

## Time for Asia To Ditch IMF or Go Down with the Dollar

by Kathy Wolfe

The dollar is about to crash, the U.S. Presidential elections have been reduced to a farce, and the European press is speculating that the United States could soon collapse like the Soviet Union. Just at this time, China, Japan, South Korea, and the ten members of the Association of Southeast Asian Nations, which comprise the “ASEAN-Plus-3” group, are preparing for their heads of state summit in Singapore on Nov. 23-24. The choice they face, since their finance ministers met on May 6 in Chiang Mai, Thailand, has been: Will Asia walk away from the Wall Street-dominated International Monetary Fund (IMF), and begin a new Asian monetary system, or will it stay on the IMF chessboard, and let their nations be destroyed?

The destruction has already begun. The IMF and Wall Street are now organizing massive flight capital out of Asia, Europe, and the world, into New York, to hold up the dollar, which depends on almost \$2 billion a day in foreign inflows to support the U.S. deficit. The Seoul stock market has dropped 46% for the year; Tokyo, 22.4%; Taiwan, 32.1%; Singapore, 21.8%; Hong Kong, 22%; Thailand, 47.9%; Indonesia, 52.5%; and the Philippines, 42.3%.

The IMF and Wall Street have targetted the ASEAN-Plus-3 nations for financial warfare. Their answer to South Korean President Kim Dae-jung’s peace achievement with the North has been, to try to break Korea. The IMF’s “annual consultation” in Seoul on Nov. 6-14, led to the announcement that 52 major industrial companies will be shut down and more than 50,000 workers will be fired. In Japan, the sucking of funds to New York has brought down the \$42 billion Kyoei Life and the \$30 billion Chiyoda Mutual insurance giants. Governments and economies across Southeast Asia are shattering (see article by Michael and Gail Billington, below).

Yet, Asia in fact holds the stronger hand, if it has the

courage to play it, as *EIR* Founder Lyndon LaRouche said in an Oct. 30 statement to the ASEAN-Plus-3 summit (see below). Asia still has its productive facilities and population, whereas the U.S. economy is bankrupt, the dollar is finished as a currency, and the IMF system faces systemic panic. “Let me speak truthfully, as one warns a friend of danger,” LaRouche said. “You must break, completely, with the IMF. There can be no debate. Either declare, or prepare announcements to soon declare, that none of the swap lines or funds discussed under the May 6 Chiang Mai Initiative (CMI) shall be linked, in any way, to the IMF. This and other merely financial actions must be taken, to allow more fundamental action to protect your nations’ physical production and trade—and to demonstrate Asia’s political will to survive.”

### Fall Like the Soviet Union

The best-informed Europeans are now echoing what Malaysian Prime Minister Dr. Mahathir bin Mohamad and former Japanese Vice Finance Minister Eisuke Sakakibara have already said: The United States is an empire in decline whose days are numbered. The U.S. imperium, over-extended in Asia especially, could soon fall as hard as did the Soviet Union, the German magazine *Der Spiegel* quoted Dr. Chalmers Johnson, of the Japan Policy Research Institute, as saying on Nov. 6. Johnson, an American specialist on Asia and author of *MITI and the Japanese Miracle*, spoke of his recent book, *Blowback: Costs and Consequences of American Empire*, which exposes Wall Street and Washington’s mindless imposition of U.S. power in Asia, and the reaction against it there. (*EIR* reviewed Johnson’s book in its July 28, 2000 issue.)

Neither Gore nor Bush will change course, Johnson projected, so the United States will continue to expand. But, he

said, "Arrogance always comes before the fall. From history we know, that world empires sooner or later reach critical states. For most Americans it was still unimaginable in 1988 that the Soviet Union would vanish three years later—broken apart and finished. . . . What felled the Soviet Union was its imperial over-extension, not the competition with the U.S. or inability to reform. Americans believe they are immune from the Soviet fate. That is wrong. . . ."

"It cannot be ruled out that the economic boom will begin to sputter, then, that an abrupt change and economic downturn will occur. . . . The prevailing influence of finance capital over production processes, is an indicator of a capitalist economy in crisis." The fact that most of U.S. production is outsourced abroad, the record U.S. trade deficit, and increasing indebtedness in private households, shows that the U.S. economy has feet of clay, Johnson said.

