

## Regional Initiatives Proceed in Wake of Pyongyang Summit

by Tony Papert

It was just two weeks ago that *EIR* published Lyndon LaRouche's paper on "Regional Organization under a New Bretton Woods." In the intervening days, many a reader has understandably become convinced that that was a Providential intervention, and its author a man of Providence. For, as LaRouche had written elsewhere recently, the present end-phase of world systemic financial disintegration is one of those rare periods in history, when, unfortunately, certain accurate short-term forecasts do become possible. Now, don't start to imagine that there is anyone who can tell you what hour of what day to sell your Internet stocks for the biggest windfall gain, or even the smallest loss! No—if you were not insane, you would simply sell them all immediately. But, these two weeks have already proven that there are other, much more important matters, which can be accurately forecast over the short term, now that the world financial system has been forced into a new phase of collapse since October 1998, and now that the Clinton Administration has forsaken and cut off all its earlier available options for a safer, more certain resolution of the world financial crisis.

During those two weeks, the arguments of that paper have become an unusual sort of touchstone of sanity worldwide. As several unprecedented events have changed history over those two weeks, only those who took those arguments into account, have been able to understand and act on them. At the other extreme, are those who hysterically deny that a world systemic financial collapse is possible, or even conceivable, like the Gore Presidential campaign, and, in a different way, the Clinton Administration, which is a deluded captive of the Gore campaign. These two weeks have shown them to be in the same enslaved and infantile condition from which Aeschylus' Prometheus once before rescued our species,

*Who at first looked in vain wherever they looked;*

*Although they listened, they heard not. . . .<sup>1</sup>*

In six pages two weeks ago, LaRouche demonstrated the nature of the present terminal-collapse phase of the world monetary system, namely as Weimar-style hyperinflation, generated when the growth of monetary aggregates, in the "LaRouche Triple Curve" diagram, outran the growth of financial aggregates. He showed that Treasury Secretary Lawrence Summers has led the United States into financial warfare, no longer only against so-called developing countries, but now against America's "Trilateral" Japanese and European allies as well.

In an effort to buy the doomed International Monetary Fund system a few more hours of life, in the interest of the doomed Al Gore Presidential campaign, these U.S. policies are forcing countries of Asia, Europe, the Americas, and elsewhere into defensive regional alliances, as a matter of national survival. Finally, LaRouche showed that the necessary new world monetary system will probably arise, if at all, on the basis of treaty-agreements for expanded trade in physical goods, among such regional groupings.

### From Chiang Mai to Pyongyang

When LaRouche wrote that paper, the historic May 6-8 Chiang Mai Agreement of the "ASEAN-Plus-Three" (the Association of Southeast Asian Nations plus China, Japan, and South Korea), was only three to four weeks old. This agreement was a revival of Japan's Asian Monetary Fund (AMF) proposal of 1997, which was rejected at that time because of brutal pressure from Larry Summers. It is a regional mechanism to pool hard-currency reserves, to defend Asian currencies and countries from the sort of speculative

1. Lines 457-458.

raids which decimated Asia in 1997 and 1998. LaRouche was one of the first outside of Asia to understand the significance of Chiang Mai. Even today, there is little understanding of the agreement in the United States.

These past two weeks have been marked for history by the extraordinary Inter-Korean Summit, on June 13-14 in Pyongyang. LaRouche immediately understood it as an outgrowth of the rallying together of Asians in self-defense at Chiang Mai, characterized especially by China and Japan joining together to defend the survival of both — the China and Japan which share major influence on the Korean peninsula. “Asians are standing up,” in the historic words now being repeated by Korean leaders today.

Asians were acting for themselves, in the spirit of the 1648 Treaty of Westphalia, which ended 50 years of genocidal religious warfare in Europe, to protect Asia against outside interference, conflict, and war.

For the same lawful reasons of clinical hysteria, the Pyongyang summit caught the entirety of the Clinton Administration completely unawares. Only ten days earlier, Clinton’s close friend, Deputy Secretary of State Strobe Talbott, had said in Moscow that U.S. policy required that a National Missile Defense (NMD) shield be in place in the year 2005, because North Korea would be able to deploy a nuclear-armed ICBM in 2005.

