roosevelt, but they have not really studied how Franklin D. Roosevelt got the U.S. out of the Depression in the '30s!

So on the one side, Russia has all these fantastic projects, and is committed to Arctic development, manned space travel, and, together with China, nuclear energy; but, they have this problem of the credit system. That is the absolutely crucial point, and that may have to do with the long-term after-effect of Karl Marx not understanding the validity of Friedrich List, and Engels thinking that Manchester capitalism was the most developed system of the economy at the time. I think that that is somehow still working there.

But other than that, the Asian countries are on a trajectory of high-tech development, and if Europe wants to become prosperous, we have to throw out the entire greedy ideology, and go to high energy-flux densities. If we don't do that, we will not survive. Now, if some people don't like that, then, that is too bad. But you have to confront the fact that this Green ideology goes together with very, very reduced population levels. And I think that that is the death of civilization, and we should not go in this direction.

To Prevent War: Get Rid of Obama

Tolksdorf: A question from France: “I am alarmed at the developments that are happening in America, that



EIRNS/Julien Lemaître

Members of the Solidarity and Progress party campaign for Jacques Cheminade in the recent French Presidential elections. People “are ready to go for something else,” said Cheminade.

affect the entire world. War is being pushed each day, especially by the Americans and the British. How can we deliver ourselves from British and American politics? Thank you.”

And then, a second question that goes in that same direction, but makes a very interesting connection: “I am here in the U.K., and I’ve been watching LaRouche for a while now, since he was on the Alex Jones show. And the question is, even if Glass-Steagall gets passed, and the world is saved from hyperinflation, what is stopping World War III from breaking out, due to events in Syria and Iran, and then a confrontation with Russia and China?”

Cheminade: I would say, first, get rid of Obama; get rid of the Brussels bureaucracy. Let’s get rid of the servants. The servants should be kicked out, because they are serving the worst of the oligarchical program. They are only servants, but they are *evil* servants, who are involved in a policy of destruction and serving that policy of destruction.

You have two reactions. You have to think, really, in depth, about that collapse. We are in a collapse of the entire system. It’s a systemic collapse! Everything is falling apart! So you have two types of reactions: I’ll try to answer the various questions in a way that would piece them together. First, you have the reaction in the

population. When they are hit, when there is no more food around, when they would be subjected, as is starting to happen in our countries, to a situation that is unbearable, there is the beginning of the reaction like you see in Greece.

So you have this reaction of the people—we call it a mass strike ferment, following Rosa Luxemburg—and this is going to take place, but it needs to be inspired. People by themselves will not go for a good policy, or a good program. They have to be inspired, and they have to see persons up front against the enemy, denouncing the enemy for what it is. And then, in the tempest, they see the one who has courage, and who is directing the ship away from the cliff. And this is about to happen.

I saw that in the French Presidential elections. People came to me in the field—I had only 0.25% of the vote!—but 10% of the people I met in the streets

were saying, “I did not vote for you, but you were my choice.” So! Very funny! What it means, is that people still are thinking that there is something useful to do, as a last chance for the system. But they are ready to go for something else. They said, “You are the only one who was thinking ahead of us,” and it reminded me what I wrote on Lyndon LaRouche, after meeting him, many, many years ago, that he was “thinking ahead of the persons he was talking to.” And this is very, very rare today.

People “deliver” things, they don’t think. This thinking in periods of revolution is something which is happening now with this collapse of the system. People start to think, maybe just a few of them, but these people have to be organized; and these people are the basis for the transmission of ideas. And that’s why we write these programs, as beacons of hope for the future.

At the same time, the second thing that happens, is that in the oligarchy, what Lyn called “the fringe” of the oligarchy, people react, as I said before. And you may not like the PRI in Mexico; you may not like the Hambros or Rothschilds and the Lord Myners—and I don’t like them—but Lyn is above that. He sees that it’s not a matter of “liking” or “not liking.” These people give us an opportunity, because they are afraid to die, and not to die as persons, but to die as a social forma-

tion. Then let's take advantage of that, at the same time that we organize the people.

