Asian development means the International Monetary Fund must go

by Kathy Wolfe

Japan and other Asian nations are planning up to $2.5 trillion in long-term investment in basic economic infrastructure projects in Asia outside Japan by the year 2000, Shiro Yokoi of Japan's Long Term Credit Bank told the Sept. 24 *Far East Economic Review*. "An industrial revolution has changed the shape of East and Southeast Asian economies over the past two decades, but has also created a creaking public infrastructure," the magazine reports. "Needed projects range from new roads and mass-transit, to power generation plants and telecommunications systems."

Japan's Finance Ministry has announced an additional $2.6 trillion, 10-year domestic infrastructure modernization plan for 1991-2000, the Long Term Credit Bank told *EIR* on Oct. 5. To be built are new Bullet Train lines, nuclear power plants, and communications grids to create a "hydrogen economy," based on electric- and hydrogen-powered vehicles, sources close to the Keidanren business group have told *EIR*.

None of this, however, will work if Asia's financial elite, especially in Tokyo, stays trapped in the International Monetary Fund (IMF), Versailles system of world monetary control by London and New York. Reality is that London and New York plan to subject Japan and Asia to the same treatment which Ibero-America received after the April 1982 Malvinas War, when the plug was pulled on Mexico and Brazil, precisely because they *were* high-growth, viable economies.

An economist at the Bank of England's Asia desk laughed at the report of $2.5 trillion in Asian development in an Oct. 1 discussion with *EIR*. "The Bank for International Settlements is on Japanese banks to *cut back* foreign lending," the source said. "Japanese banks are retrenching, and will have to continue a long process of cutback. I don't see any such infrastructure lending in Asia for five years at least."

Japanese Prime Minister Kiichi Miyazawa has also bowed foolishly to demands from the IMF, Bank of England, and U.S. Treasury to use his $87 billion government "growth" package, announced on Aug. 28, to bail out Japan's speculative stock market. Japan's Ministry of Posts announced on Sept. 21 the transfer of some $10 billion of the Japanese people's savings into the Postal Life Insurance Welfare Corp., to buy stocks.

People require infrastructure

Amid this great debate across Asia and in New York and London, about a third of the huge infrastructure projects cited by Japan's Long Term Credit Bank (LTBC) have gotten under way. The pro-people lobby in Japan figures that people are wealth, and that infrastructure must be built to realize that wealth.

"It's simple," one LTCB economist told *EIR*. "Divide the $2.5 trillion up by size of populations: China has 1.1 billion people, so they will need a large percentage of infrastructure, and so on. What we will build is the same everywhere: roads, railroads, airports, water systems, mass transit, power plants, electric utilities grids, telecommunications systems, sewage systems, waste disposal systems—the obvious."

Asian nations outside of Japan and China have already begun projects worth some $600 billion. Taiwan alone will spend $300 billion on infrastructure under its six-year plan for 1990-96. This includes new highways, mass transit systems, and a Japanese-style high-speed rail link between Taipei and Kaohsiung. Also planned are upgrading of sewage, pollution control, and other systems.

In South Korea, a similar government task force has proposed spending $50-100 billion on infrastructure in the next five years, including constructing 12 new nuclear power plants to more than double Korea's nuclear electricity output by the year 2000, a large new Bullet Train line, two new airports, several new deep water shipping ports, and expanded water and sewerage facilities.

Hong Kong plans to build before 1997 a huge new airport and port complex, which, along with new highways, mass transit, and telecommunications lines, will cost as much as $22-25 billion.

Thailand has an $8 billion rail expansion plan for the five years 1991-96. Malaysia has a $12 billion five-year plan for port and expressway expansion, and Indonesia has a similar five-year plan.

Japan's 10-year plan includes building 40 nuclear power generation plants between 1991 and 2010, including plutonium fast breeder reactors, doubling the number of plants to 80, and increasing to over 50% the amount of Japan's electricity supplied by nuclear power. Of these, 12 plants are already under construction. The National Railway is constructing for operation by the year 2000 a magnetic levitation train line for service from Tokyo to Osaka, and expanding Japan's Bullet Train (Shinkansen) service to all corners of the country.

