APEC meets in Malaysia: another opportunity for President Clinton

by Michael O. and Gail G. Billington

The meeting of the heads of state of the member nations of the Asia Pacific Economic Cooperation forum (APEC), scheduled for Nov. 14-18, in Kuala Lumpur, Malaysia, has become a golden opportunity for the United States to break from its current flight into fantasy regarding the global economic crisis, and to forge a strategic alliance with those nations of Asia increasingly acting in concert to demand a new world financial system.

The fact that the APEC meeting is in Malaysia is fortuitous, since Malaysian Prime Minister Dr. Mahathir bin Mohamad has taken the lead, since the crisis first exploded in Asia in July 1997, in identifying the criminal, causative role of the hedge fund speculators and the neo-colonial policies of the International Monetary Fund (IMF), in creating the current disaster. Although Mahathir has been ridiculed and demonized by Western bankers and media, the reality of the global depression has led to nearly universal acknowledgment that Mahathir was right.

In the past months, dramatic measures to impose currency controls, and to restrict short-selling in derivatives trading, have been implemented, to varying degrees, in China, Japan, Russia, Taiwan, and Malaysia. In each case, parallel measures have been implemented to restart the real economy, focussing on the crucial infrastructure and industrial sectors, which have been devastated by the currency collapse and by IMF-dictated austerity measures.

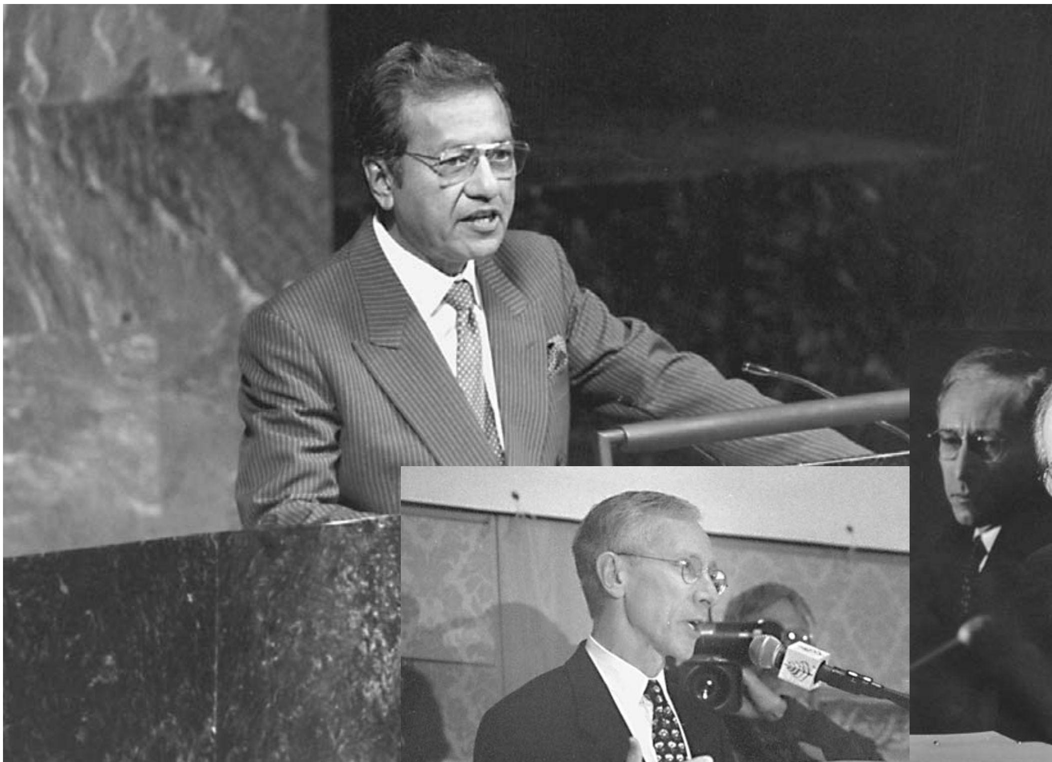
This intersects Japan's plan to provide a $30 billion fund to support South Korea and Southeast Asian economies, and by public support for Dr. Mahathir's policies, as expressed by the Vice Minister of Finance, Eisuke Sakakibara, during Mahathir's October visit to Japan.