And that doesn't mean that you have to be nice with the Hambros, nice to the Rothschilds, and so on. We have to beat them up, nicely or not so nicely, for them to go further. And this, I think, is a reaction, is also the product of what LaRouche has been doing over the years, to push, to tease, and insult, this British establishment: And then, something happens. This is what we have to do, at the same time that we organize the population.

It means that you have not to lose your nerve, in a situation like that, and not to go for short-term, immediate impulses, and think you are going to get an immediate, short-term victory. You are going to generate and develop a process, and that's our role in history. It's the role of people that will take the best decisions, once again, in the short term, because they see from the standpoint of the long term, and the standpoint of the future.

A 'Coup Against the Constitution'

Tolksdorf: The European Stability Mechanism [ESM], which has just been agreed on by the German Parliament, is obviously a matter of concern. This question is often asked, "Shouldn't what has been agreed on [June] 29, be called a 'coup against the Constitution?'"

Zepp-LaRouche: Well, I think what happened was a coup against the Constitution, not only once, but actually a coup becomes almost a hobby with some people. I would say, it started with the introduction of the euro, it continued with the Stability Pact, the Amsterdam Pact, the Nice Pact, the Lisbon Pact, and now, this is really the culmination of it. So it is a coup. I do believe that the people who signed for it are traitors. Under the circumstances, I have very high respect for those members of parliament who voted against it, because I know that they have been subjected to quite some harassment in some cases. So my respect goes to them.

The others are traitors. I think that the people who have sworn an oath to the Grundgesetz [Basic Law, or Constitution], especially Art. 20, or Art. 38,¹ who have

1. Article 20 states in part: "All state authority is derived from the people.... All Germans shall have the right to resist any person seeking to abolish this constitutional order, if no other remedy is available." Article 38, on elections, states in part: "Members of the German Bundestag shall be elected in general, direct, free, equal, and secret elections."



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"We have in Germany, in many other European countries ... traditions which are beautiful! The ancient Greek tradition, the Italian Renaissance, the Ecole Polytechnique in France, the German Classics: This is all the most beautiful image of man, but it's forgotten!" said Zepp-LaRouche. Shown: ruins of the Acropolis in Athens (ca. 500 B.C.).

not fulfilled their oath—that is treasonous, before history! Maybe not in the *Zeitgeist* view, where everything is possible, and things can go from worse to horrible, but they are traitors....

However, if we go back to sovereignty over our national currency, and our national economy, okay, there will be a little hardship; it will be probably a bit difficult for a couple of weeks or maybe even half a year. But, if we go in the direction of cooperation with the Mediterranean countries, to develop Africa, to cooperate with Russia, with China, with India, in the projects of the World Land-Bridge, we will have prosperity on a sound basis, which the world has not seen, ever!...

We have a *big* problem! And the people who have gone along with the system, don't understand that we are dealing with a *systemic* crisis! It's not just the euro, it's not just the dollar, it's not just the Libor: We are talking about a *systemic crisis of civilization*, of our European-American civilization, which is about to not make it.

So, that is why we are saying, we have to combine this economic reconstruction program with a cultural Renaissance. Look, we have in Germany, in many other European countries, in Greece, in Italy, in France, we have traditions which are *beautiful*! The ancient Greek tradition, the Italian Renaissance, the Ecole Polytech-

They shall be representatives of the whole people, not bound by orders or instructions, and responsible only to their conscience."

nique in France, the German Classics: This is all the most *beautiful image of man*, but it's forgotten! It's completely lost and we have to fight to make the cultural renaissance, to be really the driver for the economic reconstruction program. Because if we don't change our image of man, that man must be regarded in the highest respect of dignity, because of his creativity, because he, in a theological term, is *imago viva Dei*: He is the living image of God the Creator! And we have to put the dignity of man up to that level, or we will not make it. . . .

So if we don't start building on those who still have a compassion for civilization, who have love for mankind, who have love for the beauty of Classical art, these people have to be mobilized, and they have to become the radiators of a completely new kind of society, and new paradigm. And that has to happen, or we will not succeed, and go under.

