

IMF, that it seems to lose all backbone. Both the European regional framework, and the Asian Chiang Mai Initiative, may only function “in a way which is supportive of the IMF’s objectives and responsibilities in the global economy,” it says. Any new Asian currency arrangement should adopt the suicidal Maastricht Treaty economic shock therapy policies, because “sustainable macroeconomic policies are vital to exchange rate stability.” In general, it concludes, “regional cooperation frameworks should provide a supplementary role to existing international monetary arrangements. The IMF, as the only global monetary institution, should maintain a key role.”

### Welcome, Little Fishes

Are China, Korea, Japan, and their ASEAN allies prepared to break with this foolishness, and to defend their nations from the current renewed market attacks on their currencies? Has this meeting opened their eyes to the fact that real help will never come from the IMF? The question is open.

But there is no question that the European Maastricht bureaucracy and the ASEM organization have played the role of Lewis Carroll’s crocodile on the Nile, “who welcomes little fishes in/With gently smiling jaws.”

The IMF’s Köhler, EU president and Sweden’s Minister of Finance Bosse Ringholm, German Finance Minister Hans Eichel, numerous other European speakers, and the final communiqué, all praised the ASEAN-Plus-3 November summit and the Chiang Mai Initiative. Yet, each ended with a condition, as in item 15 of the communiqué: “The swap arrangements under the Chiang Mai Initiative . . . shall supplement existing international financing facilities including those provided by the IMF.”

“Eichel and [French Finance Minister] Fabius made it their central point to promote the euro and the good recovery they are having in Europe,” the Japanese official noted. “Of course, they’d like us to make the euro more prominent in some currency basket. They need euro support.” Eichel and Fabius gave a whole symposium on the euro in Tokyo on Jan. 15 to drum up investors. The Europeans also heavily promoted the need for free trade, insisting on a new World Trade Organization round soon.

As item 23 of the ASEM communiqué states, the group did not even endorse the Korean call for regulation of hedge funds. Korea’s Jin was repeating a resolution made unanimously by Asian finance ministers in Fukuoka, Japan last July, which Japan, for the group, brought to the G-7 Industrial Nation’s heads of state summit in Okinawa. At Okinawa, the Asian proposal was rejected out of hand by the U.S. and Britain. The ASEM communiqué simply repeats the Okinawa G-7 communiqué, that “if Highly-Leveraged Institutions continue to be a problem in future,” then regulation should be “considered,” i.e., after the damage is done. It’s clear from Fukuoka where the Asians stand; that leaves only one source for this rotten formulation.

## China Endorses Asian Economic Integration

by Mary Burdman

The Chinese government has given its full public backing to “integration among Asian economies,” not only those of East Asia—Japan, China, Korea, and the ten members of the Association of Southeast Asian Nations (ASEAN)—but also including the nations of the Indian Subcontinent. This was the essence of a speech, titled “China’s Role in Thailand’s and Asia’s Prosperity in the 21st Century,” which Chinese Finance Minister Xiang Huaicheng gave in Bangkok, Thailand on Jan. 10.

Xiang Huaicheng said that the May 2000 “Chiang Mai Initiative,” of Japan, China, South Korea, and ASEAN, was “epoch-making,” an important step toward financial cooperation among Asian countries, and “a good starting point for further integration.” At the Chiang Mai summit, the “ASEAN-Plus-3” agreed to expand financial-support agreements already established among the ASEAN nations, to include the much bigger economies of Japan, China, and South Korea, potentially creating a regional bloc, which could contribute to generating a new global financial system.

Warning that Asia is still under the threat of renewed financial crisis, Xiang said that the Chiang Mai accord “has reflected the worldwide trend of economic regionalization, demonstrating the confidence and shared desire of Asian nations to strengthen cooperation for common prosperity. . . . China, like other countries in the region, is willing to see an integration among Asian economies, which, in our opinion, should not only include Southeast Asian countries plus China, Japan, and South Korea, but the South Asian countries as well.”

Xiang Huaicheng spoke in Bangkok on the eve of the third Asia-Europe Meeting (ASEM) of finance ministers, in Kobe, Japan, on Jan. 13-14. Speaking later in Kobe, he emphasized the importance of the “strong political commitment” that the Chiang Mai accord represents, which is “creating a solid foundation and impetus for further development.”

Xiang’s proposal in Bangkok, to expand Asian economic cooperation, was made as China’s number-two leader, Li Peng, was making an historic nine-day goodwill visit to India (see accompanying article). China and India have been taking separate, but congruent, and mutually reinforcing, economic and political initiatives toward the nations of Southeast Asia in the recent period.

