a storm of protest forced Victorian Premier Steve Bracks to pledge to amend it. However, Bracks, who is in the ADC's pocket, in fact made it much worse. Peter Ryan, the leader of the National Party, the only party to oppose the law, commented: "It is like using a sledgehammer to crack a walnut."

Aimed at LaRouche Co-Thinkers

That "walnut" is the CEC. The bill has been accompanied by a malicious nationwide slander campaign against the CEC, orchestrated by the ADC, which is a front for Queen Elizabeth's Privy Council, the ruling body of the British Commonwealth. Three members of the Privy Council dominate the ADC's Advisory Board: former Governors-General Sir Zelman Cowen and Sir Ninian Stephen, and former Prime Minister Malcolm Fraser. In a June 2000 submission on the bill, the ADC listed the CEC alongside the Ku Klux Klan and other white supremacist organizations, as one of 14 "organized racist groups" to which the bill should apply. Trying to whip up a lynch mob against the CEC, later ADC submissions and media appearances featured concocted, fraudulent "quotes" from LaRouche, in which he is made to appear to be denigrating blacks, Chinese, Jews, Irish-Americans and other minority or ethnic groups. The ADC has repeatedly attacked LaRouche as a "racist, anti-Semitic cult leader."

The anti-LaRouche campaign, in which Rupert Murdoch's media took a leading role (see *EIR,* June 22, 2001), reached a fever-pitch in the week before the bill was passed, and has continued unabated since.

In part, the Crown-dominated establishment, with the ADC taking the point, was scrambling to head off an intense CEC-led mobilization against the bill, which was so effective that one MP reported, "This office has received a record number of responses." The actual parliamentary debate was dominated by references to the CEC, and at one stage, the debate ground to a halt, as hysterical Liberal Party members interjected repeatedly to stop a CEC press release being read into the public record. The release quoted an angry Liberal MP blasting the bill as the work of the "top end of town," and questioned whether a $200,000 donation from the Liberal Party's biggest donor, ADC-associated billionaire Richard Pratt, was the reason the party sold out and supported the bill.

The real motive for the Privy Council's ADC-run campaign against LaRouche, was revealed on ABC Radio National on June 20, when an ADC spokesman launched an attack on Australian MPs who had endorsed LaRouche's New Bretton Woods policy. "It is one of his economic policies to save the world from the Jewish bankers who are supposedly trying to subjugate the world," the ADC hack lied. In reality, the Anglo-American establishment is terrified of Presidential candidate LaRouche's growing influence worldwide, as the world plunges toward a global financial collapse.

Argentine Devaluation Warns of a Debt Blowout

by Cynthia R. Rush

Late on the afternoon of Friday, June 15, Argentine Finance Minister Domingo Cavallo rattled the international financial community by announcing a "partial" devaluation of the peso, claiming this was a way to stimulate exports by establishing a different exchange rate for foreign trade only, and making Argentine exports "more competitive."

This was *not,* he adamantly stated, echoed by President Fernando de la Rúa at his side, a full-fledged devaluation. The existing "convertibility" system, based on a one-to-one dollar-peso peg—really the old British currency board system—which Cavallo personally instituted in 1991 as Finance Minister in the Carlos Menem government, would remain in place for all other economic sectors, Cavallo insisted. The new exchange rate of 1.08 pesos to the dollar "for trade only," a devaluation of about 8%, would be pegged to an average value of the dollar and the euro.

Let's look at the real story. Cavallo's "partial" devaluation confirms *EIR's* evaluation that Argentina, like Ibero-America's two other big economies—Brazil and Mexico—is blowing apart financially, despite the array of International Monetary Fund (IMF) bailouts, debt swaps, and other criminal schemes applied over the past year, in an attempt to hold it together. The world financial crash is on.

With over $900 billion in debt obligations combined, these three nations cannot extract enough value out of their economies, fast enough, to pay their debts. Their economies have been too cannibalized. The effect on the world financial system of a debt blowout of this magnitude would be incalculable—not to mention what it would do to the United States, many of whose banks and corporations hold large amounts of Ibero-American debt.

Of the three, Argentina is falling apart the fastest. It is de facto in default. The pathetic de la Rúa government is non-existent. The physical economy is destroyed, as is the once highly skilled labor force, This is seen in the dramatic increase in poverty, 15% official unemployment rate, and growing social upheaval. Industrial production dropped by 2.8% in May, compared to the same month one year ago. Auto production dropped 21.3% between January and May, while auto sales for the same period plummeted an incredible 54.8%. Supermarket sales dropped by 1.2% in the same timeframe.