Afghanistan: What Should the Future Be?

Tolksdorf: I know that we are discussing the plan for an economic miracle in Southern Europe, and Africa, and the Mediterranean. Nevertheless, one question reached us from Kabul, Afghanistan. The questioner, who works as a consultant on development projects, asks: "What approach and method of banking do the speakers recommend for the very newly developing countries that are struggling, still struggling, with conflict, like Afghanistan? Here in Afghanistan, we already observed waste, hefty and unreasonable packages for bankers, hyperinflationary practices and other ill-fitting banking procedures, such as the ones that led to financial disasters, such as the misuse and pilfering at Kabul Bank. So, what sound and appropriate banking practices do you recommend in such situations?"

And I would just continue also, what would a future for Afghanistan actually be?

Zepp-LaRouche: Well, one should take into account what Antonio Maria Costa [former Executive Director of the United Nations Office on Drugs and Crime (UNODC)] said, repeatedly, about the drug production in Afghanistan—I think it increased by ten times, since this Afghanistan war started, and it increased also, especially in certain provinces, which were under British control. And that is an established fact.

The problem is, this place is run by NATO. There is an ill-defined war, the condition of the American soldiers committing atrocities, now, there, after they have been recycled three, four times, to Iraq, to Afghani-

stan—I mean, this thing is so horrible, such a total disaster, it should be ended.

And the only way to end it—Victor Ivanov [director of the Federal Narcotics Service of Russia], who is working closely with Costa on this issue, just made many speeches—also on Glass-Steagall, by the way, which I think, is very, very important and interesting—but, what you need for Afghanistan, is collaboration between Russia, China, Iran, Pakistan, India, and some well-meaning European countries, not the EU, but well-meaning European countries. And you need to do exactly what my husband, Mr. LaRouche, has proposed, the first time in 1975, when he had the idea of an Oasis Plan for the development of the Middle East, which was the idea, that you need massive economic development in the entire region.

I once had the opportunity to fly from Khartoum in Sudan, to Amman in Jordan. And the entire three and a half hours, you fly over desert. I looked down from the plane window, and it was yellow, brown, yellow, brown; not one little oasis was there. And that defines the whole problem.

Afghanistan is an area which is totally underdeveloped. It has mountainous ridges, where not even roads exist. That's why to win a war there is for foreigners so absolutely impossible. So, what you need to do is have a view—what my husband proposed a couple of years ago with the Southwest Asia development plan—where you take the entire region, from the south of Russia, the Central Asian Republics, Iran, Iraq, the Gulf States, Syria, Egypt, Israel, Palestine, Lebanon, *and* Afghanistan—and you take this entire region, and you extend the Eurasian Land-Bridge.

Only, if the neighbors of this tortured part of the world are working together, on a common infrastructure project, like we designed the Eurasian Land-Bridge, more than 20 years ago, or we have now elaborated the World Land-Bridge; only if you establish a climate and culture of progress, of development, of opportunities to develop in a skilled job; to have a science education; to go into research and development. You have to change the environment! I mean this area of the world is becoming a complete nightmare, for all the kinds of people who are living there.

The Common Aims of Mankind

The problem is: It cannot come from that region alone. But if you have an agreement that we change the parameters, that we go for the common aims of man-

kind, that we stop this geopolitics, that we stop the idea of solving conflict with war, but that we have to have a human development for all the people on this planet, eliminate hunger and disease, which are not necessary, go into crash programs for a biological strategic defense, so to speak, for the conquering of certain diseases which need a crash program, like cancer, like other diseases, and concentrate on the joint aims of mankind, then we can change it.

But again, this crisis is so fundamental and so big, that you cannot treat it like any local problem. I am convinced: Nicholas of Cusa, the great thinker of the 15th Century, already developed the theoretical basis, for why you cannot have a harmony in the universe, on the basis of heterogenic side orders. And that is more true today than it was at any given point before. You cannot solve the problem of Greece alone, or the problem of Bavaria, or the problem of Afghanistan, or the problem of any part of the world. You have to change the parameters of how we work and live together as a human species.

