



# ON TARGET

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*The price of Freedom is eternal vigilance —*

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**THOUGHT FOR THE WEEK:** "The currently fashionable view of history is that a civilisation attains a zenith, followed by an inevitable decline and decay. According to this theory some mysterious tide wells up under a people, lifting it to splendid heights of ethics, science, and culture, to ebb equally mysteriously and leave only a foul slime of corruption and decadence.

"What the tide is, how it manifests, where it comes from, nobody knows or cares. It is a convenient and glib half truth that falls easily from the lips of those unaccustomed to real thought. But what if the decay of civilisation is not accidental, but the work of evil and malignant elements within the body politic itself? What if conscious direction and planning are behind the squalid collapse of virtue, decency and goodness? As a possibility, or simply at this stage a speculative hypothesis, the concept deserves consideration....."

- Dr. Michael J. Hurry, in Introduction to Who Hold the Balance

**TRUTH ABOUT GULF WAR EMERGING:** As regular readers of this newsletter will recall, we were the only publication to warn that the American policy makers had deliberately manipulated Saddam Hussein into a position which made the Gulf War inevitable. We cited the vital role of the former U.S.A. Ambassador to Baghdad, Ms. April Glaspie, who met with Saddam Hussein only a few days before the Iraqi invasion of Kuwait. Iraq subsequently released a record of how Glaspie had assured Saddam Hussein that Kuwait was not a vital concern for the U.S.A. Saddam Hussein had assumed that the U.S.A. was giving him the green light to proceed to solve his longstanding border dispute with Kuwait by whatever means he thought fit. When eventually Glaspie appeared in March before the Senate Foreign Relations Committee during a postmortem on what went wrong with U.S. policy, Glaspie vehemently denied that the U.S. administration had kowtowed to Iraq. But now the Senate Foreign Relations Committee has charged that Glaspie attempted to mislead them. Copies of the cables Glaspie sent to Washington are remarkably similar to the Iraqi transcript of the meeting between Glaspie and Saddam Hussein, which Glaspie had denounced as having

been sanitized and heavily edited. They show Gaspsie taking a conciliatory stand, and failing to warn Saddam Hussein of the likely American strong reaction to any attempt to solve the dispute with Kuwait by force.

The cables reveal Gaspsie as having said to Washington, "I believe we would now be well advised to ease off on public criticism if Iraq until we see how the negotiations develop". In her March appearance before the Foreign Relations Committee, Gaspsie said that she should not be punished for misreading a man who had fooled every government in the world. Reports state that some Senators are far from impressed with the Gaspsie performance. Ms. Gaspsie speaks Arabic fluently and specialised in Middle Eastern affairs during her 20-year diplomatic career. She is now scheduled to leave the State Department to take up a teaching position with the University of California.

All the evidence shows that Saddam Hussein was concerned about American reaction to his long-running dispute with Kuwait, and that he was satisfied that there would be little American reaction if he decided to resolve the dispute by force. Saddam Hussein then found himself trapped in a situation which left him little option but to fight. Every authority on the Middle East knew this, but clearly President George Bush wanted war. One of his main advisers was Dr. Henry Kissinger, the man primarily responsible for the allegation that Bush had to move because of Saddam Hussein's alleged threat to Saudi Arabia and its oil supplies. Kissinger subsequently conceded that he had no evidence to support his allegation, one still used by those who attempt to justify a Gulf War which left the Middle East in a worse state than it was before. Along the grapevine we hear that American writer, Grace Halsell, author of Prophecy and Politics, has written the first in-depth book on the truth about the Gulf War. A recognised authority on the Middle East, Grace Halsell's major conclusion is that Saddam Hussein was "set up" and that the real winner of the conflict was Zionist Israel. If and when Grace Halsell's work is published, we will draw attention to this.

In the meantime it is instructive to note that with most of Kuwait's oil wells burning out of control, and with Iraq unable to export oil, there is no shortage of oil.

**TALKING "UP" THAT RECOVERY:** "Further strong evidence emerged yesterday of an economy climbing slowly out of recession, with consumer confidence at its highest point for more than two years and June showing a 9 percent increase in sales of new homes."

- The Australian, July 22nd

We recall the old English proverbs, viz., "a bird in the hand is worth two in the bush", or, alternatively, "don't count your chickens before they're hatched".