None of the financial schemes devised to forestall default

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on the country's $212 billion real foreign debt, have worked, for the simple reason they are all based on further looting of a bankrupt economy. The highly publicized $39.7 billion IMF bailout in December 2000 was supposed to provide the economy with "financial armor," at least until the long-awaited "recovery" could take off. Lawfully, the austerity conditionalities attached to the bailout, imposed on the wreckage of the economy (many of Argentina's provinces are barely surviving) exacerbated the crisis. Tax revenues dropped and the fiscal deficit rose, forcing the government to negotiate a new agreement with the Fund after only a few months.

In March 2001, default loomed again. Named Finance Minister, Cavallo, with his friend David Mulford of Crédit Suisse-First Boston and other Wall Street banks, orchestrated a $30 billion debt swap, again described as a way to give Argentina breathing room "to grow" its way out of the crisis, and convince foreign investors of its creditworthiness. But the deal's usurious terms—the bonds were swapped at an average interest rate of 15.3%, compared to the 7% average rate on the original bonds—mean that over the 30-year life of the swap, Argentina will actually pay $52 billion *more* in interests, than it would have otherwise! Growth? Of the cancer; death for the patient.

Remember Barings Bank

As if this robbery weren't enough, Cavallo added a further outrageous element, deciding to hand over an additional $140 million in commissions to the seven, largely foreign banks which organized the swap. This is supposedly to cover their administrative costs as "intermediaries," although in many cases, this involved nothing more than the banks swapping bonds already in their own portfolios: "intermediaries" to themselves!

Addressing this robbery, Peronist congressman Mario Cafiero has already suggested that the deal could be illegal. Cafiero, who headed up the bicameral Jubilee 2000 commission which investigated Argentina's foreign debt in 1999, warned in a *Clarín* op-ed on June 11, that the swap could violate Article 65 of Argentina's Financial Administration Law 24,156. It states that a debt swap can only be authorized, if the new debt is contracted on more favorable terms than the old.

Peronist legislator Juan Labaké, and his Foro de Argentinos, took this further by filing charges on June 14 against Cavallo and Finance Secretary Daniel Marx, for abuse of authority, violating the duties of public officials, and illicit enrichment. As a precedent for the swap, the suit points to the usurious terms of the £1 million loan to Argentina by Barings Bank of England in 1824, which is notorious in the country's history.

At that time, after commissions were paid to "intermediaries," to Barings itself, and other deductions made for amortization and interest, the loan was reduced by almost half (£560,000), and handed over in small pieces over a long period of time, while Argentines endured austerity and unemployment to insure the loan's repayment, made only in 1904—after having paid *eight times* its original value. Arguing that only Congress—not Domingo Cavallo or Daniel Marx—has authority to carry out such a swap or to pay commissions, the suit calls for the federal court to issue a restraining order, to halt the swap, and payment of commissions to the seven "intermediary" banks.

Let the Suckers Take the Fall

Cavallo's "partial" devaluation, a desperate ploy to quickly generate some foreign exchange, served the purpose for which he intended it. He signaled his friends in London and on Wall Street that the big devaluation is coming, and they'd better get out now, before they lose their shirts.

On June 18, when foreign markets opened up again following the June 15 announcement, the crash of Argentine bonds, and the rapid rise in the country risk rate—the interest points, above U.S. Treasury note rates, which Argentina pays to borrow—confirmed that Cavallo's message had been received. The domestic stock market fell 5.1% on June 19. Despite the Finance Minister's protestations that "the markets didn't understand my measures," the comment of a Dresdner Bank executive in New York to the daily *Página 12,* was to the point: "For the market, Argentina devalued on Friday [June 15]. The change in the exchange rate wasn't made as a fiscal measure, but as the beginning of the end of convertibility."

Cavallo's announcement had immediate repercussions throughout Ibero-America, as the currencies of Brazil, Mexico, Chile, Uruguay, and Colombia all fell, on fears of a broader Argentine devaluation. Also badly hit was the stock of two Spanish banks which have up to 8% of their assets in Argentina: Banco Santander Central Hispano (BSCH), and Banco Bilbao Vizcaya Argentaria (BBVA).

Brazil's crisis, where the currency, the real, has declined by close to 25% this year alone, is the most dicey, because a combination of negative factors makes a blowout of its offical debt obligations of $243 billion (the largest in the world) very likely—and that could bring down the whole house of cards. As the real continues to devalue, it also causes the government's domestic debt, one quarter of which is denominated in dollars, to soar. Add to this the economic impact of the current energy crisis on national industry—rationing may now extend into next year—and Brazil's ability to service its debt, is immediately called into question.

Mexico is not far behind. The Argentine devaluation shook its markets and currency as well. But the real issue is the collapse of the "importer of last resort"—the U.S.—which has led Mexican manufacturing to lay off about a half-million workers this year. Its real foreign debt is $217 billion, and in order to be "more competitive," desperate Mexican exporters are now calling for about a 40% devaluation of the peso.