

Wall St., Treasury Crew Laugh To See Asian Governments Weaken

by Kathy Wolfe

Wall Street bankers and U.S. Treasury officials were having a good laugh at the so-called political process both in Asia and the United States Thanksgiving week, as the Japanese yen and South Korean won tumbled 3% and 4%, respectively, against the U.S. dollar, joining the rest of Asia's currencies in what is becoming a re-make of the 1997 "Asia crisis."

At our deadline, the United States has no President in sight, and the Nov. 23-24 heads of state summit of the Association of Southeast Asian Nations (ASEAN) plus China, Japan, and South Korea, known as ASEAN-Plus-3, has not yet convened. No matter: The Anglo-American financial elite, like *Ozymandias*, yet dreams of ruling the world alone.

"The United States government has lost enormous face in the world and it no longer matters whether Gore or Bush becomes President," as one Korean diplomat told *EIR* on Nov. 21. "The fact that neither of them could agree to any cooperation, in an unprecedented American constitutional crisis, not to even speak to each other as gentlemen, has completely discredited both of them in the eyes of Asia and probably most other nations. This is behavior befitting a 19th-Century warlord state, not the leader of the Free World."

Yet, asked on Nov. 22 whether the 13 nations making up the ASEAN-Plus-3 might take advantage of the paralysis in Washington to move toward an independent monetary system, a U.S. Treasury official laughed. "Let's see," he chortled. "Asia is the region where three Presidents right now are under threat of being impeached—maybe it's four leaders if you count Japan, ha-ha—so once we pick a winner in the U.S., my guess is that the U.S. President will be in a relatively strong position vis-à-vis his Asian counterparts."

Wall Street and the International Monetary Fund (IMF) are determining U.S. policy on Asia, he said, so "there's no point in their [Asia] waiting for the U.S. electoral results."

The Wall Street-IMF policy is that the Chiang Mai Initiative (CMI) Asian pool of funds to protect the region's currencies, and any other Asian monetary moves, must be directly subordinated to the IMF and its conditionalities, said the

Treasury official. That is U.S. policy, and U.S. policy is not going to change. "No one has said anything to indicate that a Bush or Gore Administration would have any different views on an ASEAN-Plus-3 swap arrangement. . . . There's no point in waiting, there's nothing to indicate Bush or Gore would have different views than recent [G-7 and APEC] communiqués on the need for the ASEAN-Plus-3 swap arrangement to complement the IMF."

'A Little List'

Of course, Asian nations might well change *their* policy unilaterally, and let Wall Street and the IMF go hang, as *EIR* Founder Lyndon LaRouche has frequently advised them to do. But the Treasury official, it seems, like the Lord High Executioner in Gilbert and Sullivan's *Mikado*, "has a little list," this time of Asian government leaders, "who might well be underground, and who never would be missed."

"It's hard to think of a leader in Asia right now, who enjoys strong backing," he said, still laughing, "including China" and even South Korea. "I mean, go down the list!" In addition to Japan's Prime Minister Yoshiro Mori, who narrowly escaped a Diet (parliament) vote of no confidence on Nov. 20 but has no power to rule, he said, "[Philippines President Joseph] Estrada is being impeached, and [Indonesia's President Abdurrahman] Wahid is almost out the door, as are [Taiwan's President] Chen Shui-bian and [South Korea's President] Kim Dae-jung."

What of Kim Dae-jung's achievements in his peace drive with North Korea, for which he won the Nobel Prize, the Treasury man was asked. "Sure, outside of Korea, everybody loves Kim Dae-jung, but I don't think his domestic approval rate is very high, because of the economy. . . . The issue he cares most about is North Korea, and on that he's gotten a bad reputation with the electorate, because people care more about the South Korean economy. . . ."

"I mean, maybe the Vietnamese are doing okay," the Treasury man said sarcastically, but no other Asian rulers are—and Hanoi was none too pleased by the population's turnout for Bill Clinton. "Thailand's about to kick out their ruler; they hate the Chief Executive in Hong Kong, I mean (laughing), it's hard to find a strong leader in the entire region, the only one is probably Goh [Chok Tong], the Prime Minister of Singapore," he said.