The economic and financial situation in the United States will soon be so bad that the Nov. 7 election "could be a good election to lose," as London *Guardian* Economics Editor Larry Elliott put it on Nov. 6. Talk of a "soft landing" of the U.S. economy is, at best, premature, he writes, and "neither Bush nor Gore has dared to mention the fact that America's boom could come crashing down at any moment."

## IMF Crunch Hits Asia

Until Asia breaks with the IMF, however, it is looking Hell in the mouth. The farce of the two fools vying for President in the United States has created a global credit crunch with "investors everywhere saying 'I want to get my money out now, before Gore or Bush come in,' " one Korean economist told *EIR*. "Everyone in New York is pulling in all the cash they can, which multiplies itself all over the world, with banks refusing to put money out everywhere, the way markets usually shut down at year end. You could call it Christmas at Halloween. . . ."

"Everyone is highly concerned about the coming hard landing for the U.S. economy, which means a terrible time for the U.S. dollar. And no one in any market believes that either Bush or Gore could possibly handle such a crisis." This and the need of the New York market for cash to prop up the dollar is the root cause of the current Korea crisis, he said. "The first place they take the cash out of, is where they had been putting in hot money, at the beginning of this year," starting with Korea.

The IMF, in its current annual review of South Korea on Nov. 6-14, is blatantly trying to sabotage cooperation with the North, and shut down the guts of the economy. A Citibank official said on Nov. 7, "The IMF is telling Seoul to go slow on the North, to make sure that wasteful spending on expensive projects in North Korea doesn't become a problem, on top of wasteful spending at home."

The IMF, he said, was behind the announcement by Seoul's main banks on Nov. 3, that 52 industrial companies are "non-viable," as Kim Jin-man, president of Hanvit Bank,

told a press conference. The banks put Dong-Ah Construction Industrial Co., once one of the world's biggest civil engineering companies, Samsung Vehicle, a giant Samsung subsidiary producing buses and trucks, and Dongbu Construction under court receivership. The bankruptcy of Dong-Ah, with unpayable debts of more than \$3 billion, threatens a multibillion-dollar water project in Libya and large projects in China, Malaysia, Vietnam, and seven other countries. On Nov. 6, Daewoo Motor, with \$44 million in unpayable commercial bills, was put under court bankruptcy protection for the second time, which could bankrupt some 402 primary parts suppliers.

On the brink of being declared insolvent is the gigantic Hyundai Engineering and Construction (HEC), Korea's largest construction firm and one of the world's largest, which has a \$2.65 billion debt payment due in December and millions in questionable corporate bond payments due this month. HEC has more than \$10 billion in overseas construction projects in 31 nations.

The bankers' meeting was called by President Kim Dae-jung, under enormous pressure from the IMF. The shutdown of the 52 firms directly affects about 20,000 employees, but most of the firms are construction firms whose subcontractors and suppliers will also be hit, almost certainly affecting 50,000 workers. Labor unions estimate that the wave of layoffs could rise to 180,000.

"Governments across the [Asian] region are cancelling new infrastructure projects for the same reason: All of their budgets are out of whack," one economist said.

## Wall Street Speaks

The arrogance of empire is especially seen in the way in which Wall Street spokesmen are now announcing that the U.S. election result is unimportant—it is the New York financiers who are running the show. The IMF and Wall Street are now demanding that the Korean banks themselves, which have been left holding much of the bad corporate paper, be closed or sold to foreigners. "The Korean government has spent over \$30 billion the past two years bailing out their banks, which means enormous government control of banking," the Citibank official complained. "They've also issued over \$40 billion in foreign exchange stabilization bonds. That money is being wasted on banks and companies which ought to be closed."

U.S. Ambassador to South Korea Stephen Bosworth, a former banker, demanded that Korea sell off its banks, in a speech in Seoul on Nov. 7. He called on the Korean government to publish a "concrete timetable" for the "privatization of the financial sector. . . . The government must be willing to step back and allow markets to make the important decisions. This means that the government must accelerate its program to sell financial and non-financial firms that properly belong in private hands." There has been progress in reprivatizing the banks through an increase in foreign buyouts, he said.

“This foreign participation will help raise Korean banking practices to international standards.”