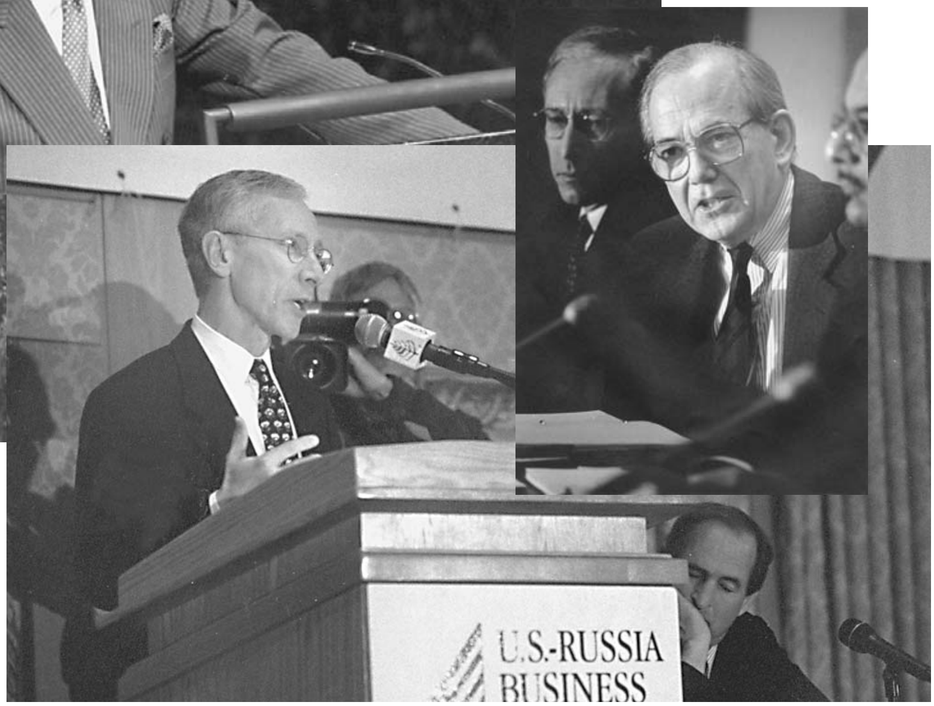
All the nations mentioned above are APEC members. (The other members are, in Asia: Brunei, Indonesia, the Philippines, Singapore, Thailand, Australia, New Zealand, Papua New Guinea, South Korea, and Vietnam; and in the Americas: Canada, the United States, Mexico, Peru, and Chile.) In addition, India, which is not an APEC member, has strengthened ties with China and the Southeast Asian nations, and adopted a $6 billion infrastructure investment program similar to the enormous $1.2 trillion domestic program currently being implemented in China. Neither India nor China ever relinquished basic currency controls, despite intense pressure from the IMF globalizers, and have thus held off the worst effects of "contagion" from the speculative destruction of economies around the world.

A refusal to face reality

These sovereign measures, coupled with increasingly public calls from across Asia and around the world for a just new world monetary system, like that proposed by *EIR* Founder Lyndon LaRouche, were provoked in part by the failure thus far of the advanced sector nations to face the reality of the systemic breakdown of the world monetary system, especially at the Oct. 4-5 meetings of the Group of Seven and the Group of 22 in Washington. President Clinton, despite his acknowledgment that the world faces the worst economic crisis in the last 50 years, has continued to cling to the myth that the current bankrupt, derivatives-swamp monetary bubble can be saved, and the bankrupt, degenerate IMF institutions reformed, refusing to embrace LaRouche's proposals for saving the real economy, not the carcass of the current financial system (see Lyndon LaRouche, "People First!" *EIR,* Oct. 16).

