

# A neocolonial scheme to destroy Asia

*The conclusion of Richard Cohen's two-part series shows how Henry Kissinger and Associates grabbed control over U.S. Asia policy.*

Since late 1983, senior spokesmen for the U.S. Department of State, notably Lawrence Eagleburger, the recently retired undersecretary for political affairs, have heralded the dawn of the Pacific era. It is no accident that Eagleburger (now president of Kissinger Associates, Inc.) was also the first U.S. government official to openly call for a reduction in U.S. military commitment to Western Europe—marking the acceleration of the State Department drive to use the Pacific Basin Community (PBC) to “decouple” Western Europe from the United States.

The PBC proposal is but an arm of a broader operation identified by Kissinger's mentor Lord Peter Carrington as a “New Yalta” negotiation with the Soviet Union. Under the Carrington plan, while Western Europe emerges as a neutralist, independent factor tilting toward Moscow, Anglo-Swiss operations, hiding behind U.S. and, secondarily, Japanese interests, would manage the rich Pacific Basin, which would include the Pacific Rim countries, Canada, and most of Ibero-America.

This is quite the opposite of *EIR*'s proposals for a “Pacific and Indian Ocean Basin Development Program,” launched in a series of visits to Asia by Lyndon LaRouche and his colleagues since 1982. While the *EIR* envisions Asian development as a key element in a worldwide industrial re-launching, triggered by the laser-beam defense gearup now being energetically discussed in Japan (see article, page 37), the Kissinger-Trilateral-Aspen circles see the Pacific as their latest looting-ground in a deliberately created world economic depression.

The decade of the 1970s hit the Asian countries of the Pacific Basin with a series of military and economic shocks. As Part I of this series outlined, the U.S. military pullout from Asia, the 1971 deregulation of the dollar under the Nixon administration, two major oil-price hikes, and the onset of high U.S. interest rates seriously jeopardized the high growth rates of the Pacific economies.

Under the pressure of increasing strategic vulnerability and cumulative economic attacks, newly elected Japanese Prime Minister Masayoshi Ohira found enough domestic political leverage in early 1978 to launch a major study of Pacific Basin cooperation. Within a year, Ohira's efforts were endorsed by then-Australian Prime Minister Malcolm Fraser. The Japanese moves opened the door for the kind of

Pacific Basin Community scheme which Anglo-Swiss bankers and the U.S. Council on Foreign Relations were promoting, a plan that would give these financial interests fingertip control over the expected economic disintegration of the Pacific Basin, opening up the economies of Southeast Asia and Japan for colonialist looting.

## The Ohira study

Early in 1978, Ohira appointed Trilateral Commission member and Henry Kissinger associate Saburo Okita to head a Pacific Basin Cooperation Study Group, which included leading Japanese figures from business, government, and academia. After overseeing the study for a year, in August 1979, Okita was graduated to the position of foreign minister. Then in November the study group handed over to Ohira a voluminous study on the PBC, which made the following radical recommendations:

- The PBC would operate through supranational institutions and efforts, such as the adoption of a “Pacific Basin Declaration on Trade and International Investment.”

- The program's objective, according to the authors of this declaration, was to offer the developing sector countries of the region a broad opening to the markets of the region's advanced-sector countries. In exchange, the declaration called for developing-sector countries to create “a proper climate” for direct advanced-sector investment in their economies.

In short, the Japanese proposal offered an easing of advanced-sector protectionism in exchange for a commitment by the less developed countries to open up their economies to greater foreign private capital investment. The supranational institutions effecting this would undermine the national sovereignty of these countries, under conditions of deepening economic crisis.

- The Okita report urged what had been up to this point an anathema to the Japanese government: the internationalization of the yen. The report stated: “Given this status of Japan, it may be expected that the yen will be used increasingly as an instrument of settlement in the region's economic transactions, and also as a reserve currency supplementing the role of the U.S. dollar. . . . Instead of trying to inhibit this trend, Japan should take a comprehensive policy initiative in support of increased international use of the yen.”

Comparing the potential function of the yen in the Pacific to the role of the West German mark, the Swiss franc, and the European Currency Unit as a supplement to the dollar in the Atlantic region, the report said: "Even though new developments may occur in the international monetary system, however, it cannot be imagined that they can damage the relative position of the U.S. in the world economy to the extent that the U.S. dollar ceased to function as the world's most important key currency."

