

'ASEAN-Plus-3' Responds To U.S. Economic Collapse

by Michael Billington

The cover story of the Jan. 19, 2001 issue of *EIR* was titled, "The Demise Of An Importer Of Last Resort," in which London LaRouche demonstrated that the ongoing collapse of the U.S. economy was not cyclical, but systemic, and warned the nations of Asia and Ibero-America that their exports to the United States would continue to collapse along with the U.S. economy. LaRouche had already warned the world that the so-called "Asian crisis" of 1997-98 was not "Asian" at all, but the beginning of a global systemic financial breakdown, which could be resolved only by breaking absolutely from the bankrupt International Monetary Fund (IMF) system and building a new monetary system, the "New Bretton Woods."

Nevertheless, the IMF, while huge amounts of capital were being extracted from the Asian economies, both in debt service and in flight capital, succeeded in convincing these governments that they could "export" their way out of the crisis, by orienting toward the supposedly inexhaustible U.S. import market—especially in "New Economy" electronics. *EIR* representatives who visited Japan, South Korea, China, and several Southeast Asian nations during the Spring and Summer carried LaRouche's warning about the U.S. economy, which was taken quite seriously, but often met with a response of the sort: "We sure hope he's wrong."

On Nov. 5-6, 2001, in the capital of Brunei, the ten members of the Association of Southeast Asian Nations (ASEAN) and their three East Asian partners, China, Japan and South Korea, meeting for the Fifth Summit of the ASEAN-Plus-3, responded to the now stark reality that LaRouche was right, as they observe the U.S. markets plummet, leaving the export-oriented economies of Asia in shambles. Summit chairman Sultan Hassanal Bolkiah of Brunei, in his press statement summarizing the developments, said that the assembled heads of state and government were faced with a "severe world economic slowdown," a "decline in foreign investment," and the "impact of reduced external demand." Malaysia's Prime Minister Dr. Mahathir bin Mohamad said, "There is too much dependence on the U.S."; China's Premier Zhu Rongji said that ASEAN-Plus-3 must "rely on itself to withstand the negative impact"; while even Singapore's Prime Minister Goh Chok Tong, usually a leading spokesman for free trade and the great U.S. market, said, "For us to depend on the U.S. alone as a market for growth will be much more difficult in the future." After all, the Singapore economy, dependent almost entirely on "New Economy" exports, is collapsing at

a dizzying rate.

While the leaders have not yet adopted LaRouche's proposal for a New Bretton Woods monetary system, they did take a number of measures which should have been taken years ago, based on the recognition that they must now rapidly create new internal and regional markets, by promoting the real physical development of the entire region. Whether these measures are too little and too late depends not only on the success of their implementation within and among the Asian nations, but even more so on the capacity of the 13 nations to integrate their efforts with the crucial developments now centered in Russia, to build political and economic alliances across the Eurasian continent, as the basis for a new world economic order.

The Measures Adopted

The measures adopted in Brunei include:

The establishment of a Secretariat for the ASEAN-Plus-3, to facilitate a continuing discussion and implementation of policy on a permanent basis. In fact, Dr. Mahathir had proposed such an institution in the early 1990s, to be called the East Asian Economic Group (EAEG), but opposition by the United States against any "Asian only" organization led Japan and others to withhold their support. Things have changed. Dr. Mahathir told the press that the new institution would focus on regional infrastructure development projects, while formulating a common policy in regard to the effort to create a new international financial architecture. Some of the leading advocates of the creation of an Asian Monetary Fund and greater economic independence from the IMF told *EIR* that such a permanent structure is an essential prerequisite.

The creation of a Chinese-ASEAN Free Trade Area (FTA). Chinese Premier Zhu Rongji first proposed the idea at the ASEAN-Plus-3 Summit last year in Singapore. The FTA will be implemented incrementally over the next ten years. The plan was intended in part to meet the fears in Southeast Asia that the huge productive capacity in China may swamp the ASEAN economies, especially after the entry of China into the World Trade Organization in November 2001. The plan creates a deliberative body to oversee trade, but goes far beyond trade issues: The five priorities are to be agriculture, information technology, human resource development, investments, and the joint development of the Mekong River Basin. The first meeting of the new FTA will be among the transport ministers—a promising sign of the direction they will take. In addition, China has agreed to help in building the Laos section of the Singapore-to-Kunming "Asian Railway," in addition to their own section. China will also help in blasting and dredging sections of the Mekong River in Myanmar, Laos, and Cambodia, to increase navigability, while giving special tariff concessions to the poorer nations of ASEAN—the three just mentioned plus Vietnam.

A new cooperation agreement between the "Plus Three." Japanese Prime Minister Junichiro Koizumi, Korean Presi-

dent Kim Dae-jung, and Chinese Premier Zhu Rongji took an initiative of their own on the sidelines of the ASEAN-Plus-3 Summit. They agreed for the first time to hold annual meetings of their foreign and economic ministers, and to establish a business forum of government and industry leaders to meet at the same time. This comes after a period of friction between the three nations over fears of a renewed Japanese militarism, which has been generally overcome by visits undertaken by Koizumi to China and South Korea over the past weeks. In describing the agreement for the new cooperative relationship, President Kim's spokesman presented an ambitious set of priorities, including the development of western China, the establishment of a logistics center for the development of Northeast Asia, and "other big-ticket infrastructure projects."

Ties To India

Another important initiative was taken by the ASEAN nations, separate from their "Plus 3" partners. ASEAN and India determined to form an ASEAN-Plus-1 dialogue, which will hold annual meetings, although not simultaneously with the ASEAN-Plus-3. Thailand, which participates with India in two other regional groupings committed to the development of the Ganges and Mekong regions, has led the effort to engage India with ASEAN and the ASEAN-Plus-3. Previously, Malaysia had objected to such an agreement, not because of any problem with India—in fact, Malaysia is increasingly engaged in both trade and construction projects with India—but because of the Kashmir problem, and not wanting to show partiality in the India-Pakistan problems. Malaysia has now agreed to the dialogue, while still advising caution.

Japan, despite cutbacks in many areas of its foreign aid and investment because of its internal financial crisis, agreed to extend financial support for several projects in Southeast Asia, including the east-west road from Da Nang, Vietnam, passing through Laos into Thailand, which is already under way, and a new plan for a second east-west road, from Ho Chi Minh City, through Phnom Penh, into Thailand.

Finally, several steps are being taken to prepare for the expected collapse of the dollar-based monetary system. Further measures were taken to strengthen the so-called "Chiang

FIGURE 1
East And Southeast Asia



Mai Initiative" launched in May 2000, setting up swap arrangements among the ASEAN-Plus-3 nations, to be used in mutual defense against any new round of currency speculation. China concluded a \$2 billion deal with Thailand, and several other bilateral deals were announced to be in the works. At the same time, several bilateral agreements for "account trade"—a form of barter arrangement allowing trade between countries using their own currencies rather than dollars—were signed on the sidelines of the summit. Thailand will be selling rice to Indonesia and the Philippines in exchange for fertilizer, aircraft, and other industrial goods. Thai President Thaksin Shinawatra succeeded in winning approval for the process as a general method to expand regional trade. "Under the system," Thaksin said, "we need no additional foreign reserves, but can be compensated with goods. In addition it will strengthen intra-ASEAN trade rather than reliance on external countries."