Both China and India, despite their own position as developing nations with many impoverished people, also have

much to offer Southeast Asia. Were the two Asian giants to further develop and expand their infrastructure, especially transport and power, toward the east and south, they could both contribute greatly to the infrastructure-poor Southeast Asia.

### **A Mammoth Effort**

Finance Minister Xiang was speaking at Bangkok Bank, the largest in Thailand. China and Thailand have had long-term close ties, economically and politically. There, he also supported the idea of developing an Asian economic community, along the lines of the European Union. Xiang emphasized the “mammoth” effort and time which would be required to create such an Asian community. Although some Asian countries have already moved toward setting up an “Asian Economic Community,” he said, there is “still a long way to go due to the diversified culture and historic backgrounds among Asian countries. . . . In some cases, problems and conflicts between some Asian countries have been deeply rooted as a historic heritage, and it is not easy to solve.”

As a first step to establish an economic community, Asian countries should reach a common view on how the future regional economic organization will be. “Secondly, we must make initial steps, which are impossible to be completed within a short period,” he said. “Even European Union countries, which have a more similar culture and history, had to go a long and difficult road to achieve economic integration.”

Xiang made clear that China, like other nations in Asia, is facing a crucial period in its economic development. With “worldwide structure adjustment intensifying rapidly, international competition is formidable. Internally, the economic recovery has yet to be consolidated, as the still-weak demand is posing a big threat,” he said. China has just announced that, despite its biggest trade volume ever, its trade surplus fell sharply, by over 17%, in 2000, due to a slowdown of exports to the United States, particularly in the final quarter. Industrial production growth has also slowed down during the past four months, although it has remained above 10% through December. With export growth expected to fall even more in 2001, Chinese leaders are emphasizing the importance of developing the huge internal market to sustain economic growth and stability. Heavy industry production expanded by 13% in December, due to the requirements for steel and other materials for the government-led internal construction program.

Xiang reiterated his concern about looming economic troubles, when he spoke at Kobe. After the 1997 phase of financial crisis swept through Asia, he said, regional leaders “realized that it is imperative for them — through coordination and cooperation — to strengthen collective capability against crises.” Now, they are meeting regularly. Not only are they agreed on the “key role of financial stability,” but they “also shared the conviction that to build a peaceful environment for economic development serves the greatest common interest

of East Asian countries,” making it again “imperative . . . to strengthen coordination and cooperation.” Xiang praised the “good momentum” of East Asian financial cooperation, and called the Chiang Mai Initiative “a good beginning for the countries in the region to enhance a financial self-help and support mechanism.”

Xiang also supported nations’ right to choose their “appropriate exchange rate regime,” on the basis of economic size, economic condition, and governmental preparedness. Developing nations, he noted, might decide on “intermediate exchange rate regimes.” However, he said, “No matter what kind of exchange rate regime an economy chooses, it should be backed by consistent domestic macro-economic policies. This is the key to ensuring the sustainability and credibility of the chosen [foreign exchange] regime.” He emphasized that although the International Monetary Fund and other “major international financial institutions may make recommendations, . . . it is up to the developing countries to make their own choices.”

### **No Survival in This System**

The serious limitations to this process, however, became clear at the Kobe meeting. East Asian cooperation has “started from the financial field,” and the current moves are being presented as very much *within* the context of the current “globalized” economy — despite the broad international recognition, that the Wall Street-dominated world financial bubble is doomed.

There is *potential* real importance to this process, including indications that consideration, led by Japan and France, is being given to the steps Western Europe took during more than 50 years of economic cooperation. European economic cooperation, especially in the first two postwar decades, rebuilt the war-destroyed continent into the greatest concentration of modern industrial capacity in the world. Japan’s Finance Minister Kiichi Miyazawa has also initiated a proposal to set up the “Kobe Research Project,” for joint research by Asia and Europe on the question of financial crises.

But the European and Asian ministers would seem to remain caught in a financial-monetary policy straitjacket, trying to figure out how to “survive” within a *disintegrating* financial and monetary system. This approach runs counter to what Lyndon LaRouche presented in his policy paper “Trade without Currency (*EIR*, Aug. 4, 2000), which addressed this exact problem. LaRouche made clear, on the basis of his uniquely proven economic method, that only by building their real economies, and through cooperation and trade in commodities essential to their national economies, will the nations of Asia be able to survive the financial meltdown, and be able to contribute to creation of a genuine New and Just World Economic Order. The diplomacy being carried out by India and China, in that it leads to the construction of the southern tier of the Eurasian Land-Bridge, could be a real step toward the “New Bretton Woods” that LaRouche envisions.