

## Australia Dossier by Robert Barwick

### Canberra fiddles while Asia burns

*The government is being warned of the dire effects of the Asian crisis, but it has decided not to heed LaRouche.*

Australia's Mont Pelerin Society-dominated Howard government has officially rejected U.S. economist Lyndon LaRouche's analysis of the global financial situation. In a reply to a query from a fellow Member of Parliament regarding LaRouche's warning of a global financial meltdown, Assistant Treasurer Rod Kemp, writing at the end of 1997, stated, "The government does not subscribe to the economic policy prescription advocated by Lyndon LaRouche." Indeed, Canberra has intensified its lobbying efforts for those International Monetary Fund (IMF) policies of free trade, deregulation, privatization, and so on which have *caused* the crisis, just as economists and politicians are beginning to warn that Australia, 67% of whose exports go to Asia and whose number-one and number-two trade partners are Japan and South Korea, is headed for big trouble.

On Jan. 13, former Labor Prime Minister Bob Hawke and former Liberal Party leader Dr. John Hewson, political enemies in their day who have since forged careers as business consultants in Asia, both appeared on national television to warn of the seriousness of the Asian crisis. Dr. Hewson, an economics professor and chairman of ABN AMRO Australia, told the "7:30 Report" that Australia is facing the "worst crisis since World War II." Earlier, on Jan. 7, another former Prime Minister (and Privy Councillor), Malcolm Fraser, wrote in *The Australian* that, "if the International Monetary Fund and major countries do not play their cards right, we could face another decade like the 1930s." He noted, "The current crisis is not like

the 1987 crash in world stock markets," but much worse. Similarly, on Jan. 13, Tim Toohey, a senior economist from the National Institute of Economic and Industry Research (NIEIR), told the *Canberra Times* that the Asian crisis "would bring on a general economic downturn in Australia by the year 2000."

For its part, the government is clinging to a December report by the Organization for Economic Cooperation and Development which forecast continued economic growth for 1998 (3.6%) and 1999 (3.7%). On Dec. 17, Treasurer Peter Costello, Kemp's immediate superior, denied Australia would suffer dramatically from the crisis in Asia: "The one thing we can say is that because this government decided to put in place the right policies, we will weather that storm better," he said.

However, cracks are beginning to appear in the government line, even in Canberra: A source in the Department of Foreign Affairs and Trade East Asia Economic Unit told *EIR* on Jan. 15 that the entire unit, which was set up last October to monitor the crisis, was heavily deployed over the Christmas break to prepare an official response to the crisis, for the first Federal cabinet meeting of 1998, on Jan. 19-20. A respected economist also told *EIR* that many of Australia's leading academic economists had been called on to assist. Although expected to be dominated by the Asian crisis, the government denies the cabinet meeting is an emergency one. But, as NIEIR's Toohey observed: "They [the government] don't necessarily believe they are in the business of spreading the

most accurate line possible."

Despite the government's denials, the crisis is beginning to hit home. In the last two weeks, both of Australia's major airlines have suspended all flights to and from South Korea (formerly jam-packed), for lack of passengers. Then, Qantas Airlines suspended flights to Malaysia and Indonesia from Brisbane and Melbourne international airports. Recent developments in New Zealand, where the currency dropped sharply on Jan. 13 in response to an IMF report warning about that country's "sensitivity to external shocks," have also caused concern: An unnamed government source was quoted in the Jan. 15 *Canberra Times*, saying, "I was bloody surprised. . . . The New Zealanders operate somewhat like us."

The IMF recently cancelled its regular trip to Australia, claiming Australia's economy was "sound enough to ignore." Canberra has been leading the charge to support the IMF's draconian "rescue" policies. Prime Minister Howard personally called Indonesian President Suharto on Jan. 11, to pressure him to accept the IMF's demands, while former Australian Prime Minister Paul Keating met Suharto on Jan. 15, and pushed his old friend to bow to the IMF, as Keating himself had done in 1985 when he floated the Australian dollar, which then plunged from 96¢, to 57¢, to the U.S. dollar. Sharing the government's unwillingness to recognize the magnitude of the crisis, Keating commented, following his meeting: "I have been through a crisis like this. I, in fact, induced part of the crisis myself to bring on the economic changes as they are being brought on here. I drew down the political power that then existed from that change to do those things [float the dollar and deregulate the financial sector]. And I think there are great parallels here with Indonesia."