And that means, we have to agree on the common aims of mankind, that we stop the idea that there is a

privileged class, and a mass of backward people who can be slaughtered from time to time, like the *helots* in Sparta; that we have to have a world where every human being living on this planet has to have the potential to become a genius! There will not be a second Beethoven, and not a second Einstein, because in the realm of freedom, there is no duplicate. You can have a zillion completely new kinds of geniuses.

And the more you study human history—what do we know about human history? We only know the last 10,000 years, and some little artifacts before. But what is 10,000 years, in the duration of the existence of our universe, and even our planet? It is like nothing! It is like a second before twelve. And there are all these scientists, these geophysicists, who say: “We have to get used to the fact that mankind came on the scene one second or three seconds before midnight, and it will be gone one second or three seconds after midnight.”


Well, that is not acceptable. And I want to challenge people really seriously, to think about it, because if that would be the case—well, why don’t we then just give up? Then we could just say, why don’t we just have a good time, dance on the *Titanic*, as long as it goes; it does not make a difference. But that is not the difference between the human species and all the other species we know of! Because if you think how big our universe is, and how much it is developing: We have not even stuck our toe into a huge ocean, because we are millions of light-years away from the next galaxies, and we know nothing. We are just at the beginning. We are like embryos; we are not even like infants, in terms of knowledge and development.

But on the other side, I am absolutely certain that the human species has proven, again and again, that we can conquer areas that were completely unthinkable before. We will be able to conquer thermonuclear fusion, and matter-antimatter, and we will get ways to make space travel a normal human activity. And then, we will, maybe several generations from now, maybe 20 generations from now, we will look back at our present situation on planet Earth, and say: “My God, were they in trouble! But fortunately, there was this movement called the LaRouche movement, and they had a perspective to develop the planet and go back to high-tech, and science and technology, and then mankind really took off.” And then, maybe, the first city on Mars will have the Ninth Symphony performed to celebrate the beauty of mankind. And that will just be the first stepping stone.

THE EURASIAN LAND-BRIDGE

‘The New Silk Road’—Locomotive For Worldwide Economic Development

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NASA

Fritz Lang's 1929 "Frau im Mond" (Woman in the Moon), already imagined a space-faring humanity. This dream was realized with the Apollo program 40 years later. Its revival, said Cheminade, will give people a sense of their humanity. Shown: American astronaut Shannon Lucid aboard the Russian space station Mir, 1996.



So, I'm an optimist, because, I think, we need to have the power of imagination, where mankind can go, and then you have to define what you have to do, to get there.

Be Unpractical!

Tolksdorf: I will take this last question, as an opportunity, for both of you, to close the event. "What can we do now? Which practical things can people do right away? What can I do, immediately, to make plans like NAWAPA or the Marshall Plan for Southern Europe, reality?"

Cheminade: I would say: Be unpractical, in the way our enemies define being unpractical. Join our organization. And join our organization, putting in it the best of yourself; not joining established ideas or things that you have to absorb and then give in the same form. You have to develop a thinking which would surprise the persons you talk to; you would surprise them because of what Helga Zepp-LaRouche brought up in the last question. You would surprise them, because in a world where things appear to reach an end—it's a systemic collapse of civilization that threatens; it is a systemic collapse of the world finan-

cial and economic system. But in this world, you bring the most astounding sense of the future, and what the future can bring to us.

And imagine, there was this movie, or an extract of this movie of Fritz Lang, that we used to show people, in "The Woman in the Moon," and the voice of a woman who was on Mars. Because to make a step outside the Solar System, the first step is Mars. So, think of that, think at the same time, in the immediacy of your day, how you can convince persons that you meet, in the street, around you, people you talk to, with those ideas. And then, you bring them to a higher sense, where they discover in themselves, a humanity.

