that it will undertake a new rail project to facilitate industrial development needs, the first new large project since the breakdown began last year.

4. *Exchange controls,* including moves toward establishing an "exchange rate band against a trade-weighted basket of currencies." Here, especially, the Action Council emphasizes the necessity for international action, by calling for "work toward an international agreement for more transparency and disclosure in the operations of investment funds like pension funds, currency funds, and hedge funds," and efforts to "strengthen international surveillance for *an orderly international monetary system that is based on sound banking and financial systems*."

The report also recommends reducing the nation's dependency on the dollar, by conducting trade in local currencies and building up reserves of different currencies. It proposes that "a study should be conducted on the feasibility and prerequisites of adopting an ASEAN [Association of Southeast Asian Nations] currency at a future date."

5. *Recapitalizing troubled banks* through the issue of government bonds, to be purchased by the large government industries (such as Petronas), with the proceeds loaned to the banks at long-term, low-interest rates. The explicitly stated purpose of this approach is that "it would make foreign acquisition of domestic banks unnecessary."

The Recovery Plan also includes tax cuts, price controls, and other means for assuring that essential commodities remain available to all. It makes some concessions to "international investors," including eliminating the limits on foreign ownership of certain productive industries, if purchased by Dec. 31, 1999.

The IMF reacts

Essential to the program is the plan to raise several billion dollars through the issuance of bonds on the international markets. Special Functions Minister Daim and Deputy Prime Minister and Finance Minister Anwar were prepared to depart on a "roadshow" around the world to secure these bond sales. They were confident that they would be successful, since, as Daim pointed out, Malaysia had not been to the international market for the last eight years, and it was one of the few A-rated countries in the region.

Then, only one day after the release of the Recovery Plan, and two days before the "roadshow" was to begin, Moody's Investor Services and Standard & Poor's, U.S.-based rating agencies which both function as hit-squads for the IMF and market speculators, suddenly downgraded Malaysia's sovereign credit rating by an astonishing *three notches,* reducing the rating overnight from single A-2 to Baa-2, only two steps above junk bond status. Daim and Anwar were forced to cancel their international tour, since the rating agencies' treachery would result in usurious rates on any bond offerings, a load beyond the means of the Malaysian economy to bear. On Aug. 6, a third U.S. rating agency, the New York-based Thomson BankWatch, also downgraded Malaysia's sovereign debt, and the senior debt and subordinated debt ratings for the country's number-one bank, Malayan Banking Bhd.

Daim has suggested that steps could be taken to garner the internal resources of the country to meet at least some of the needs. But one must ask: What transpired in the *real economy* of Malaysia in a 24-hour period that could justify the drastic action by Moody's? This was the same question asked last year by Lyndon LaRouche, following the nearly

The real, and fake, opponents of the IMF

In February 1997, Lyndon LaRouche called for a war of annihilation against the International Monetary Fund, warning that nothing short of a new world monetary system could prevent the descent into a global depression worse than any seen since the collapse of civilization worldwide in the 13th and 14th centuries. Now, rapidly growing numbers of political leaders and economic officials are beginning to understand the truth of that dire forecast, and to openly oppose the IMF's destructive role in the world. As a result, several spokesmen for the financial oligarchy, which created the on-rushing global depression in the first place, are staking a claim as spokesmen *against* the IMF, with the intention of diluting and sabotaging the honest opposition to the IMF. These charlatans claim that the IMF should have left the collapsing economies of the world alone, to let the "free market" run its course. One of the most public proponents of this phony opposition to the IMF is the notorious Jeffrey Sachs, director of the Harvard Institute for International Development, who, in league with mega-speculator George Soros, designed the "shock therapy" imposed upon Russia and other former East bloc nations, creating economic and social devastation.

On July 27, the Singapore *Straits Times* ran a "Crisis Special," with essays by various opponents of the IMF. The *Times* reported that six months earlier, it had asked "if the IMF was the amputating god, or angel of mercy," and that the subsequent period had proven that the answer is the former—the amputating god! Two essays, one by Sachs, with the collaboration of fellow Harvard professor instantaneous plunge of the Asian currencies by 35% to 80%. Had anything in the *real economy* changed, or was it purely manipulation and financial warfare by the international speculators and financial institutions?