A new international airport hub is to be built on reclaimed land in Ise Bay on the Pacific Ocean near Nagoya, and infrastructure is to be built there for Japan's aerospace industry. An Asia-wide deep water port hub is to be built on Wakasa Bay on the Japan Sea opposite Nagoya, and linked to Nagoya by new Bullet Train express connections. Entirely new shipping technologies are being developed, including magnetohydrodynamic ships propelled by magnets and electric fuel cells.

Development or debt bailout?

In the end, however, the issue is the control over the huge financial surpluses of Japan and other Asian trade powerhouses. Long Term Credit Bank chief economist Jiro Otsuka estimated recently that Japan, Taiwan, Singapore, and other Asian nations have trade surpluses from 1981 to 1990 adding up to $565 billion.

EIR's update of these figures shows that during the 10 years from 1983 to 1992, this cummulative Asian trade surplus has grown to $817 billion (see figure). Asian foreign exchange reserves have also boomed.

As the IMF's 1992 Annual Report complains, however, the rest of the planet now suffers a "global capital shortage," which is, in fact, due to the collapse of the banking systems of the United States and Europe and the IMF's destruction of the economies of Russia, Ibero-America, and Africa.

The IMF crowd in London and New York want Asia's surplus to be used for refinancing existing bad Third World loans, Russian debt, and U.S. Treasury bonds.

Unless Japanese and Asian leaders break with the IMF's system, and insist on large-scale Third World debt relief and a reordering of world economic priorities, an independent "Asian Miracle" is impossible.

So far, Japan's Miyazawa government has played the IMF game. Instead of sending billions to help starving Africa or building Asian dams, Japan's huge Overseas Economic Cooperation Fund (OECF), which dispenses over $11 billion a year in foreign aid, announced recently a drive to give loans to U.S. companies such as General Electric, to appease the Jap-bashers in Washington.

Japan's Export-Import Bank, which makes an additional $10-15 billion annually in low-cost loans, gives 20-30% of these to U.S. companies. Another 20% of the Japanese Ex-Im's budget in recent years has gone to finance the IMF "shock therapy" debt restructuring package known as the Brady Plan for Mexico and Brazil.

Many in Japan want to change priorities. Now that Asia is a new world financial power, Asian banks should fund the Asian infrastructure boom, LTCB's Jiro Otsuka told the Sept. 24 *Far East Economic Review*. Japanese banks are "busy now brushing up their project-financing techniques in readiness to meet the challenge of financing these mammoth jobs," he said.

TABLE 1
Asia's financial powerhouse
(billions $)

Country	10-year cumulative trade surplus* 1983-1992 (est.)	Current foreign reserves end September 1992
Japan	$650	$ 70
Taiwan	112	86
Singapore	15	38
Hong Kong	25	30
P.R.C.	10	50
South Korea	5	16
Total	**$817**	**$290**

*Current account surplus, which is the trade surplus plus the net short-term foreign earnings of the country's financial sector. All years actual except 1992 figures, which are estimated.

Sources: Long-Term Credit Bank of Japan, International Monetary Fund, World Bank.

"Japanese banks have begun to prune overseas branches outside of Asia," the *Review* also reports, "and are also eager to cut their exposure to European real estate and are equally unenthusiastic about U.S. real estate. U.S. junk bonds have turned sour for Japanese banks. . . . Thus, all roads point to Asia."

One LTCB economist even told *EIR* on Oct. 5 that the London Eurodollar market is a thing of the past, as it has been for the last few years funded entirely by Japanese and German financial surpluses. Now that Germany needs all its cash for eastern Germany and eastern Europe, and Japan is shifting cash into Asia, the Eurodollar market, he says, is being shut down.

"Japanese banks have been recycling Japan's entire surplus for 10 years via the Eurodollar market, by depositing it in Japanese and other banks in New York and London. That is over now," he said. "The United States is still in very bad shape, Europe is not that attractive, whereas the Japanese economy is fundamentally sound: no budget deficit, no trade deficit, high savings rates. So it is time for us to have a clear vision about our role in developing Asia.

"The yen should play a greater role in international development," the Japanese banker said. "When Paul Volcker raised interest rates to 22% in 1980, it must be realized, this alone caused the Latin American debt to expand by $400 billion. This was a terrible result of his policy. If there had been an alternative currency to the dollar for trade, this need not have happened."

While the yen could be very useful as a development weapon, however, the real problem then was that no one in Tokyo offered Ibero-America credit, to escape the IMF's blackmail.