Similarly, official Washington was caught flat-footed after the summit, unable to explain it or make sense of it. After briefings from South Korean President Kim Dae-jung and his National Security Adviser General Hwang, who came to New York and Washington to brief the Administration, an unnamed senior Administration official could only tell reporters on June 16, “We’ll take a few days to try to understand ourselves about this, and try to find a forum or ways to get together with both the South Koreans and the Japanese to figure out what we want to do next.”

It should be noted, however, that President Clinton retained the good sense to endorse the Inter-Korean Summit immediately — one of a very few in Washington to do so.

Republicans were no more knowledgeable. “Exactly what’s going on is hard to read,” Nicholas Eberstadt, a long-time Korea scholar at the American Enterprise Institute, told the *Washington Post* of June 16. Bush-era U.S. Ambassador to China James Lilley fulminated against North Korean missiles and the like, but, asked about the Pyongyang summit itself, he could only say that it was “momentous,” “emotional,” and “highly symbolic.”

Nevertheless, within days, the U.S. loosened its sanctions against North Korea. Then, the State Department was forced to drop the category of “rogue states” from its vocabulary. Congress moved to end all unilateral U.S. embargoes against trade in food and medicine, including those against Cuba, Sudan, Iran, Libya, and North Korea. The premises of the U.S. National Missile Defense program immediately became untenable.

## Toward a New Bretton Woods

It is no coincidence that the Korean summit discussed LaRouche-like proposals for massive transportation, energy, and industrial infrastructure, including all the proposals for Korean transportation routes, which had been included in *EIR’s Special Report* on the Eurasian Land-Bridge. LaRouche’s ideas are irreplaceable guideposts for leaders who wish to act effectively to defend their nations.

Conversely, those who want to defend nations, recognize that they must act to propagate LaRouche’s ideas, as shown by the interviews with LaRouche recently published in Peru’s *Gente* magazine and the influential Arabic newspaper *Al-Arab International* (see pp. 34 and 40, in this issue).

During this same two-week period, the Group of 15 large developing nations met in Cairo and discussed the same issues. Malaysia’s Prime Minister Dr. Mahathir bin Mohamad used the occasion to fight for the approach of the AMF, the Chiang Mai Agreement, for Bretton Woods-style fixed exchange rates, and for national sovereignty and protectionist national capital controls. (See *Documentation*, and article by Michael Billington in this section.)

Malaysia has announced that it will push for a resolution on a “new international financial architecture,” at the Organization of Islamic Conference Foreign Ministers’ meeting in Kuala Lumpur, starting June 27. The Deputy Secretary-General of Malaysia’s Foreign Ministry, Datuk Ahmad Fuzi Abdul Razak, told the state wire service Bernama on June 20: “We feel the OIC can be used as a channel to get the endorsement from member countries, which collectively are a formidable force in global finance. And, hopefully, the Group of 20 will then listen.” He added that Dr. Mahathir will open the OIC meeting, which will last four days, and will be attended by 1,000 delegates from the 56-member OIC member countries and four observer states, including Bosnia, Hercegovina, and Thailand.

Peruvian President Alberto Fujimori’s provisional victory in early June, in forcing U.S. recognition of his own democratic re-election as President, over U.S. Secretary of State Madeleine Albright’s rabid opposition, was also unexpected in Washington. As the result of it, President Clinton moderated his own position on Peru, and forced the State Department to do so as well, at least for a time. No one who based his views on hysterical denial of the looming financial blowout, could foresee how the leading Ibero-American countries would line up to defend Peru’s sovereignty against the State Department.

Europe finds the same need to rally together in self-defense. The Franco-German moves to coordinate policies and exercise more continental European control over European Community economic policy testify to this. More important are the moves by members of the European Parliament and Italian Members of Parliament, to directly support LaRouche and his new Bretton Woods proposal.

On June 23, LaRouche was speaking at a seminar held in

the Cenacolo Hall of the Parliament in Rome, on the subject of the New Bretton Woods system. Seventy people were present, including representatives of Italian institutions, industry, trade unions, Members of Parliament, several regions of the country, and foreign embassies.