President Clinton has been seduced into collaboration with British Prime Minister Tony Blair's "Third Way" for saving the sinking *Titanic* by throwing the passengers overboard. However, at the upcoming APEC meeting, Clinton will be face to face with the leaders of China, Russia, Malaysia, Hong Kong, Taiwan, Japan, and others, but without the official attendance of London, nor of Blair's "Third Way" allies, French Prime Minister Lionel Jospin and German Chancellor Gerhard Schröder, since the European nations have observer status only at APEC. It is a moment of truth for the U.S. President. Will he seize the opportunity to act in the tradition of President Franklin Roosevelt, and declare, in league with the Asian leaders, for a new just world financial system, based on "American System" principles of government-led scientific and technological progress, with universal health care and Classical education for the children of the world? Or, will he continue to punt, following the lead of the clinically insane Federal Reserve Chairman Alan Greenspan into global hyperinflation, and IMF Managing Director Michel Camdessus and IMF Deputy Director Stanley Fischer into IMF genocide? This may not be President Clinton's last





Malaysian Prime Minister Dr. Mahathir bin Mohamad (top) is determined to defend his nation and people against the savage colonialist policies of London and its agents, such as IMF Managing Director Michel Camdessus (right) and IMF Deputy Director Stanley Fischer.

chance, but time is very short, because the financial system is cascading into a terminal breakdown crisis.

Mahathir's leadership

Mahathir has continued to take personal leadership, not only to protect his own citizenry, but, as a citizen of the world, to mobilize patriots everywhere to save civilization. Previous to the Sept. 1 declaration of capital controls in Malaysia, Mahathir had refrained from endorsing a return to the fixed exchange rates of the original Bretton Woods system, as proposed by LaRouche. Even after Sept. 1, the Prime Minister at first called only for international controls on capital flows—which even the "Third Way" proponents grudgingly accept as a necessity—but stopped short of calling for a "new" Bretton Woods.

Then on Oct. 11, speaking at the launch of an "International Invention, Innovation, Industrial Design and Technology Exhibition," he said: "As a Malay proverb goes, when you lose your way, go back to the beginning. The postwar Bretton Woods fixed-exchange rate system did not fail in itself, but [its failure] was caused when developed countries reneged on their promises, by devaluing their currencies to become competitive." Thus, he said, "having identified the true cause of the failure, the idea of using a fixed rate system becomes more acceptable."

Mahathir also presented a new budget to the Parliament on Oct. 26, which includes a huge stimulus package for infrastructure, low-cost housing, and tax breaks to productive industries of national, strategic importance, which had been pushed toward bankruptcy by the currency devaluation and the credit crunch. With fixed exchange rates and lower interest rates, the government can direct credit to the productive sector, while cleaning up the bad debt in the banking system, without fear of capital flight or speculative attacks from the hedge funds.

While Japan's Vice Minister of Finance Sakakibara backed Mahathir's measures, there are indications that some Japanese circles are looking toward imposing restrictions on short-selling of stock in the Japanese markets itself—to the horror of the hedge fund speculators.

Another sign of a possible shift in Japan is the $30 billion Miyazawa plan to provide credits and loan guarantees for the "Asian tigers," primarily South Korea, Thailand, Malaysia, and Indonesia. There are indications that the amount in the fund will be increased.

According to Thailand's Olarn Chaipravat, a leading banker, the Japanese loans under the aid package will be "managed separately from the IMF-brokered financial package which was allocated to support the macro-economy." The IMF has tried desperately over the past 18 months to stop Japan from taking any such support measures not governed by the destructive "conditionalities" imposed under IMF loan programs.

