Storm Hits Unprepared Southeast Asia

by Michael O. Billington

The Finance Ministers of the ten nations of the Association of Southeast Asian Nations (ASEAN), meeting in Kuala Lumpur with their counterparts from China, Japan and South Korea ("Plus-3") over the weekend of April 7, implemented key aspects of the Chiang Mai Initiative proposals which had been formulated by the ASEAN-Plus-3 in Chiang Mai in May of 2000.

The 13 nations increased a reserve pool of currencies from $200 million to $1 billion, and agreed to link their currency reserves through a Bilateral Swap Arrangement (BSA), for use as a united defense against speculative attack on any of the partner nations, as had occurred in 1997-98. The implementation of the swap arrangement is seen by them as the necessary prerequisite for the creation of an Asian Monetary Fund (AMF), an idea proposed by former Japanese Finance Ministry official Eisuke Sakakibara, to give the Asian nations a mechanism to independently finance the development needs of Asia.

The critical question of whether the new Asian financial structures will or will not be independent of the IMF, and other international financial institutions, was not decided at the Kuala Lumpur meeting. Instead, it was determined that there would be no central body, neither the IMF nor any new institution, to oversee the swaps in the BSA, but rather, the country in need of help in any speculative attack would work out the conditions of the swap directly with the lending countries (presumably these would be primarily Japan, Korea and China). The final communiqué said that "there was a consensus that the BSA would be complementary and supplementary to IMF facilities."

Within this intentionally vague formulation, however, the terms of any swap will be a matter to be determined by the nations themselves. Malaysian Finance Minister Tun Daim Zainuddin, who chaired the final press conference as the host nation's representative, said: "Our view is that the facility must be better than the IMF's. . . . If it's the same as the IMF's, you might as well go to the IMF. We are dealing with friends in Asia, and we expect the facilities to be better than those offered by the IMF."

Sources close to the negotiations reported to *EIR* that while there is broad recognition of the failure of IMF policies in Asia since the 1997 crisis, those nations functioning under IMF conditionalities (which includes Indonesia, Thailand, the Philippines and South Korea) do not consider themselves at liberty to take public actions outside of those strictures.

Japan's Vice Finance Minister, Haruhiko Kuroda, who visited Malaysia for several days preceding the Finance Ministers' conference, was widely reported in the press to have been in disagreement with Malaysia's strident calls for Asian independence from the IMF. However, a leading Malaysian statesman reported to *EIR* that Kuroda did not spend several days in Malaysia just to argue, and that public adherence to IMF policies does not reflect his private views, nor his strong support for the idea of creating an Asian Monetary Fund—the policy proposed by his predecessor, Mr. Sakakibara.

Crisis of Governments

When the Asian economies were pummelled by hedge fund speculators, and then by the IMF, in 1997 and 1998, *EIR* founder Lyndon LaRouche refuted the claim that it was an "Asian crisis." He insisted that it was, in fact, the first stage of a general, systemic breakdown crisis of the international IMF-centered financial system as a whole, and could be reversed only by addressing the necessity for a new global system based on the principles of the original Bretton Woods agreements under Franklin Roosevelt. Those Asian nations which sought refuge from that crisis in the arms of the storm-god itself, the IMF, saw their populations thrown into poverty and their national wealth looted, while their economies have still not recovered from the blow.

Now the crisis has reached the global financial markets, and both the U.S. and the Japanese economies can no longer take in cheap imports (even at the devalued prices forced upon the ASEAN nations by the IMF). Those nations under IMF controls are practically helpless to defend themselves, except for the potential for regional policies such as that of the proposed AMF. The currencies of each of these nations have now fallen back into the range of the lowest levels reached during the 1997-98 crisis.

To make matters worse, each of these nations is undergoing a severe political crisis, with a significant amount of foreign meddling, leaving the ship of state with few means to navigate through the storm.

The worst case is Indonesia; this once rapidly developing nation has been reduced to massive poverty, separatist divisions, and extreme ethnic violence. The discontent is increasingly being directed against the first democratically elected President, Abdurrahman Wahid, who is now facing impeachment proceedings in the Parliament. There is a serious threat that the population will be dragged into acting out "primordial animosities," as one Indonesian statesman put it, driving the nation into chaos.

As if to demonstrate their desire for such a hecatomb, witness the following actions by the "international community": The IMF has withheld for five months a pledged $400-million loan, demanding even more intense austerity against the population, and the relinquishing of state controls over the economy; ExxonMobil, claiming security problems due to the conflict with separatists in the region, unilaterally shut down major oil and gas operations in the area of Aceh, costing the government millions of dollars in scarce foreign currency income every month; the UN and the foreign NGOs now running the pseudo-state of East Timor—with its population in abject poverty—are again threatening to institute "international tribunals" against Indonesian military leaders for supposed complicity in the chaos following the referendum vote in August 1999.

