

President Vaclav Havel on Dec. 9, is a notable exception.

So it was at the Beijing financial meeting. This working conference, which was followed the next week by a top-level meeting called by the People's Bank of China, was addressed by President and CP head Jiang Zemin, Prime Minister Li Peng, and Executive Vice Premier Zhu Rongji. The leading members of the Party Central Committee and the State Council attended, as well as provincial governors, regional and municipal heads, vice governors in charge of financial work, heads of the relevant party and State Council departments, governors and vice governors of state banks and key branches, governors of provincial branches of the People's Bank of China, and persons in charge of insurance companies and large financial institutions.

Already on the eve of the World Bank annual conference in Hong Kong in September, Zhu Rongji announced that China would call a central financial conference in Beijing in November, because of the threat to China's overall stability.

At the conference, according to several Chinese press accounts, Jiang Zemin warned that China is facing new issues, with no foreign example to copy. Should a "financial storm" be triggered, or should an error lead to a financial crisis, all of

China's reform and development would be hit, and this would also lead to social difficulties. Furthermore, China cannot expect foreign aid should a financial crisis take place; in this situation, it is imperative to be prepared for danger in times of peace and take precautions against possible difficulties. The Chinese President said that it was "imperative" to draw lessons from the financial crises occurring in some Asian countries, review the hidden problems in China's financial arena, and take measures to resolve them.

Zhu Rongji, responsible for China's economy, said that the chief causes of the Southeast Asian financial crises lie in problems in control and supervision. China has both these problems, he said, and warned of the danger that some Chinese leaders are too incautious, and too ambitious. "Localism" and "departmentalism" are interfering with implementation of the financial policies of the central government. In the current situation, failures of discipline, and any illusions that there is the "freedom" to violate laws and regulations, constitute serious dangers, Zhu warned. He also chided government departments for failure to strictly adhere to policies, a situation which can no longer be accepted.

"Straightening out the financial order" and financial reform have been made a priority, in the wake of the Sept. 15 National Party Congress, *Peoples Daily*, China's newspaper of record, stated in an editorial on Nov. 20. "This is a major policy decision and strategic measure adopted after taking the overall situation into consideration and sizing up the times." The purpose of the conference was "to establish a sound modern financial structure and system; standardize and institutionalize all financial activities; notably improve the standards in managing, monitoring, and supervising the financial industry; effectively prevent and reduce financial risks; and guide the financial industry in the direction of healthy development so that it can better serve reform, opening up, and modernization." China will try to do this over the next three years.

A Xinhua official broadcast the same day reported that the conference had concluded that "it is imperative to . . . run banks really as banks, strengthen the financial supervision and management functions of the People's Bank, quicken the commercialization of state commercial banks," and "put all financial activities on the track of standardization and legalization." At the same time, "it is imperative to . . . create a favorable economic environment for a benign financial cycle, and in particular, speed up the reform of state-owned enterprises, and establish an investment structure in which government administration is separated from enterprise management."

China's banking system is a key issue of concern. Approximately two-thirds of the capital of China's state-owned commercial banks is citizens' savings deposits (totalling about 4 trillion yuan, or \$500 billion), and if these savings are not protected from the kind of banking disasters which have hit the rest of East Asia, China risks real social troubles. But China's banking system is burdened with bad debts, due to the banks' lending to the state-owned enterprises, which, be-

China Daily: LaRouche 'cautioned the world'

Economist Lyndon LaRouche "cautioned the world" on the international financial crisis, *China Daily*, China's official English-language daily, said on Dec. 9 in its lead Opinion Page article, titled "Asia Draws Lessons from Financial Crisis." Author Wei Jianing, director of the Financial Research Office with the Development Research Center of the State Council of China, wrote:

"The recent global financial turmoil that started to devastate Southeast Asia this July has greatly shocked the world.

"But actually many economists, like Lyndon LaRouche, already cautioned the world several years ago against the coming of a worldwide financial crisis in the 1990s."

Wei Jianing cited Paul Krugman's book, *The Myth of Asia's Miracle*, warning of the dampened enthusiasm of the Asian "tiger" economies for the so-called "East Asian Miracle." "However," Wei Jianing wrote, "some governments neglected those warnings. . . ."

"In spite of all arguments, all agree that the recent financial turmoil has drastically influenced the whole world and forced the financial world to reflect on some basic theoretical issues."