The Treasury's view, apparently, is that even in China, the banking system is a disaster, and President Jiang Zemin and Prime Minister Zhu Rongji will be out of office in 2002, with no clear succession to follow them, and major policy brawls on the way.

The official concluded from all this, that "we're hearing that they will include the IMF link to the Chiang Mai Initiative," if not at the Nov. 25-26 meeting, then sooner or later. "And that has a lot to do with the idea that it's hard to think of a leader over there who hasn't got his butt in a sling?" he was asked. "Right," he replied, laughing once again.



South Korean President Kim Dae-jung, Wall Street's target.

Method in the Madness

There is method in the Treasury's madness, unfortunately. Asian governments have now grown weak, precisely because they have continued to "defer to the Lord High Executioner," in this case, to the IMF. "What the IMF did in Indonesia can be compared to what happens if I am injured in an automobile wreck," one Japanese diplomat told *EIR* on Nov. 22. "I go to the hospital, and the doctor, instead of treating my wounds, says, 'You know, you are rather overweight. You should go on a diet.'"

Yet, Japan and the rest of Asia have made no break with the IMF.

Thus, we now have the "Asian currency crisis II," of which *EIR* warned last Summer. "I do not understand the economic reasons either for the collapse of the euro, or the now renewed falling of Asian currencies," a Korean official said on Nov. 22. "There is no reason for the dollar to be so strong. The Federal Reserve appears to be printing large amounts of money, the U.S. trade and current account deficit is ballooning out of control, and the New York stock market is shaky."

Precisely. In fact, the U.S. dollar is the shakiest currency on the planet, comparing the enormous volume of paper dollars circling the globe, to the ever-shrinking industrial output of America. To sustain the value of dollar investments, especially U.S. bank derivatives and bank paper, however, we now hear the great sucking sound of Wall Street financial institutions pulling in cash from the four corners of the world. First the European euro, and now Asian stock markets and currencies, are being dumped, with no

bottom in sight.

As Asian factories begin to close, as with the main plant of giant Daewoo Motor in Pusan, South Korea, and workers are put on the streets, their natural reaction is to blame their governments, rather than the IMF. The media in Seoul, Tokyo, and many other countries in the region, largely controlled from London and New York, are quick to oblige with attacks on national leaders, while praising the IMF for offering up more of its poison as medicine.

The lower house of Japan's Diet narrowly rejected a no-confidence motion to overthrow Prime Minister Mori's government during an all-night session on Nov. 21, meaning that Mori will stay in power for a while, but is severely weakened. Liberal Democratic Party (LDP) members Koichi Kato and Taku Yamasaki, who staged a campaign to unseat Mori, decided to give up at midnight, when it became clear that they and the opposition Democratic Party, Liberal Party, Socialists, Communists, and others did not have the votes to pass the censure. Kato has a Harvard MBA and is the darling of the media. He had been meeting, the week before this action, with Lawrence Lindsey, former Federal Reserve Board member and chief economic adviser for George W. Bush, and with U.S. asset, Liberal Party chief Ichiro Ozawa, the man who split the LDP in 1993.

Korea Is Under the Gun

Perhaps most surprising was the Treasury thug's inclusion on his list, of South Korean President Kim Dae-jung, a national hero for his June summit in North Korea and his ongoing "Sunshine Policy" to warm inter-Korean relations. President Kim, who has survived many a life-and-death crisis in his 50-year career, has not lost that much popularity, as yet.

The brutal Nov. 15 IMF report, however, which demands further shutdowns of major South Korean firms, detailed in last week's *EIR*, is now being turned against President Kim. The opposition Grand National Party (GNP), the biggest in parliament, started a boycott of the National Assembly on Nov. 19, threatening to freeze the government, as Newt Gingrich paralyzed the U.S. government in 1996. The GNP cites the IMF report positively, complaining that Kim is moving too slowly on IMF reforms, by refusing to simply close down the bankrupt conglomerates such as Daewoo and Hyundai. The GNP wants to let the free market rip, without wanting to look at the reality of what "shock therapy" produced in Russia and eastern Europe.