In Thailand, the new government, led by telecommunications mogul Thaksin Shinawatra and General Chavalit Yongchaiyudh (Ret.), has made tentative moves in the direction of launching large-scale development programs and protecting the general welfare of the population from the ravages of the IMF austerity. However, Prime Minister Thaksin was nearly killed when an airplane he was about to board blew up at the gate, and he is now facing conviction in a corruption case, being heard in a new "clean hands" court. Conviction would bar him from politics for five years, despite his recent election by the largest majority in Thai history.

In the Philippines, the opposition to former President Joseph Estrada (also elected by the largest majority in his country's history) constantly blamed the collapsing economy on his supposed corruption and misrule. With Estrada now deposed (with overt complicity from Washington), and facing multiple criminal charges, the economy has nonetheless continued its downward descent. In all three countries, both the elites and the population are transfixed by the political soap opera, while the whirlpool of the global economic collapse is dragging them rapidly towards oblivion.

Malaysia

Even in Malaysia, where the now-famous implementation of selective currency controls and other sovereign measures against the speculators and the IMF, in September 1998, saved the nation from the devastation which has wracked its neighbors, the global breakdown is threatening serious unemployment and related economic problems. These, in turn, feed into the foreign-sponsored political opposition. In part this is due to Malaysia's heavy dependence on exports in the cyber-economy associated with the now-collapsing globalization mania.

Nonetheless, the Malaysian economy's protective structures allow for emergency measures which can deflect the worst effects of the crash, at least temporarily. The government has announced a stimulus package which will build new schools and colleges, housing developments, small businesses, and several large-scale projects like the Bakun hydroelectric dam and power project in Sarawak. Because of the currency controls, the stimulus package has a far better chance of success than those in Japan and elsewhere, where similar injections of liquidity were quickly drained away into foreign speculative markets.

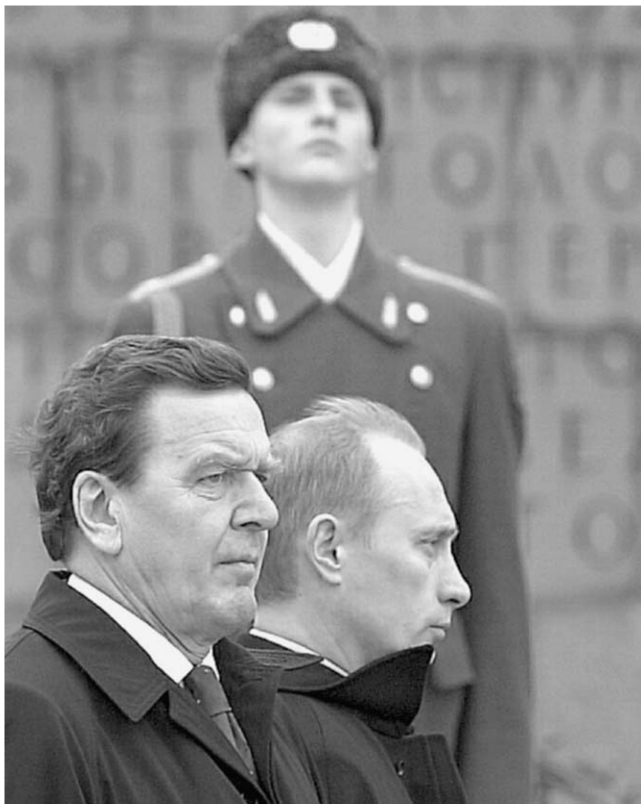
But such temporary measures will be swept up in the flood if each country is left to fend for itself. The recent partial measures toward the creation of an Asian monetary system must be expanded rapidly.

'Petersburg Dialogue' Boosts Russo-German Ties

by Rainer Apel

The April 9-10, Fourth Russo-German Conference, which for the first time convened in St. Petersburg, has established a new institutional framework for deepening a dialogue between Russians and Germans. This conference, attended by 130 high-level economic, scientific, and political representatives from both sides, was the first to run under the name, "Petersburg Dialogue," and it will be held annually from now on; the next gathering will take place in the German city of Weimar.

The first Petersburg Dialogue, in addition to the plenary and workshop sessions of the experts, provided the background for a regular government-to-government summit. Russian President Vladimir Putin and German Chancellor Gerhard Schröder, and the ministers of foreign affairs, defense, finance, and domestic security took part. The officials had on their agenda talks on missile defense, the Balkans, the



German Chancellor Schröder and Russian President Putin began their St. Petersburg meetings on April 9, by laying a wreath at the Memorial to the Motherland there.