And this, I think, is the best thing you can do. The programs, like our Mediterranean program, or before, the Eurasian Land-Bridge, and all that incorporated into the World Land-Bridge, and a space policy, obviously: All that gives to people a sense, that they are human. And they can be human, despite everything surrounding them, and probably, it is in a period that may look terrible, and is terrible, that the best of humanity can come out, as a reaction.

This is the optimism of Leibniz, and people that fought like he fought all during his life. I visited, a few

years ago, the museum of Les Eyzies, in France, which is a museum of pre-history. And they have a very interesting wall, with the curves of temperature on Earth during the last 500,000 years. And they have, parallel to each period, places where they show, what humanity has done. And it is the moments of tremendous challenge, when the weather was extremely cold, usually at that moment of history, that the big steps forward were done.

So in that moment, when our Solar System is entering into a portion of the galaxy that is a portion of dangers where humanity has never been before—it happened with the Solar System before, but it happened well before humanity was on Earth—we are compelled to think beyond our usual landmarks, our usual way of looking at things, beyond our senses. And that is one of the moments of history, where you have at the same time—and that's what LaRouche always brings in: the systemic collapse, the collapse of this financial and economic world order, *and* the galaxy and the Solar System entering into this moment in the galaxy, which is a moment of danger.

And it is then, that a human being has to prove his responsibility towards the future, and to be something which is the exact contrary of what an ecologist or a materialist would think: that a human being is defined not by what he has around him, and the immediate concern about that, but by his concern, how much farther he can go with his thinking and his imagination.

I think what you can do, and have to do, every day, is to think at the same time of your personal existence, and how you can go above and beyond this personal existence in the service of the other, and in the service of the future of humanity. And find a joy in that, which is much more joyful than any pleasure of the senses, in the way they are sold in today's society.

So, I think, be not optimistic in a silly sense, but be a beacon of hope, and then you will see that you would feel like somebody accomplishing the duty and the pleasure to be human.

Become a Warrior Angel!

Zepp-LaRouche: Well, that was really beautiful, Jacques, and I almost have nothing to add. However, I want to say one last word.

You know, we are now entering, probably in the next couple of months, the most important months in our lifetimes. Because, people always think life will go on, problems will go on, somehow, as if life would

be a soap opera. And many people live in soap operas—they take these soap operas as much more important than their real life. There is a certain soap opera, in Germany, and even if the characters have changed, the story goes on for decades, I think 30 years.

And people think that history is like that. But it is not like that. History is ruptures in dramatic changes; world wars happen, depressions happen, inflation happens. And we are now in such a period, where we can use the present period, the next, I would say, weeks, and there is a defining date, which is the beginning of September: If there is not an alternative option existing, by then, with Glass-Steagall, with possible new Presidential candidates in the United States, I think the opportunity is getting almost non-existent.

So, therefore, whatever you may have planned for your life, I would ask you to take the next two months of your life, and throw yourself fully in trying to get this Marshall Plan or "economic miracle" plan for Southern Europe and the Mediterranean, and Africa, and let's try to go for a breakthrough. Let's really put all our efforts and minds together, organize like you have never thought you could organize in your whole life: Call up all the people you know, bombard all the universities with this program; it will be in a written form, in German, in French, in Italian, in Spanish; it is on the Internet in English, and let's just get a breakthrough! Let's have the solemn commitment, that we put this alternative on the agenda in the next one to two months. If we, in a credible form, can do that, Europe has hope.

So, let's just really try to be extraordinary, and I think, what you need also, is to do something which Confucius and Lessing said would be possible, and I join them in that assessment. They said, you can change your emotion, on a will's notice. Confucius and Lessing said, you can start to love, when you want. And I think that that is what it requires. Because you need an incredible *passion* for mankind, and you must have a feeling that you do not want to have the suffering of all these billions of people any longer, and you don't want to take the menticide which is committed against children and youth all over the place. And out of that comes love. And that love gives you wings, and you will have wings of love, and you will look like a warrior angel, because you will become one. And that is the quality which is required to win this fight.

