

## Systemic Financial Crisis Creates Global Instability

by Nancy Spannaus

A swath of serious political crises, ranging from coup threats, to destabilizations, to political hysteria, is sweeping governments on all continents. This worldwide pattern is unprecedented in recent decades, noted *EIR* founder Lyndon LaRouche, and cannot be understood from the standpoint of the internal features of each nation. All of these crises are a reflection of the fact that the financial system is coming down, and that under those conditions, government cannot deal with the crises they are facing.

Under “normal” conditions, governments are able to maintain themselves, and control the opposition, by throwing a little bit of money at problems, and otherwise making concessions. But under the current situation of extreme financial instability and distress, the financial powers who dictate to governments, are telling political leaders that they cannot spend money to solve problems. Such standoffs are setting up confrontations that could even lead to coups.

The most significant crisis, in terms of the global strategic situation, of course, is the trans-Atlantic financial disaster, which is leading to a liquidation of hedge funds, and threatening the solvency of the dollar-based banking system itself, on top of the ongoing collapses of industry and government services. The very existence of the European Union’s institutions is being threatened by this development, in the wake of the French and Dutch rejections of the new monetarist European Constitution, and governments which threw their weight behind the monetarist perspective are finding themselves seriously threatened as well.

But just rejecting the European monetary straitjacket, is not enough to win European governments a stable base of support in their populations.

It was with an eye to the decline in the government’s popularity, as well as to the accelerating financial crisis, that

German Chancellor Gerhard Schröder acted on June 13 to declare his intention to move toward regulation of the hedge funds, during upcoming international financial meetings. Within 24 hours, the Chancellor had become the target of no less a figure than U.S. Secretary of the Treasury John Snow, who was touring Europe at the time. Snow declared that hedge funds were crucial instrumentalities of the “free market,” and threatened that any “excessive” regulation would lead Americans to pull their capital out of Europe. Leading financial figures in Germany itself, from Deutsche Bank, also attacked the Chancellor’s statement of intent to regulate this wildly speculative capital.

The outcome of this conflict will ultimately be determined by whether sane forces in the U.S. Congress, especially the Senate, move to replace Bush Administration insanity, with a rational policy of bankruptcy reorganization, re-regulation of markets, and long-term, low-interest credit for economic growth—in sum, the beginnings of a new world financial system.

The Cheney-Bush team has been showing increasing signs of hysteria lately, in the wake of the May 23 defeat by the Senate of Cheney’s coup d’état, as reflected in incidents such as Rep. James Sensenbrenner’s (R-Wisc.) shutdown of his own subcommittee hearing, Vice-President Cheney’s surly appearances on television, and the Administration’s thumbing its nose at the endless revelations of abuses at Guantanamo Bay. That hysteria can only be expected to increase, as the Administration’s popularity ratings sink, and Republicans begin to join Democrats in challenging disastrous economic, social, and war policies.

Thus, the political turbulence will only increase—until and unless the measures outlined by LaRouche in his June 16 webcast are carried out.



bolivia.indymedia.org

*Bolivian President Carlos Mesa resigned on June 6, warning that the country is “on the edge of civil war.” Here: a demonstration in Sucre, Bolivia on June 3, demanding the nationalization of hydrocarbon production. Increasingly violent demonstrations are being run by the MAS Party of Evo Morales, leader of the coca-farmers.*

## When the Superpower Catches a Cold . . .

There is a folk saying that, when the big power catches a cold, the little folks who are dependent on him are wracked by pneumonia. The same principle applies to the social and political results of the global financial crisis in the developing sector, compared to that in the United States.

Thus the political instability in Western Europe and Washington, D.C. is mild compared to the upheaval being created in Ibero-America, Asia, and Southwest Asia, as a result of the systemic financial crisis. In Ibero-America, there is hardly a nation which is not threatened with chaos, from Mexico, to Ecuador, and even to Brazil, thanks to the International Monetary Fund (IMF) austerity regimes which have been imposed on their populations.

We review two case studies here as exemplary of what can be expected to happen in many other nations under current conditions.

### Bolivia on the Edge

The night of June 6, Bolivian President Carlos Mesa tendered his resignation, in a televised address to the nation. He then made a second address, to issue a dramatic appeal: “The country cannot play with the possibility of breaking into a thousand pieces. This is a plea from a President on his way out, to a country that is on the edge of civil war.”

After several days, the leaders of the two houses of Congress who were constitutionally next in line stepped aside, and Supreme Court President Eduardo Rodríguez was sworn in as President on June 9.

Rodríguez immediately announced that early Presidential

elections would be held within 150 days.

There will be no solution, however, to Bolivia’s crisis, until the overturning of the IMF policies which, over the past two decades, have looted the nation and driven its impoverished people over the brink. According to the Bolivian Statistical Institute, fully 36% of Bolivia’s 8.7 million inhabitants are unemployed; 64% live below the poverty line; and 37% are indigent. Among children, 51% are anemic, and 27% have suffered at least one instance of acute diarrhea. Both these maladies are frequent causes of death.

Mesa’s resignation followed three weeks of protests by tens of thousands of peasant farmers and miners, who have blockaded all roads into the capital, La Paz, halted most inner-city commerce and transport, cut off all highway connections to other countries, occupied seven oil-and-gas fields, and held increasingly violent demonstrations to demand nationalization of the country’s oil-and-gas wealth and the convocation of a Constituent Assembly to reform the government. The protests were led by the MAS Party, headed by Evo Morales, leader of the nation’s coca-farmers, a long-term asset of speculator George Soros’s narco-legalization project, and an ally of Colombia’s narco-terrorist FARC.