Japan has called on Thailand, in particular, to "take the lead in helping other countries in the Mekong region," referring to Myanmar, Laos, Cambodia, and Vietnam. Japan wants to reactivate the Mekong River Development programs, which were put on hold after the regional currency collapse.

The other crucial element in this year's APEC meeting is the fact that Russia, for the first time, will attend as a full member. It was Russia's effective default on its short-term, usurious foreign debt on Aug. 17, which set in motion the current global phase change, marking the official bankruptcy of the IMF-based world financial system. Despite desperate efforts by the IMF to force Russia to recant, and to submit to still further looting and starvation, Prime Minister Yevgeni Primakov has announced a nationalist budget, multiple exchange controls, continued debt moratoria, emergency measures to solve the food crisis, and extensive tax and related incentives to stimulate industry and agriculture. The IMF delegation packed up and went home—perhaps their first positive contribution to the Russian economy since the fall of communism. If Russia, China, Malaysia, and other Asian nations were to present to President Clinton a common policy proposal at APEC for a just new world monetary system, the combination would be more than adequate to make it succeed.

The opposition

Arrayed against the emerging concert of nations are the leading powers behind the British-American-Canadian oligarchy. IMF Deputy Director Fischer, speaking in Argentina on Oct. 23, spit out his orders in the manner of the governor general of a global empire: "When things calm down we'll see that what the IMF did in Asia was the best way to proceed. We shall continue with our activities. . . . Those countries which today have controls, should get rid of them. . . . There is little evidence of the benefits of controlling capital flows." And those who have recently abandoned such controls, he added, should never turn back, because "that would be an intensely retrogressive step."

But what are Fischer and his allies proposing? Perhaps most explicit in revealing the real purpose of IMF conditions are the news outlets of Dow Jones, Inc., the *Wall Street Journal* and the *Far Eastern Economic Review,* the latter based in Hong Kong. The Oct. 1 issue of the *Far Eastern Economic Review* carried a diatribe against Asian industry, claiming that excess productive capacity is the *cause* of the crisis. An associate executive from Seoul of one of global speculator George Soros's operations is quoted on the Asian economies: "They all tried to maximize production, not to rationalize it. We need a different model now." The magazine concluded with the blood-curdling prognosis of an ING Barings executive: "To achieve equilibrium, 78% of all manufacturing capacity in Indonesia, 77% of that in South Korea, and 64% of that in Malaysia and Thailand will have to shut down." To Fischer and his friends, such devastation is "progressive."

Wall Street Journal Editor Robert Bartley, in an Oct. 23 editorial, extended this argument to China: "Does China's apparent success in dodging the Asian economic crisis mean its mixed economy and closed capital account are a model to follow? Hardly. . . . It suffers from the same fundamental problems as the Asian tigers: overinvestment and overcapacity. Instead of taking its lumps and enduring some creative destruction, China is engaging in a huge round of state-financed investment. . . . The lesson for developing countries in Asia and elsewhere, is that it's useless to try to dodge the bullet of creative destruction through capital controls or extravagant fiscal stimulus."

It is increasingly recognized that China is the only nation on earth that is still experiencing real growth, due to protective measures against speculation, and a mobilization of all available resources for vast internal infrastructure development, as well as international collaboration on projects such as the Eurasian Land-Bridge. Bartley ridicules this fact, and cries that China is simply stalling the inevitable.

For the IMF and Dow Jones to so blatantly express their demands for the de-industrialization of Asia demonstrates the desperation in London and New York, and proves the truth of LaRouche's "triple curve" function, which shows that rampant speculation and the productive economy cannot co-exist. Speculation can only survive by cannibalizing the healthy working parts of the productive economy.

Political subversion

The second level of attack against the emerging Asian concert of action is on the political level—a media-orchestrated attack on the "Asian way" as nothing but "corruption, cronyism, and nepotism." Of course, the same people who praised the "Asian economic miracle" while it was allowing foreigners to reap super-profits in speculation and cheap labor, changed their tune after the crash. Calling the use of sovereign measures of protection and directed credit to be "corruption," the London and Wall Street gurus have succeeded in forcing IMF dictates in several Asian nations, and even brought down the governments of Gen. Chavalit Yongchaiyudh in Thailand and President Suharto in Indonesia, and contributed to the fall of South Korea's Kim Yong Sam, fuelling social and human disaster across the region.