It is of note, in this regard, that the chief economist at the World Bank, Dr. Joseph Stiglitz, who worked in the first Clinton administration and has been an outspoken critic of the IMF policies of the past year, wrote in the *Straits Times* of Singapore on July 27: "The major credit ratings agencies did not lower their ratings of the East Asian countries until after the crisis struck. If the problems in East Asia are so obvious in retrospect, why did developed country banks, or their presumably sophisticated regulators, not seem to notice them?" (See box.)

Malaysia will continue its international campaign to recruit other nations to the necessity of forging a new world monetary system, and proceed with whatever domestic policies are necessary to survive in the interim. No nation can afford to simply wait to see if Malaysia's domestic program succeeds or fails, but must join now in demanding a New Bretton Woods conference of sovereign nations to replace the bankrupt, and criminal, IMF.

Dr. Steven Radelet, and another by World Bank chief economist Dr. Joseph Stiglitz, counterpose clearly the ulterior, colonial purpose of Sachs's "opposition," to one of the more serious opponents of the failed policies of the IMF, Stiglitz.

Stiglitz, who served in the first Clinton administration before going to the World Bank, states first that the crisis in East Asia was "not the result of standard macro-economic mismanagement," that their "debt was relatively modest compared with the size of their economies and domestic savings rates. . . . These were not profligate countries." The problem arose from the excessive short-term dollar debt. The problem was not "government misdirection," but the lack of regulation over the speculative money flows. Stiglitz states clearly: "It is not just domestic borrowers who bear the responsibility for these problems, but also foreign lenders." He also castigates the foreign institutions and rating agencies which now "blame the corrupt and nepotistic East Asian firms that misallocated their foreign borrowings," and asks: "If the problems in East Asia are so obvious in retrospect, why did developed country banks, or their presumably sophisticated regulators, not seem to notice them?"

Stiglitz's proposals, although totally lacking in any suggestion of the most necessary step—the replacement of the IMF—do include relatively cogent and necessary steps for survival for the affected nations. The similarity to several of the main points in Malaysia's new National Economic Recovery Plan (see accompanying article) is probably not accidental. He calls for an "expansionary macro-economic stance"; for "quick and decisive actions to strengthen the financial system . . . in a manner that continues credit to exporting firms" based on clear information on the viability of firms, with "due attention to moral hazard concerns"; for "credit to those sectors most adversely affected or which can jump-start the economy," including agriculture, medium-sized enterprises, and exporters. He insists that companies should be saved from bankruptcy when their debt problem is due only to "large devaluations, increases in interest rates, and falls in demand."

The Sachs maniac

Compare this serious, if flawed, approach to that of the devious Sachs. His essay, "Why Not Let the Banks Own the Debtor Firms?," is more radical in his denunciations of the IMF's "contractionary policies" than is Stiglitz. But what are his recommendations? Like the snake-oil salesman, he proposes three easy steps to a turnaround.

First, let the banks (foreign and domestic) holding corporate debts turn the "debt into equity," i.e., let the banks assume ownership of the nation's corporate structures.

Second, "accelerated re-capitalizaation of Asia's banking sector," which, in Sachs-speak, means accelerating the rapidly expanding takeover of the Asian banking system by British, American, European, and Canadian banking conglomerates, as happened in Ibero-America after the 1994 Mexican crisis, and is well under way in Asia.

Third, with the new colonization of corporate Asia thus complete, Sachs proposes "easier monetary policies," but, of course, *with no controls over his friends in the hedge fund racket*. It is widely understood that simply lowering interest rates, without establishing currency controls to hold off the speculators, would lead immediately to further drastic and deadly declines in the Asian currencies. In fact, Sachs welcomes this speculative windfall to the vultures in the currency markets. "Not every goal can be achieved," he proclaims. "The yen is likely to depreciate further, for example; the Chinese yuan is also likely to depreciate at some point in the future; and Hong Kong will suffer more from its fixed peg to the dollar." British designs for the demise of China and of the crucial U.S.-China alliance stand clearly exposed in Sachs's vision, as well as his colonial intent toward Southeast Asia, regardless of his apparent protestations against his friends and mentors at the IMF.—*Michael O. Billington*.