For three weeks, Morales’s hordes strangled the capital, provoking scarcities of food, gasoline, and water. The protests devastated the capital physically and economically, and exacerbated the polarization of the country between its Indian and peasant population, on the one side, and the inhabitants of the raw-materials-rich section of Bolivia, the southeast, which have been organizing for the creation of a separate “Camba Nation.”

The international financiers' treatment of Bolivia, from the 1960s forward, set this conflict in motion. The nation has been treated as a raw materials looting-ground, as well as a leading center of the international dope trade. After an IMF "reform" program in the 1980s led to a shutdown of the state-owned mining company, thousands of miners were left with no livelihood but coca-growing. Then, in the 1990s, foreign multinationals bought up the mining companies for a song, and shifted the emphasis of raw-materials production to natural gas for export. Needless to say, the profits were not going to be used to benefit or develop the nation.

The stage was set for an escalating conflict between the representatives of the export industries and foreign financier interests—who encouraged the residents of the part of the nation known as Santa Cruz to demand autonomy—and the representatives of the largely dispossessed section of the population, now mobilized, also by international financier interests, to defend coca production as their own livelihood, as well as demanding renationalization and heavy taxation of the export industries.

So far, it has only been the LaRouche forces who have articulated a solution to this seemingly insoluble conflict. On June 14 *EIR* Ibero-American editor Dennis Small gave an hour-and-a-half interview on La Paz's television channel 13, in which he outlined LaRouche's proposals for reorganization of the world monetary system. The host, Anibal Aguilar, invited Small to be his sole guest, on his polemically titled program, "Bolivia IS Viable," a program designed as a platform to organize against foreign efforts to dismember Bolivia. Small's topic was "The International Financial Crisis and Bolivia's Viability as a Nation-State,"

Small emphasized that the hope is that there are forces moving internationally to replace the IMF system which has destroyed Bolivia—most significantly, LaRouche-led forces inside the United States. He explained that it has been Venetian-British strategy for centuries to manipulate peoples into become the instruments of their own destruction, by getting them to fight one another, along their well-known profiles—the better to seize Bolivia's oil and gas, along the lines of Henry Kissinger's National Security Study Memorandum 200. Look for the international hands—Dick Cheney's American Enterprise Institute, George Soros, Luigi Einaudi—orchestrating the situation, and do not play your designated part in a play written by Wall Street's script-writers, Small told them.

### **The Philippines: To Coup or Not To Coup**

In Asia, the leading example of a nation threatened with disintegration under conditions of global economic crisis, is the Philippines.

The economic collapse currently ripping apart the social fabric of the nation has devolved into a probably fatal crisis for the regime of President Gloria Macapagal-Arroyo. With poverty, unemployment, and malnutrition reaching intolerable

proportions, while over 70% of the nation's revenues are swallowed up in debt service, a scandal involving the President's husband, son, and brother-in-law, accused of taking payoffs from the illegal numbers racket, has now been joined by the release of tapes by elements of the domestic security and military intelligence institutions, purporting to show that President Arroyo and her husband engaged in vote fraud during the Presidential elections of May 2004.

It is doubtful that the Arroyo government will survive this conjunctural crisis, unless President Arroyo were to break completely from the nation's subservience to the now rapidly collapsing IMF-centered financial institutions. The nation has lacked economic sovereignty since 1986, when the first Washington-directed "people's power" hoax was used to depose the nationalist regime of President Ferdinand Marcos, and only a reassertion of that economic sovereignty today could save the Arroyo Administration. Barring that (not impossible) eventuality, the question remains: whether the nation will suffer yet another military coup under Washington's careful supervision, as in 1986 and again in 2001 (when President Arroyo was placed in office by extra-constitutional means), or if constitutional means can be employed for a peaceful and legal transfer of power.

Several neo-conservative think-tanks supporting the Bush-Cheney regime, including the Heritage Foundation and the American Enterprise Institute, have been releasing studies over the past year portraying the Arroyo government as a turncoat, for its withdrawal from Iraq and embrace of China, while describing the largely Islamic southern province of Mindanao as the training ground for Islamic terrorism across Asia, claiming that the Philippines is incapable of controlling the region. The U.S. Chargé d'Affairs in Manila, Joseph Mus-someli, went so far as to describe Mindanao as the "next Afghanistan." The desire of certain U.S. interests to establish a permanent military presence in Mindanao is well known in the Philippines, and Mussomeli's statement was not well received.

Knowledgeable Philippine sources were fearful that the situation might have come to a head during Independence Day celebrations over the weekend of June 12. Fortunately, however, a coup did not occur. Two factors were significant in aborting it: one, the fact that Susan Roches, widow of the Presidential candidate defrauded by the Arroyo government in the last election, refused to give coup action her blessing; and two, the insistence by Sen. Aquilino Pimentel, leader of the Opposition, that the political crisis be dealt with by *Constitutional* means, not a military coup.

Pimentel has called for Arroyo's resignation, together with that of the Vice President, and for new elections. "I want a peaceful, Constitutional way out for her," he said. "I don't want any extra-Constitutional means. Using 'people power' will only make it lose its moral authority. A military coup could not be relied upon to restore or protect democracy."