Citigroup Chairman and former U.S. Treasury Secretary Robert Rubin made a tour of Japan, Korea, China, and several other Asian nations in late October, to deliver the same message. “Structural change and opening markets are powerful policies for promoting growth and powerful antidotes for fiscal problems, and should be at the center of economic policy,” he said in an Oct. 31 speech in Tokyo. He criticized “daunting obstacles” to change, including “excessive regulation and informal and formal barriers to open markets. The government must develop the political will to overcome the resistance to reform,” he said.

Regardless of who is President, the U.S. State Department has already announced that the U.S. agenda for the Nov. 12-16 Asia Pacific Economic Cooperation Forum (APEC) summit in Brunei will be demands for even more globalization and deregulation. This is an open warning to the ASEAN-Plus-3 countries against any strong action backing the CMI and Asian Monetary Fund. C. Lawrence Greenwood, Jr., the State Department senior official for APEC, told the press on Oct. 31 that the United States “looks to enhance the movement to freer trade and investment in the region. The United States will also be looking to build a consensus for launching a new global round of negotiations to reduce trade barriers and would like to see progress in reducing industrial tariffs and eliminating agricultural subsidies.” To help foster the New Economy in all of APEC’s 21 economies, Greenwood said, “The United States will encourage deregulation and increased competition.”

## LaRouche Warns Leaders at ‘ASEAN-Plus-3’ Summit

*EIR Founder Lyndon H. LaRouche, Jr. issued a warning on Oct. 30, to the heads of state of the ten members of the Association of Southeast Asian Nations plus Japan, South Korea, and China (ASEAN-Plus-3), before their November 2000 summit. An edited version follows.*

In September of 1998, I warned that a major financial crisis would erupt in the U.S.A. by the time of the Washington summit between China and the U.S. That crisis erupted exactly at the time I had forecast. Now, the world has reached the end-phase of the process for a global financial, monetary, and economic chain-reaction collapse. This is not such a relatively minor problem as the 1929-1931 collapse, but the worst financial collapse in several centuries, possibly even as severe, on a global scale, as the Fourteenth-Century New Dark Age in Europe. The current spread of epidemic and pandemic diseases in Africa, and beyond, typify the threatened world-

wide conditions such a Dark Age implies.

In this circumstance, the gravest political danger, is that those leading voices which fail to warn, now, of the onrushing world-wide financial collapse, before the collapse has occurred, will lack the authority to make the necessary reforms after reality has made itself clear to the population. The lack of any credible candidate for U.S. President threatens to create the situation in which there is no institution in the U.S.A. which is not acting to prevent a sane response to financial collapse.

What confronts us, is not a crisis within the existing International Monetary Fund (IMF) system, but a terminal crisis of the system itself. What is required, is not a reform of the existing IMF system, but its entire replacement by a new system, a new system best described as a return to the protectionist form of world financial, monetary, and economic order, which would have come into existence, had U.S. President Franklin Roosevelt not died prematurely, in 1945. The new system must be, as Roosevelt had intended, a post-colonial world order, equitably representative of the common interests of all nations, not merely of a privileged few.

### My Proposals

The U.S. dollar could, on almost any day, disintegrate to a level below the Indonesian rupiah, to levels below the 1929 German mark. When even the heads of the Hongkong and Shanghai Bank, Citibank, and 300 other major banks of the Institute for International Finance, have warned world ministers of “a sharp fall in the dollar,” as they did at September’s Prague IMF meeting, even they know that we are all near the point of global financial and monetary bankruptcy. If Moody’s were remotely honest, U.S. government paper and U.S. banks, with over \$42 trillion in derivatives, would be rated well below junk bond grade. The Wall Street bubble is already facing either a chain-reaction deflationary implosion, or a hyperinflationary explosion.

Because the physical economies of your 13 nations retain some of the world’s best remaining machine-tool, plant and equipment, and scientific facilities, you have the chance, at your November summit, to take actions which could halt, or at least slow down your region’s now-threatened slide into a New Dark Age. Your efforts could also form the “seed crystal” of a new global monetary system, which could later become a catalyst for a “jump start” of the world economy.

Let me speak truthfully, as one warns a friend of danger, not in diplomatic sophistries: You must break, completely, with the IMF. There can be no debate. Either declare, or prepare announcements to soon declare, that none of the swap lines or other funds discussed under the May 6 Chiang Mai Initiative (CMI) shall be linked, in any way, to the IMF. This and other merely financial actions must be taken, to allow more fundamental action to protect your nations’ physical production and trade, listed below—and to demonstrate Asia’s political will to survive.

I recommend the following steps to you: