

Business Briefs

Forecasting

Malaysian journal covers LaRouche's 'triple curve'

In a feature article in Malaysia's *Smart Investor*, authors Long Shih Rome and David Tan review various "bear" scenarios for the stock market going into the new millennium, including Lyndon LaRouche's "triple curve" collapse function, which is run as an illustration.

Under the subhead "Global financial meltdown: the bear to fear," the authors say such a systemic collapse is the only bear scenario that is out of Malaysia's control. Malaysia's capital controls will insulate it from the immediate shock of capital flight, the authors write, and will also hinder hedge funds from shorting stocks or currency markets.

"According to non-orthodox economist Lyndon H. LaRouche, Malaysia belongs to the survivors club, which is a strategic triangle formed by China, Russia, and India. This group of countries is determined not to be pulled down by globalization and the international financial crisis. Apart from proposing reform in the international financial system, the only umbrella of protection is for these countries to trade among themselves." The article reviews "how close the world was to financial meltdown" following the LTCM blowout in the fall of 1998, and as confirmed in the latest report of the Bank for International Settlements.

Under the subhead, "The Triple Curve Collapse Function," the authors write: "LaRouche predicts the present world financial order is due for a collapse unless remedial actions are taken. He explains this prediction by his Triple Curve Collapse theory. To date, LaRouche has been accurate in predicting the financial crisis in Indonesia, Russia, and Brazil. LaRouche's Triple Curve Collapse theory shows the growth of three variables in any economy: financial aggregates, monetary aggregates, and physical-economic input/output."

Describing LaRouche's schematic diagram, the journal writes that financial aggregates, representing the current \$165 trillion of derivatives worldwide, have been growing exponentially since the early 1990s.

Monetary aggregates have also been growing in order to liquefy the financial system. In contrast, the output of the physical economy has been contracting. "The interaction of these three curves creates hyper-instability, which threatens a financial meltdown."

"To avert this meltdown, LaRouche proposes several measures: writing off the speculative paper, adopt a New Bretton Woods monetary system among sovereign nations, foster economic boom through building great infrastructure projects (water management, railways, power projects, etc.). Finally, nations can protect themselves by putting in place exchange and capital controls. It is in the latter measure that the Malaysian economy and to a certain extent, the Chinese economy (through non-convertibility of the Yuan), are insured against a meltdown."

Smart Investor has a circulation of about 20,000, mainly in Malaysia, Indonesia, and Singapore.

Foreign Debt

Anti-IMF resolution passed in Scotland

The Scottish National Party (SNP) passed a resolution at its annual conference in Inverness on Sept. 25-26, denouncing the austerity conditionalities of the International Monetary Fund and calling for debt relief for the Third World. Here is the text of the resolution:

"Recognising: i) that the majority of Third World debt now amounts to sums far beyond the capability of the recipients to ever repay the principal outstanding together with compounding interest; ii) that any further financial aid is being almost wholly used to partially pay accrued interest with the debt continuing to increase; iii) that the structural adjustments linked to debt repayment which are being imposed on governments by the International Monetary Fund are destroying the debtor country's capability to offer its population education, healthcare, nourishment, and the degree of social support expected of a civilised society;

"It is therefore resolved that this Party shall adopt a policy supporting Third World

debt cancellation and shall actively work with like-minded countries or organisations to achieve this aim while simultaneously reviewing the policies and structure of the International Monetary Fund and World Bank."

An amendment was added after the last paragraph, reading: "Conference reaffirms its wholehearted support for the Jubilee 2000 campaign."

Infrastructure

Israel's Peres promotes development projects

Israeli Minister of Regional Cooperation Shimon Peres, one of the architects of the Oslo peace accord with the Palestinians, is reviving the idea that economic development is necessary to underwrite any peace agreement between Israel and its neighbors, according to an article by Abraham Rabinovich in the *Washington Times* on Sept. 19.

That concept, which Lyndon H. LaRouche, Jr. promoted under the name "Oasis Plan," was blocked by the International Monetary Fund and the World Bank, which denied funds to the Palestinian Authority, and, to the extent that they encouraged "development" projects at all, favored construction of gambling casinos and tourist resorts.

"For 50 years we built borders with barbed wire and mines," Peres said. "Now, we've got to build them with industrial parks, high-tech and water desalination plants and power stations."

According to the *Times* story, Peres is now focussing on a series of joint industrial development projects along the borders with Jordan. He told the *Times* that he is not in the least upset that his government portfolio has not yet been defined, nor has a budget yet been provided. He said that the most important achievements of his career did not occur through top government posts, but through periods when he was either out of government, or working in subordinate positions, when he played a pivotal role in building Israel's defense industry, including its nuclear weapons program. Now, he says, "there isn't

THE IMF predicts 6.5% growth for Malaysia in its latest World Economic Outlook, the Bernama news agency reports. "A strong economic recovery is now under way in response to fiscal and monetary stimulus and the pegging of the exchange rate at a competitive level," according to the analysis. The 6.5% growth estimate exceeds Malaysia's cautious projection. One year ago, Malaysia adopted measures to protect its economy from speculators and the IMF.

THAILAND'S Prime Minister Chuan Leekpai denied on Sept. 23 that his government was considering Malaysian-style capital controls. *Manager Daily* had reported that a return to a fixed-exchange rate was being considered following the sharp fall of the Thai currency, the baht, to below 41 to the dollar.

THE CHICAGO Mercantile Exchange has instituted trading in "weather futures," AP reported on Sept. 22. Bets can now be placed on the average temperatures in Atlanta, Chicago, Cincinnati and New York, with plans to later add Dallas, Philadelphia, Portland, Oregon, and Tucson, Arizona. "Businesses are gambling on weather anyway, and this allows them to hedge their positions," said Jeff Porter, vice-president of Koch Energy Trading in Houston.

THE UAW is telling its members to buy U.S. Series I savings bonds rather than invest on the stock market, because "the party could be ending." The October issue of the United Auto Workers' *Solidarity* magazine writes that "the AFL-CIO encourages union members to save part of their earnings in secure, competitive investments."

THE BANK OF SCOTLAND on Sept. 24 launched a hostile \$34 billion bid to take over the \$297 billion National Westminster Bank, a bid which, if successful, would create Britain's second-largest bank. The terms of the bid would require NatWest to drop its planned \$17 billion takeover of Britain's Legal & General insurance group.

just a new Middle East. There is a new world, and any people who try to cling to the old will become increasingly backward and poor."

Petroleum

U.S. decries BP-Amoco role in pipeline project

The United States on Sept. 21 accused the consortium led by BP-Amoco of blocking progress on a proposed \$2.4-3 billion pipeline for transporting oil from Azerbaijan to western markets via Turkey, according to the *Financial Times*. It quoted John Wolf, the U.S. President's special envoy for Caspian energy, as saying that he shared Turkish leaders' "frustration at the pace" of negotiations by the Azerbaijan International Oil Consortium (AIOC) on a pipeline from the Azeri capital of Baku to the Turkish port of Ceyhan.

"Now the ball is squarely in the AIOC's court," Wolf said, after meeting Turkish President Suleiman Demirel in Ankara. "It has to stop using the process of negotiations to block the solid test of Baku-Ceyhan in the marketplace." The *Times* claims that "Wolf's remarks increased U.S. pressure on the oil companies to agree to a project wanted for strategic reasons by both Washington and Ankara." Turkey is desperately in need of such projects, especially after the devastating earthquake.

David Woodward, the president of the AIOC, rejected Wolf's accusations. "In fact, we are not hiding behind the negotiations and we are not trying to drag out the negotiations," he said. "Our companies have considerable experience around the world in what it takes to raise financing on the order of \$2 billion."

As *EIR* reported in our cover story of Sept. 10 ("An Oil Family: The Brzezinskis and 'the Great Game' in the Transcaucasus"), former U.S. National Security Adviser Zbigniew Brzezinski was previously a consultant on Caspian Sea oil matters for Amoco. The AIOC consortium was set up after Heidar Aliyev took power in Azerbai-

jan in June 1993. In 1998, Amoco was taken over by British Petroleum (BP).

Protectionism

UNCTAD endorses capital controls

The UN Conference on Trade and Development annual report for 1999, presented by UNCTAD President Rubens Ricupero on Sept. 20 in Geneva, warns of new "destructive" financial crises, and endorses Malaysian/Indian-style capital controls. The report emphasizes that in almost half of the developing countries examined, economic conditions are either stagnant or deteriorating.

Due to rapid liberalization in the 1990s and declining terms of trade, many developing countries are facing widening trade deficits and are becoming ever more dependent on foreign capital inflows. At the same time, about 40% of those private capital inflows are nothing but "hot money," that is short-term speculative funds, which have proven to be extremely unreliable. Between 1996 and 1998, net private capital flows to developing countries dropped by 70%. Almost every developing country in the world has been badly affected by the Asian crisis. And, the recent collapse of the Brazilian currency, the real, is now hitting all Ibero-American nations, in particular pushing up their external debts.

The report points out that "the two largest developing countries, China and India, have been striking exceptions in this otherwise bleak landscape. . . . It is notable that both these countries had resisted the temptation to pursue premature trade liberalization and rapid integration into the global financial system." UNCTAD promotes a reregulation of financial markets, if necessary including capital controls, as Malaysia and India have done.

Ricupero noted at the Geneva press conference that nothing has been done by the international community to prevent the outbreak of future financial crises similar to that of Asia in 1997-98. He added: "I have no doubt that new crises will come, and they will probably be as destructive as this one."