These proposals, when added to the report's recommendations on joint stockpiling of petroleum, reflect the pressure that Japan's elite felt in the wake of Kissinger's military and economic decoupling measures. They also reflect a new Japanese search for "comprehensive security" in access to raw materials and markets. Even before this Ohira effort, Prime Minister Kakui Tanaka had engineered his so-called resource diplomacy, primarily with Australia and Canada, but also with the ASEAN countries and the Soviet Union, in order to guarantee threatened Japanese raw materials supplies.

### **Japan's financial adjustments**

The Japanese economy had successfully absorbed the effects of the oil shocks and the floating currency-rate system through a drastic increase in the absolute size and the deficit of the Japanese federal budget. It was through the pressure of this mounting budget deficit and its requirements for financing that Kissinger and his fellow Trilaterals identified the domestic lever to push yen internationalization. The external lever would be American and European trade antagonism. And the outcome would be the end of the Japanese "economic miracle," which was based on high-technology-vectored investment, fostered and protected by the state.

This was the context in which the Ohira-Okita group, the closest Japanese grouping to the Anglo-American financial interests, consolidated its Pacific Basin Community plan.

Accepting the maxim of the Council on Foreign Relations and the OECD that longterm economic forecasts were poor, the Okita-Ohira group could endorse what the Japanese finance ministry had stubbornly resisted: the internationalization of the yen, a program that would pressure domestic interest rates upward and slow the real growth of the Japanese economy.

When in early 1980 Ohira announced, during a visit to Australia, a joint Japanese-Australian high-risk initiative for setting up a PBC, it was clear that the Ohira-Okita initiative had won a tentative consensus among the Japanese elite.

The Ohira-Okita plan identified with one major thrust in Japanese foreign policy since the turn of the century: that Japan must operate as an Asian power in alliance with a broader Anglo-American hegemony. But clearly the tentative consensus in the Japanese elite that developed behind the plan represented a Japanese hedge on the durability of the dollar-based global system, providing Japan with an escape hatch into a ready-made yen bloc.

The Australian gravitation toward the Japanese PBC proposal cannot be separated from the overall interests of the British Commonwealth faction in East Asia. While Australia itself has long sought to penetrate the ASEAN market, has established critical trade links to Japan, and desires to become an established political factor in East Asia, there is also a strong Commonwealth imprint on former Australian Prime Minister Fraser's leading role in the PBC process. London-linked banking interests based in Hong Kong and Singapore are vocal supporters of the Pacific Basin Community concept. Both banking centers are interested in spreading their equity position throughout the region and in penetrating Tokyo capital markets.

Ohira and Fraser inaugurated their plan at a September 1980 meeting in Canberra, Australia, the first gathering of the Pacific Economic Cooperation Conference (PECC). The conference was attended by representatives from regional governments, the private sector, and academia. The United States was represented by Assistant Secretary of State for Asian Affairs Richard Holbrooke. A PECC standing committee was established, along with a series of task forces dealing with trade-related areas.

### **Resistance from ASEAN**

The PBC plan was blocked, however, by opposition from among the ASEAN nations. Publicly ASEAN raised three objections to the PBC plan: that it would undercut ASEAN's nonaligned status; that it would supersede ASEAN itself; and that it might be used by the advanced sector to override sovereign investment decisions of the underdeveloped countries in the region.

Malaysia, Indonesia, and Thailand particularly opposed the Japanese initiative, informed sources report, seeing the PBC as a scheme that would guarantee major power economic interests at the expense of the countries of the region. Second, these forces considered that the prominent Japanese role in promoting the PBC would mean growing U.S. military interference in Asia.

Harsher criticism alleged a Japanese effort to deter undesirable behavior by smaller ASEAN nations in the context of North-South and natural resource issues.

Finally, some suspected Japan of seeking to create a yen bloc, as insurance against a situation in which the world would become divided into competing financial blocs.

### **A South Korean counter-initiative**

These objections from ASEAN virtually derailed the Anglo-Swiss-launched PBC process, and the 1982 Bangkok conference of the PECC was less than successful. This was one reason why the supporters of the Okita-Fraser effort acceded in June 1982 to a new Pacific Basin initiative launched by President Chun Do Hwan of South Korea.

The PBC's backers apparently reasoned that since Chun was not a representative of the advanced industrial sector, he

might be a more acceptable promoter of the plan than the Japanese, and although Chun's proposal would have side-stepped control of a PBC institution by OECD-modeled technocrats in favor of a Pacific heads of state summit, it was believed that his proposal might nevertheless speed up the process.

But after Chun surfaced his concept in a private meeting with President-elect Ronald Reagan during the 1980 transition period before Reagan's inauguration—the first meeting of the President-elect with a foreign head of state—White House sources report that Chun, in consultation with the President, was prepared to take the PBC concept down a far different road than its Anglo-Swiss originators intended.