But by the middle of this year, the IMF nemesis had proven to be deadly, driving the Asian economies into collapse, and the population into poverty. Then, when the Federal Reserve Bank of the United States orchestrated the multibillion-dollar bailout of Long-Term Capital Management (LTCM), a hedge fund set up by insiders from the European and American banking cartels, the accusation of "cronyism and corruption" in Asia was exposed as a ludicrous joke. Mahathir was not alone this time in pointing out that the LTCM bailout was "the worst form of cronyism." Mahathir observed that whenever a Malaysian state-sector company was privatized, but was sold to a Malaysian rather than to a foreigner, it was denounced as "cronyism" in the Western press. Only selling out to foreigners is "being democratic."

The LTCM scandal has not slowed down the international attacks on Malaysia, however. There is a virtual feeding frenzy against Mahathir, centered on the trial of deposed Deputy Prime Minister and Finance Minister Anwar Ibrahim, who has been charged with multiple counts of corruption and sodomy. Anwar, long favored by the IMF and the globalization mafia, has placed himself squarely on the side of IMF dictates, denouncing Mahathir's approach as "obsolete," while willfully repeating the fraud that the combination of "free trade" deregulation coupled with IMF austerity policies, which has been used to *abort* the full industrial and technological development of developing nations roughly since the death of President John Kennedy, has anything whatsoever to do with "reform" or "being progressive." Although Anwar has some support among the Islamic fundamentalist layers and some middle-class layers too strongly influenced by Western academics, media, and non-governmental organizations, the vast majority of the population, and all the leading institutions, strongly support the Prime Minister's actions to defend the nation.

Two U.S. Republican Congressmen have demonstrated the colonial mentality of the Anglophilia that grips the current Republican Congressional leadership, with an open letter to President Clinton on Oct. 21, demanding that the APEC meeting be moved out of Kuala Lumpur, and that the United States dictate economic policy to Malaysia. The letter, from Benjamin Gilman (N.Y.), chairman of the House International Relations Committee, and Douglas Bereuter (Neb.), chairman of the Asia and Pacific Subcommittee of Gilman's committee, said that President Clinton's attendance at the APEC summit "might be perceived as an endorsement of the anti-free-market measures put in place by Malaysia's Prime Minister Mahathir Mohamad and the arbitrary arrest, detention, and beating of former Deputy Prime Minister Anwar Ibrahim. In our view, continued scapegoating by the Prime Minister against foreign speculators, Jews, and now his former Finance Minister, is highly offensive and totally counterproductive to the much needed efforts at reform of the political and financial system inside his own country. . . . In our view, it would be incumbent on all participants to ensure that a date is set for the lifting of capital controls." Mahathir is accused of "discriminating against foreign investors, arbitrarily limiting foreign ownership of companies, and maintaining or erecting barriers to American exports. Its continued protection of its domestic industries and its efforts to bar foreign trading of its currency make it less than a role model for its fellow APEC members."

China is targetted

The financial oligarchy is terrified about the fact that Malaysia is indeed serving as "a role model" for APEC, as well as developing nations around the world. As Lyndon LaRouche said in a recent memo, "when Washington says Malaysia, they mean to signal their displeasure with the drift of policies in China, which Asians do not overlook. The crucial point here is that Washington must choose between London and China; there is no 'middle' between those two choices."

President Clinton, with a successful mid-term election providing him some breathing room from the British-directed assault on the Presidency, has the opportunity at APEC to make the right choice. And, since APEC was to a significant degree the brain-child of President Clinton, failure to so act raises the question: What's the point, after all?