

## Editorial

### *Ally with China, not London*

It is no secret that the Clinton administration is dangerously temporizing in dealing with the world financial meltdown. The “crisis management” mode is in full swing, and, worse yet, the President appears to be looking toward the new configuration in Europe—the Tony Blair-led crew of Social Democrats—as partners in dealing with the visible storms ahead. Initiative has been left to Prime Minister Blair to call a new emergency conference of the Group of Seven, and consultations between Washington and London are increasingly frequent. And, the U.S. administration seems to be tilting toward the British in opposing Asian self-defense moves against international speculators, particularly those taken in Malaysia.

The alternative to this disastrous trend is its direct opposite: a U.S. strategic alliance with China in dealing with the world financial crisis. As Lyndon LaRouche has recently noted, Washington must choose between London and China; there is no “middle” ground.

China’s adherence to currency and exchange controls, as well as its program of massive infrastructure construction, financed by state credit, typify the approach which all nations must take. While such self-defense does not substitute for an agreement to bury the International Monetary Fund, and establish a New Bretton Woods agreement, it is a step in that direction. It is also well known that China has been a crucial supporter of the Malaysian imposition of capital controls, which has put the international financial speculators into such a snit.

Over the last week of October, the media outlets for those speculators, the *Wall Street Journal* and the London *Financial Times*, have launched a new round of attacks on China, which are obviously meant to influence the Clinton administration’s outlook, and intimidate other nations. Most chilling was the *Journal*’s Oct. 23 editorial, entitled “The Chinese Model?”

The *Journal* poses the possibility that other nations would see China as a model because it has escaped the brunt of the “Asian” economic crisis through maintaining capital controls and state-funded infrastructure pro-

grams. Don’t do it, the editorial writer says. Beijing will ultimately collapse due to the government investment program. “The lesson for developing countries in Asia and elsewhere is that it’s useless to try to dodge the bullet of creative destruction through capital controls or extravagant fiscal stimulus.”

“Creative destruction,” of course, is an ideology of the radical free-marketeters, which never helped any population. But it has wiped out the barriers to looting by the like of Wall Street investors.

The *Journal* assault was supplemented by its older cousin in London, the *Financial Times*, which ran an extensive article on Oct. 29 predicting impending disaster in China, if Beijing continues the path shown by its shutting down the Guangdong International Trust and Investment Corp. GITIC was in trouble due to exposure to short-term capital, including derivatives, and the international investors who put their money in are looking at the potential of losing significant monies on their \$2 billion in loans to it.

China is simply plunging ahead with a rational approach to its national economy—using the power of the state to protect its people, and to invest in the physical economy. This reality was recognized by the Clinton administration over the last year, as it engaged in extremely positive diplomacy with the Jiang Zemin government, and talked of a “strategic partnership” in the making.

From London’s standpoint, this potential alliance is threatening, to say the least. Thus, the intense efforts coming from that quarter to sway the Clinton administration away from its previous support for China’s nationalist control of currency, and government programs of infrastructure-building. Washington’s attacks on the Mahathir government in Malaysia are just one reflection of London’s success.

Inevitable financial shocks will disrupt smooth progress for London’s plans, and, with the help of the LaRouche movement, bring Clinton back to his senses. But the advice must be clear: Ally with China, not London.