The Politicians, estate agents, the newspaper crowd, are all "talking up" a recovery from the current recession in Australia for pretty obvious reasons.

Yes, there is a mini-recovery occurring in the housing sector of the economy: we predicted this, remember?

There probably is a mini-recovery in the new car market; people can't put off buying a new vehicle forever.

The mini housing recovery is due to lower interest rates to highly approved borrowers from the banks and building societies. We do hope that many of these people do not get their fingers burned by an increase in interest rates next year (1992) when the decline in the housing sector could fall to even lower levels than currently are obtaining now, in July 1991. We expect confirmation or rejection of this scenario by early 1992. We don't rule it out, by any means. What we are listening to, and reading, from the "talk-up" brigade are a series of optimistic generalities. "Consumer confidence is up 3 points on the figures given three months ago"... "This group of economists is confident that the recession has bottomed"... "the level of job advertisements support the belief that recovery has already started".....

How about this one from Herald-Sun (Finance), July 22nd .. "Consumer confidence rises - spending lags". That just about says it all! You can't pay the rent, nor buy the food with "consumer confidence".. You can't clothe the children with an "increase in job vacancies".. Hard, hard, cash will do the trick, there.

The Business Australian, July 22nd, puts its finger right on the pulse of the "recovery" problem, and we, ourselves, have dealt with this in these pages a few weeks ago, i.e. "Mountain of Debt Holding Back Recovery".. The introduction to this article runs, "Net Cash flows and company investment plans are at their lowest levels since at least 1959, with debt the prime profit-corroding factor, according to the latest bulletin from the Business Council of Australia"... We could have told them that, months ago.

Interestingly, this recession (1991) is the mildest since 1959 in terms of gross profitability (leaving out the debt levels) - but the reverse is the case when interest payments (debt) are included in the equation.

Recovery, and the speed of it, will depend upon the substitution of equity (assets) for debt, and on the level of consumer demand at the "right" time.

Consider this: "The ratio of debt to equity for all companies studied rose from under 60% in 1984 to more than 90% by 1989". We expect it could even be higher now, in 1991.

Debt levels have increased 50% in the companies studied in 7 years!

We say that this "trend" will continue. What will the debt levels be by the year 2000 A.D.? What will the social effects be like then?

This debt to equity ratio is called "gearing" by the business community

and this needs to be reduced as quickly as possible for company health. Ploughing back company earnings after the payment of dividends and tax, to reduce gearing, is very hard slog, which is mainly the method of small to middle-sized businesses.

The big boys have alternatives to quicken the process, viz. the issue of new equity (floating a company loan for old and new investors). Another.. A company merger with another, or others of a group of companies.. Another.. A complete takeover by another or others.

You have seen what has been going on in the business markets in the past few years; companies being swallowed up by other larger concerns, and this debt "problem" is one of the major factors involved.

Yes, if this "recovery" really does eventuate in 1992 (we admit to being sceptical) - there will be a surge of new inflation "as medium and small business rebuild their margins".. This means higher prices of goods and services which (at least, in part) have been held artificially low to weather the storm of the current recession. The bigger players may not increase prices so much, as many are monopolies.

Also, if and when the "recovery" comes, the bank finance will flow more rapidly, and we insist, inflation will be "spun off" by the operation of our faulty finance-economic system.

No, we don't like the economic scenario ahead for Australia. We are not "talking up" anything.

(This comment from Jeremy Lee, and further comment from him next issue.)

**GREENIE HYPOCRISY:** The decision by the Burnie Council in Tasmania to introduce Citizens' Referenda has exposed the soft underbelly of the Conservation Movement. In March a referendum was held asking whether a local park should be preserved, or used to allow development by the Burnie Port Authority. Urged on by Tasmania's "greenies", whose leader Bob Brown claims to be an advocate of C.I.R., over 87 percent of Burnie's population voted to retain the park.

But now it is a different ballgame. A second referendum is in progress asking the people whether they want a pulp-mill in the town, with evidence that such a proposal would inject about \$40 million into Tasmania's economy. Indications are that the people favour the idea. This has upset the "greenies", who apparently only favour C.I.R. when the vote looks like going their way. They wouldn't even agree to prepare the "No" case.

The Liberals, according to The Australian, July 10th, introduced a Bill for C.I.R. earlier this year. The decisive vote which denied the move was Dr. Bob Brown's.