---

## Documentation

---

# Global Moves Toward a 'New Architecture'

*The following is a selection of statements by world leaders emphasizing the need for urgent actions in defense of their national economies, as the financial crisis deepens.*

### Japan's Sakakibara at Chiang Mai

Among those who played a leading role at the Chiang Mai summit of May 6-8, was economist Eisuke Sakakibara, Japanese former Vice Minister of Finance for International Affairs. He is now a professor at Keio University in Tokyo, but still wields unquestioned influence in Asia and the global financial arena. Sakakibara is known around the world as "Mr. Yen," for the influence his remarks can have on the foreign exchange market. Recently, he was the candidate for the managing director post of the International Monetary Fund.

Prior to the summit, on May 3, he addressed a luncheon in Thailand, hosted by the Nation Multimedia Group. The transcript, published by *The Nation* of Bangkok on May 4, proved that Sakakibara is a fervent booster of "information technologies" and the "New Economy," saying he agreed with Federal Reserve Chairman Alan Greenspan on this. But he has some different twists:

"It would certainly help if emerging countries strengthened banking and financial systems and corporate governance. Industrial countries should devise prudent regulations for, and increase the transparency of, lending institutions. International institutions such as the IMF should improve surveillance. However, we know very well that these efforts and improvements do not change the fundamental nature of globalized and virtualized international financial markets that are prone to herding, panic, contagion, and boom-and-bust cycles."

Sakakibara said that monetarist purists believe that the choice is between either total world free markets with a "world lender of last resort" on the one hand, or else total capital controls with no "world lender of last resort," on the other hand. He favors partial capital controls for nations, with the attempt to move toward regional "lenders of last resort"

like the Asia Monetary Fund.

"Except for the brief period of August 1998 to early 1999," he said, "U.S. financial institutions and the U.S. economy have gained significantly from the Asian crisis.

"It is this skewed system, or bias toward the center, that is the real issue for the countries at the periphery. Being at the periphery, they do not, even collectively, have the political leverage to persuade the countries at the center. They can wait for the next crisis that may really hit the center, for countries at the center to come around. Or, they can adopt some defensive mechanism to protect themselves from recurrent crises in this globalized and virtualized world market.

"What is the proper defence mechanism in a situation where we do not have a global lender of last resort? What we have learned from the East Asian crisis is that so-called 'Washington consensus,' leaving the resolution of the problem completely to free market and proper macro-policies, did not work. In my opinion, an appropriate response would be to either restrict, at least partially, the flow of capital or to create a 'regional' lender of last resort.

"In the context of partial capital controls, we need to recognize that these could be implemented in selected areas and the country could still reap the benefit of free flow of goods and services and capital, such as direct investment. Believers in market fundamentalism often preach that this is an all-or-nothing choice. This is certainly not the case. . . .

"On the negative side of this virtualization and globalization, let me now focus on the creation of a regional fund. The Japanese government, as you may know, in August and September of 1997 had proposed the creation of the Asian Monetary Fund. The idea was essentially the pooling of a part of foreign reserves of countries in the region. If Japan, China, Hong Kong, Korea, and Southeast Asian countries provide, say, a half of their reserves to the fund with specific arrangements for the activation of the fund, it should serve as an effective regional lender of last resort for the next liquidity crisis. The Asian Monetary Fund proposal was strongly opposed by the U.S. and European countries on the ground that it would undermine the discipline imposed by the IMF and may pose a serious moral hazard problem. However, if the function of the AMF is very narrowly defined as provision of necessary liquidity at the time of crisis with specific formula for private sector participation, it could complement the existing function of the IMF."

Sakakibara has an interesting "aside" on U.S. hegemony:

"Asia is well placed in the 21st century to reap positive aspects of the IT [information technology] revolution and globalization and could possibly catch up or even leapfrog the U.S. in due course. Nations rise and fall and American hegemony is by no means permanent."

### Dr. Mahathir at the G-15 Summit

After attending the Group of 15 summit in Cairo on June 19-20, Malaysian Prime Minister Dr. Mahathir bin Mohamad