Then disaster struck. In the fall of 1983, on the initial step of a multi-nation tour of Asia, Chun witnessed the brutal slaughter of most of his cabinet at the hands of North Korean terrorists in Rangoon, Burma. The Chun trip, which was to prepare the ground for a new Pacific Basin Community effort, was coordinated with President Reagan's scheduled trip in the fall of 1983 to Indonesia, Thailand, and the Philippines. That trip was canceled when the Philippines began to blow up with the assassination of opposition leader Benigno Aquino.

### **Enter Shultz and Kissinger**

The massacre in Burma and the Philippines unrest shattered the possibilities for the new Reagan-Chun approach. How convenient for the State Department, which renewed its own efforts for a Pacific Basin scheme!

Shortly after becoming Secretary of State in July 1982, George Shultz launched a major reorganization of the Department's Policy Planning division. He created a new long-range-oriented "Policy Planning Council," and hired a stream of former understudies of Henry Kissinger, including Peter Rodman, the reputed author of Kissinger's "autobiography," and Kissinger's former Latin American hand Stephen Bosworth. In addition to drawing up plans for the integration of the Israeli economy into the dollar system, the Shultz-Kissinger team took up as a priority the Pacific Basin Community program. Their progress in making this into official U.S. policy is one of the most stunning examples of the Kissinger circles' takeover of the Reagan administration.

Immediately following the fall 1983 destabilization of the Chun-Reagan approach, Shultz created a new position, a special ambassador for Pacific Basin affairs. Underlining the importance of the position, Shultz appointed former Middle East Special Ambassador Richard Fairbanks, who has, since that time, engaged in two tours of the region to promote the plan.

Then in November 1983 Richard Armacost, U.S. ambassador to the Philippines (now Lawrence Eagleburger's replacement as Undersecretary of State for Political Affairs) attended the third annual meeting of the PECC in Bali, Indonesia. Armacost, an old Council on Foreign Relations

"Asia hand," has since come under attack from members of the Senate Foreign Relations Committee (including Sen. Jesse Helms) because of charges that he was a leading advocate of U.S. troop withdrawal from South Korea during the Carter administration. In addition, as ambassador to the Philippines, Armacost is known to have sought an end to the rule of President Ferdinand Marcos—privately identifying Marcos as "another Shah."

Finally, the Shultz State Department, in concert with many other administration officials, participated on March 28, 1984 in a meeting on the Pacific Basin sponsored by the Woodrow Wilson Center in Washington, D.C. Informed sources report, "The U.S. position toward the PBC is increasingly positive. We held a meeting at the Wilson Center where the government expressed support for our conferences—mainly the State Department." Indeed, that conference went one step toward forming a U.S. committee to participate officially in the PECC.

Shultz's economic mentor and current Undersecretary of State for Economic Affairs W. Allen Wallis has praised the results of the November 1983 Bali conference, where a call was issued for an urgent meeting of the Multinational Trade Negotiation (MTN). Australian Prime Minister Robert Hawke has taken up the concept from that meeting and is currently playing the leading role in organizing a Pacific-wide effort to establish new Multinational Trade Negotiations to induce the Asian economies to extend the GATT "free trade" system to Asia.

In fact the principal non-government agency pressuring the United States into an official relationship with the PECC is the Pan-Pacific Community Association (PPCA), whose chairman of the executive board is former U.S. ambassador to South Korea and former Kissinger staffer Richard L. Sneider. Sneider and most of the operatives at PPCA represent the true hard core of the faction that was instrumental in launching the PBC operation in 1978—under Jimmy Carter.

Also on the Board of the PPCA is East Asian expert Yale Professor Hugh Patrick. It was Patrick, along with Australian Peter Drysdale, who launched the first major U.S.-sponsored investigation into the possibility of a PBC in 1978. That study was conducted under the auspices of the Congressional Research Service and was later endorsed by House Asia Subcommittee chairman Lester Wolfe, who is now also on the PPCA Board.

The Patrick-Drysdale plan proposed an organization dubbed the Organization for Pacific Trade and Development (OPTAD), an inter-governmental organization involving the market economies.

Following these initial actions, a series of studies was conducted by the East-West Center in Hawaii and a two-year joint operation with the Aspen Institute and the Hubert Humphrey Institute of Public Affairs. Not surprisingly, both of these institutions are totally identified with Henry Kissinger personally, and the Soviet-run Nuclear Freeze movement.