

China's Nation-Building, America's 'Must-ifying'

by Mike Billington

An extraordinary meeting sponsored by the U.S.-Indonesia Society (USINDO) in Washington in November put in sharp relief the failure of American economic foreign policy in Asia, and the role of China in replacing the United States as the primary source of support for "nation-building" in Asia. American and Asian diplomats and business leaders who attended "China-Indonesian Relations and Implications for the United States," at George Washington University Nov. 17, were confronting the impact of U.S. unilateralist blustering around the world, which is turning America into an object of hatred in Asia. A phrase which caught on among Americans attending, was "China is eating our lunch."

This was not a criticism of China—in fact, even the geopolitical thinkers amongst the Asia hands in attendance had to admit, like the National Defense University's Marvin Ott, that Chinese diplomacy in Southeast Asia over the recent years has been "a work of art," especially compared to the American. A recent report released by USINDO, written primarily by former Ambassador Edward Masters, said that the United States, to revive its crumbling image in Indonesia, has to "de-mustify" its relations with Indonesia (and by implication, other nations): no more "You must do this, you must do that."

Ask any U.S. Agency for International Development or Department of State official why America no longer sponsors public infrastructure development in the developing sector, and you will simply be told that "We don't *do* infrastructure any more." Similarly, when it comes to investment in power plants and other utilities, the U.S. private sector, lacking significant government support or guarantees, refuses to invest in major projects without the host nation accepting the entire risk. In Indonesia, in particular, this brings up a distinct and painful memory. Before the 1997-98 speculative assault on the Southeast Asian currencies by George Soros and his fellow hedge-fund vultures, Western corporations such as Enron had signed sweetheart contracts for power plants and other infrastructure development with the Suharto regime in Indonesia (and similarly around the world), which contracted repayment of debt, and the sale of the electricity output to the government, in dollar-denominated terms. When the Indonesian currency, the rupiah, was devalued more than three-fold by the 1997-98 assault, the nation's debts and dollar-denominated costs were tripled, overnight. Indonesia, over the following three years, paid off its entire foreign debt, when calculated at the pre-1997 currency exchange rate, but due to the



“China is willing to accept our terms” for foreign investment in infrastructure projects, Indonesia’s Industry and Trade Minister Rini Soewandi told EIR. Recent conferences have made clear that “China is doing the things the United States used to do: cooperating, pushing trade, offering help,” as a former Thai minister put it.

forced devaluation by the manipulated “free market,” it ended up owing more than it had before the crisis! (see “Looting Indonesia,” *EIR*, March 30, 2001).

And yet, as reported by the Indonesia-based American business consultant Jim Castle and others at the “China-Indonesia” conference, U.S. business interests are demanding that Indonesia eat the same poison again, by insisting on similarly unfair contracts for the huge infrastructure needs of the nation. The Chinese, on the other hand, according to Castle, are opening their own huge market to the nations of Southeast Asia, while applying a “relationship investing” approach to Indonesia and elsewhere: They are more interested in building the host nation’s economy, and building lasting political and economic relationships, than in short-term profits and guaranteed results at the expense of the hosts.

Although such policies as China’s are slighted as “politically motivated” and “interference in the markets” by too many Americans today, such preferential nation-building among sovereign nations, rather than *laissez faire*, was once known as “American System” economics.

‘China Is Willing’

The growing divergence between U.S. and Chinese policies in Asia was also addressed by H.E. Rini Soewandi, the Indonesian Minister of Industry and Trade, who visited Washington the week of Nov. 10. Asked by *EIR* about the issues raised at the “China-Indonesia” conference, Ms. Soewandi responded that Indonesia is far more cautious now about accepting such contracts, even in its starving energy sector. Nonetheless, she said, “We are willing to accept such foreign currency-denominated contracts, *if* they are long term—15 years or longer—and at low interest rates—2% or less. China

is willing to accept these terms.”

Soewandi described several major Chinese infrastructure investments in Indonesia, including a bridge linking Java with the island of Madura, a rail project in Central Java, and a power plant in North Sumatra, noting that the Chinese are also extremely flexible in using locally made products in their investment projects, and make contract negotiations quick and simple. The unstated implications in regard to U.S. investments were abundantly clear. Asked if she had any expectations of a U.S. return to such a friendly and constructive approach, Soewandi laughed and said, “I *hope* so. I hope I can convince them that they should take advantage of the foothold they have in Indonesia, the huge investments already there, and optimize them now, while we are coming back up from the crisis of 1997-98.”

A similar sentiment was expressed by the former Deputy Secretary of the Thai Ministry of Foreign Affairs, Dr. Sarasin Viraphol, who is now the Vice President of the CP Group. “More and more, China is doing the things the United States used to do: cooperating, pushing trade, offering help,” Dr. Sarasin told the *Washington Post*. “If Washington cares about its influence in the region, if it wants to win hearts and minds, it needs to do more than just talk about terrorism.”

Neo-Con Agenda

To the neo-conservative ideologues now dominating the Bush Administration, China’s adoption of such an “American System” approach is no compliment, but a dire threat to the United States. *EIR* has shown (“Chicken-Hawks Are China-Hawks,” May 23, 2003) that the same individuals and institutions behind the strategy of pre-emptive war against the Islamic Arab nations, also want to treat China as the new “enemy image” after the fall of the Soviet Union, in keeping with the Samuel Huntington “Clash of Civilizations” thesis that Islam and the Confucian world would gang up to confront the Anglo-Saxon race. Although they are not totally in charge of U.S. Asia policy at this point, the neo-cons’ agenda of confrontation with China is never far from the surface.

A recent example is the coverage of the same “China-Indonesian Relations” conference reported above, by the Nov. 20 issue of *The Far Eastern Economic Review*, owned by Dow Jones (the neo-con *Wall Street Journal*’s parent company). Called “How China Is Building an Empire,” the theme is expressed in the subhead: “With its booming economic power as its overseas spearhead, China is now moving stealthily toward establishing a common Southeast Asian security community, possibly at the expense of U.S. power and influence in the region.”

Nonetheless, as demonstrated by most of the speakers at the USINDO conference, a growing number of Americans are finally demanding a change in the new imperial policy pursued by the Cheney-Bush neo-cons, even if they are not yet demanding a return to the historic nation-building policies of the American System. Asia may not be willing to wait.