

is showing signs of new troubles. The Nikkei stock market recently fell sharply below 16,000, after reports of large selling by foreign investors. The debt ratios of the Japanese private and government sectors are so extreme, that no long-term solution is possible based on the prevailing rules of the game, either for Japan, or for Southeast Asia, for which Japan is the economy with by far the greatest impact.

With ten years of record government fiscal “stimulus,” which has made Japan into the world’s most indebted G-7 economy, and with debt estimated to rise to 132% of GDP by year-end, the country is still sitting on a mountain of bad bank loans and falling real estate prices which paralyze any real sustained new investment. For the past year, Japanese banks had barely managed to control the bank debt problem by creating a fraudulent myth of “Japan’s recovery” as an Internet “New Economy.” Record foreign investment inflows to buy Japanese stocks over the past year or more had allowed banks to sell their stock holdings in other companies, and use the gains from inflated stock values to reduce their mountain of bad debts.

The surprise reversal of the Japanese government, in declining to bail out the bankrupt large Sogo retail group, with more than \$18 billion in debts, on June 13, in the wake of an unprecedented public outcry against further taxpayer bailouts, has refocused attention on the unsolved financial problems in Japan. Since July 13, for the first time in months, foreign banks have begun to demand a “Japan risk premium,” as the price for lending to Japanese banks in the interbank market. In the wake of the November 1998 collapse of Yamai-chi Securities, Japanese banks were put into a major funding crisis by imposition of a huge interbank risk premium, forcing the Bank of Japan to implement the drastic solution of drawing interbank interest rates down to zero.

In the wake of the Sogo collapse, and the shock that public funds will not be available to rescue other insolvent companies, in construction and real estate especially, there has been a flood of stock selling. In addition to foreign selling, however, Japanese banks are reported to be in a major stock liquidation of their own, to raise cash for a likely avalanche of new bankruptcies. This has pushed the Nikkei Dow stock index below 16,000 for the first time this year, and the prospect is that it will fall far lower as the Sept. 30 fiscal accounting deadline nears. From the background of such a situation, where Japanese policymakers realize that traditional crisis management measures are wholly inadequate, we can expect a greater urgency to expand on the Chiang Mai initiative for an Asian Monetary Fund, which is a useful step in the direction of the New Bretton Woods financial reorganization called for by LaRouche.

“All it takes is some unexpected shock, some trigger such as a U.S. bank in trouble, to set this one off,” said a nervous senior European banker. “It could happen when people least expect it. August to October will be a very ugly time in financial markets.”

Italians Look to a New

by Liliana Gorini

On July 13, the Italian Senate unanimously approved a bill for “debt relief for poor countries,” shortly after it had been approved by the Chamber of Deputies. There, the bill had been introduced in the Foreign Affairs Committee, and then on the floor, by Hon. Giovanni Bianchi. Bianchi, a member of Parliament from the Italian Popular Party (PPI), had introduced the bill on June 23, the same day that American economist Lyndon LaRouche was the main speaker at a conference entitled “Towards a New Bretton Woods,” in Cenacolo Hall in the Parliament building in Rome (see *EIR*, July 7, 2000).

Bianchi and the Italian Minister for Parliamentary Relations, Patrizia Toia (PPI), were the hosts of that conference, although they were unable to attend personally. In the following interviews, Bianchi and Toia comment on the passage of the bill, in the context of the Jubilee year and the failure of the Okinawa summit—which, unlike the bill, did not face up to the reality of the “financialization of the economy,” as Bianchi calls it—and also on LaRouche’s proposal for a New Bretton Woods financial and monetary system, which is seen as the natural outcome of such a debt reorganization for poor countries.

Minister Toia also comments on the upcoming visit to Virginia of a number of Italian Members of Parliament, led by Bianchi, to see Gov. James Gilmore (R), and to prevent the execution of an Italo-American citizen, Rocco Derek Barnabei, scheduled for Sept. 14. Toia, who has been very active in the fight against the death penalty and for human rights, recalls in the interview that Pope John Paul II has called on Governor Gilmore to stop the execution and to allow a DNA test which could prove Barnabei’s innocence.