The South Korean government has already spent about \$100 billion propping up the financial system since it took a \$58 billion IMF bailout in late 1997, and more in corporate bailouts. The opposition contends they've thrown the money away. "Korea could face social-political instability like Latin America and a long-running economic recession like Japan in the near future," one GNP member told the National Assembly on Nov. 20.

Korean trade unionists, on the other side, are holding Kim responsible for the IMF's demands. Demonstrations in the tens of thousands of workers are growing daily at the National Assembly and in downtown Seoul, demanding that the bankrupt conglomerates be nationalized, to freeze jobs where they are. This, of course, would be preferable to closing them, but the unions refuse to understand that the global market for Korean cars and electronics is collapsing as the United States hits its "hard landing."

Neither the GNP nor the unions, so far, have been willing to frontally attack the IMF, so they are, instead, quoting the IMF report which blames President Kim. "Market sentiment has deteriorated in recent months," as the IMF put it, and this "decline in confidence is largely related to market perceptions that [Kim's] corporate and financial restructuring has been slow."

President Kim visited Daewoo Motor's headquarters on Nov. 20, and made a speech saying that he intends to save the company, if Daewoo accepts the IMF's program of massive job cuts. "We should keep whoever they are, as long as they are needed, otherwise we must lay them off to make ends meet," Kim said. "All would become jobless if the firm collapses, but jobs would be created if the business survives with a 10% job cut."

Unfortunately, President Kim is wrong. No new jobs will be created in Asia, until it creates a new monetary system.

Riyadh Meeting Blasts 'Paper Oil' Speculation

by Hussein al-Nadeem

On Nov. 17-19, the Seventh Energy Forum of oil-producing and -consuming nations convened in Riyadh, Saudi Arabia. This forum was established following the catastrophic rise of oil prices during the Gulf War in 1990-91. The issues discussed in these fora are confined to academic presentations on future perspectives for oil industry and marketing, environmental issues, and so forth, where no conclusions or binding resolutions are made. However, the discussions on the sidelines are very important and reflect the reality of the world crisis.

In the days prior to the forum, a number of revelations were made, proving that *EIR* had been right in arguing that the reason behind the rise of oil prices was speculation. Western governments have been turning a blind eye to this speculation, because it is part of the rules of the so-called "free market."

Although the question of speculation was not openly addressed at the Riyadh conference, officials of the Organization of Petroleum-Exporting Countries (OPEC) and some media made the point clear. OPEC Secretary General Alí Rodríguez stated in an interview with France's *La Tribune* on Nov. 17 that speculators in oil futures have "created a market that did not really exist, adding up \$8 to the price of each barrel of oil. There were days, on which more than 150 million barrels, that is double the world's demand, were negotiated on the markets" by speculators.

On Nov. 16, the U.S.-based, semi-official Saudi daily, the *Saudi Gazette*, published an editorial blaming speculators for forcing up oil prices and warning of the potential for a collapse. The paper reportedly added that "the world oil market is held captive by derivatives market" speculators, who "could bring about the world's next financial catastrophe. If oil prices are pushed substantially above current levels by speculation—paper demand for non-existent paper barrels—the effect on the world economy could be disastrous."

Another signal came from the Singapore-based newspaper *Energy Asia*. As reported in the Nov. 13 issue of *Tehran Times* of Iran (another OPEC member), *Energy Asia* stresses that "paper oil traders could crash Asian economies." It stated: "Oil has evolved from being a mere commodity into a financial instrument much like currencies or bonds follow-

So, You Wish To Learn All About Economics?

by Lyndon H. LaRouche, Jr.

A text on elementary mathematical economics, by the world's leading economist. Find out why *EIR* was right, when everyone else was wrong.

Order from:

Ben Franklin Booksellers, Inc.

P.O. Box 1707 Leesburg, VA 20177

\$10 (703) 777-3661 Call toll free 1-800-453-4108
fax (703) 777-8287

plus shipping (\$1.50 for first book, \$.50 for each additional book).
Bulk rates available. Information on bulk rates and videotape available on request.