A Warning You Can't Afford To Ignore

On July 23, Lyndon LaRouche reiterated that the only way to guarantee that the world does not plunge into thermonuclear world war is by impeaching President Obama before September. LaRouche issued this statement in response to new revelations that the President is preparing to bypass the United Nations Security Council, and directly escalate the drive to overthrow the Syrian government of President Bashar al-Assad.

According to senior U.S. intelligence sources, the “humanitarian interventionists” inside the Obama Administration, led by Susan Rice and Samantha Power, are pressing for the U.S. to openly provide heavy weapons to the Syrian opposition, including anti-tank weapons. Such action would represent a direct provocation against Russia. President Vladimir Putin has repeatedly asserted his “Putin Doctrine” of absolute defense of the system of sovereign nation-states, built around the United Nations Security Council. A serious violation of the “Putin Doctrine,” he and his generals have warned, could lead to thermonuclear confrontation.

A flurry of news leaks over the weekend of July 20-22 confirms a major escalation in the Obama Administration assault on Syria, Russia, and China. The British puppet U.S. President is, of course, joined in his efforts by the British government, and the Empire’s leading allies in the region, specifically, Saudi Arabia and Qatar, who are openly pouring weapons and mercenaries into Syria in order to accelerate the process.

These same British, Persian Gulf, and Obama Administration forces have been moving in precisely this direction since the murder of Libyan President Muammar Qaddafi last Fall, but they

have been consistently stymied by the Russians, Chinese, and, of utmost importance, the U.S. Joint Chiefs of Staff. *EIR*’s sources report that the Joint Chiefs, headed by Gen. Martin Dempsey, are still adamantly resisting the drive toward war in Syria, which they understand to be not only a direct provocation to Russia, but also a trigger for the worst kind of permanent religious warfare in the region.

The conflict between Obama and the Joint Chiefs has gotten so bad that some sources report that Obama is trying to find a way of removing Dempsey from his position. This, of course, is not a simple matter, but the intention has to be taken seriously indeed.

Nor is the Obama Administration’s intention toward Syria the only danger. The recent flare-up of threats against Iran, coming from the British-backed war faction in Israel, bespeak of the same intention to kick off a global war confrontation, in a desperate attempt by the Empire faction to save their power—which is otherwise threatened by the global Glass-Steagall push.

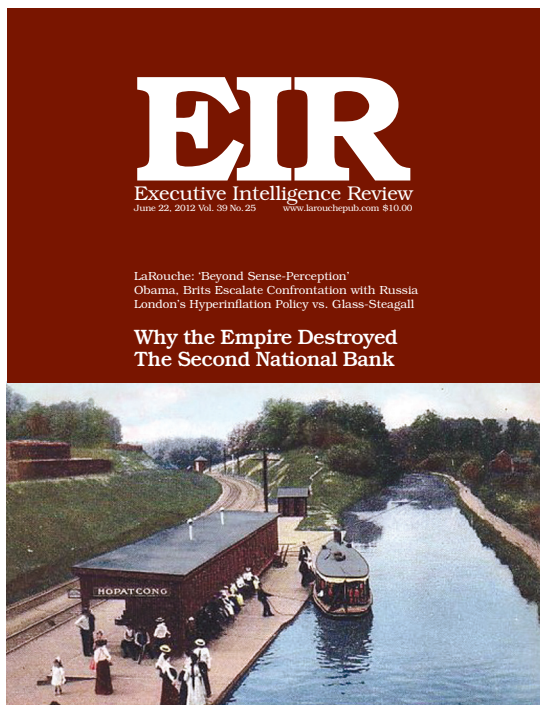
LaRouche declared July 23: “It is time to throw Obama out. Obama is committed to a Libya-style operation in Syria. He must be immediately impeached in the interest of world security. The threat of thermonuclear war, provoked by Obama’s actions against Syria, and, potentially Iran, cannot be ignored. Forget the little jerks who say that the threat of nuclear war is not serious.”

LaRouche added that there are “many impeachable crimes by Obama that could form the basis for his removal. It must happen before September, if we are going to assure that we avoid thermonuclear extinction.”

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