The importance of the law on debt relief for poor countries, approved by the Italian Parliament, was emphasized also in the Catholic daily *Avvenire* on July 14 by Mgr. Attilio Nicora, who chairs the Committee on Debt Relief of the Italian Catholic Bishops Conference in the Jubilee year, and who was invited to testify before the Foreign Affairs Committee. Monsignor Nicora emphasized in particular Chapter 7 of the law, which “commits the Italian government to support in international venues, procedures which demand that the International Court of Justice change the present rules on international debt.”

Minister Toia emphasized to *Avvenire* the role that Italy can play to “wake up other members” of the Group of Eight, taking action, “if need be, unilaterally.”

Bretton Woods

Sen. Riccardo Pedrizzi, who is the author of a resolution backing a New Bretton Woods which is being discussed in the Senate, is quoted by *Avvenire*: “From today on we are more civilized. Until now, [International Monetary Fund] structural adjustment policies did not allow the development of poorer countries.”

The need for “bilateral agreements” with Third World countries, if multilateral agreements, such as the ones reached in Okinawa, go in the opposite direction, was also emphasized by Bianchi to *EIR*, particularly because Italy is in a special position with the Jubilee year still ongoing, and the next G-8 summit is scheduled in Genoa, Italy, in the year 2001.

Interview: Patrizia Toia

Unchecked Free Trade Damages Development

The Hon. Patrizia Toia is Italy's Minister for Parliamentary Relations. She was interviewed by Liliana Gorini on Aug. 1 in Rome.

EIR: In a comment to the Catholic daily *Avvenire* on July 14, on the passing of the law in the Senate on cancelling the debt, you said, “With this law, Italy comes in first, and unilaterally, and presents itself at the Okinawa summit in an excellent position. I hope this also wakes up the other [G-8] members.” The summit has concluded now, and the debt question has been raised also by some of the African representatives, such as Nigerian President Olusegun Obasanjo. Do you think that Italy obtained the results it had hoped for, and how do you judge the results of the summit?



Toia: It would be nice if a question as important and complicated as that of the debt of the poor countries could be resolved through a meeting among the “great” countries of the world. Unfortunately, this is not the case. We live in an extremely complicated world, in which everything is interconnected, and the ability to make decisions is, correctly, decentralized among various levels, while public opinion also plays an important role. I say this because, if both the citizen and the governmental figure truly recognize a certain issue—such as the generalized attention of the developed world on Africa during the middle of the 1980s—the support, as in that case, for the resolution of the problem, can be created without the need for a great deal of mediation by the political world. Nonetheless, on the question of the debt, there is still no mobilization even minimally comparable to what we saw in the past to defeat hunger. It is necessary to wait. In the meantime, as can be seen in the resolution approved at the end of the summit in Okinawa, those who have government responsibilities in the West must attempt to encourage the process toward a more just world; an objective which is not impossible, but is still, unfortunately, far off.

EIR: One of the problems raised by the African and Asian countries at Okinawa, is that of financial speculation, and blind faith in the “New Economy,” which certainly doesn’t favor poor countries. How do you judge, from this point of view, the proposals made by the American economist and Democratic Presidential pre-candidate Lyndon LaRouche for a “New Bretton Woods,” that is, for a reorganization of the financial and credit system in favor of cooperation and economic development rather than financial speculation?

Toia: There is no argument over the basic goal here. The damage done to development by unchecked liberalism is evident. When I met personally with LaRouche, I was able to discuss these issues, and on many points his ideas were quite convincing. We need to be clear, though: Theory is one thing, and the application of a theory is another. Experience teaches us that the human race acts very efficiently when profit is involved, and a lot less efficiently when what is involved is the collective well-being. Therefore, the current mechanisms which regulate profit need to be, for the most part, preserved. If I understand correctly, LaRouche does not condemn wealth in his proposal; rather, he proposes the increase of those who benefit from it, in terms of both individual persons and underdeveloped countries.

EIR: Another point on which Italy, and also you yourself, as well as other government ministers, have intervened repeatedly with the U.S Administration, as well as with Hillary Clinton, is the death penalty, for which a moratorium has been requested for the Jubilee year. What is your view on the case of Rocco Barnabei, the Italian-American death-row inmate in the United States, which is currently being discussed in the Italian Chamber of Deputies?