Britain's squeeze comes to Asia

The International Monetary Fund cracks down on the last of the healthy "newly industrialized" economies.

The Interim Committee of the International Monetary Fund, meeting in Helsinki, Finland May 12-14, has resolved upon a fresh round of austerity programs for the countries of the developing sector. The IMF Secretariat in Washington has leaked to the press the names of the next two nations whose industrial development programs the IMF wants cut: the Republics of South Korea and the Philippines.

The IMF, founded by Britain's Lord Keynes, is the major instrument of British economic policy abroad. In recent years, the IMF has concentrated on forcing austerity on the poorest countries. Now Britain is moving to re-impose its 18th-century colonial policy in which *no country* is allowed to industrialize.

Earlier this month, Britain, using the Malvinas Islands crisis as a pretext, created a panic in bankers' confidence which resulted in a drop in lending to prime Latin borrowers such as Brazil and Mexico. A similar scare around possibilities Poland may default has dried up East bloc lending. The last prime credit risks for bankers in the world were the robustly industrializing economies of South Korea, the Philippines, and Malaysia, which have continued to borrow this year at a fast clip. The IMF has now reversed this.

At Helsinki, U.S. Treasury Secretary Donald Regan announced the United States is backing Britain in demanding a crackdown on IMF and World Bank lending. Regan, who chaired a May 12 meeting of the Group of 10 industrial nations at the IMF conference, told the press that the Group of 10 had decided that they would not expand their government's funding of the IMF and World Bank.

Rather, Regan said the G-10 had decided to "keep a tight rein on lending" by the IMF and the Bank, and to demand further that IMF member nations reduce their budget deficits and "continue with tight monetary policy."

Regan acted in spite of the G-24's May 12 communiqué's demands that the West lower its interest rates, which are causing "continued weakness of economic activity, high inflation, and large imbalances on external current account."

Meanwhile, a secret IMF report on South Korea leaked to a Washington D.C. human rights group was published May 10, calling for an immediate 10 percent devaluation of the Korean won. The IMF sent a mission to Seoul to meet with Deputy Prime Minister Kim Joon Sung in February, who was told that the won is "overvalued."

The devaluation's intent is to do to the Korean economy what has just been done to Mexico—slash imports of industrial goods by a corresponding 10 percent. This will cause a decline in investment by cutting off capital-goods imports.

The last time the IMF demanded a devaluation of the won in 1980, by 30 percent, domestic industrial production collapsed, which caused mass unrest and provided a cover for the assassination of President Pak Chung Hee.

The IMF also leaked a secret report on the Philippines to another Washington human rights group May 3, which revealed IMF demands for an actual cut in the Philippines rate of economic growth in 1982, as policy, from the government's projection of 5.1 percent real GNP growth, to below 4 percent real growth.

The IMF report demands the Philippine government make a "sharp cut in public spending growth," and specifically stated that subsidies to industry, reeling from high world interest rates, must be cut. Philippine officials denounced the IMF demand as a "double standard," noting that Western nations are spending huge amounts to keep industry afloat.

The IMF is also demanding a cut in the Philippines money supply, and an increase in taxes.

Both countries are already under IMF "surveillance" programs. IMF officials are already stationed in Seoul and Manila economic ministries, directing economic policy. Korea and the Philippines owe the IMF $1.3 billion and $918 million, respectively, and are also attempting now to receive approval for new IMF loans of $652 million and $356 million.

Worse, should the IMF merely frown on these applications, private commercial bankers around the world will move to cut off additional billions in bank loans which the two nations need this year. The IMF's Asian moves reduce the overall prospects of bank lending to the Third World to little more than zero growth this year.