

ASEAN-Plus-3 Summit Opens Door to New Leadership

by Kathy Wolfe

The Nov. 24-25 Singapore leaders' summit of the ten member-nations of the Association of Southeast Asian Nations plus China, South Korea, and Japan, the ASEAN-Plus-3, representing 1.6 billion people, announced their intention on Nov. 25 to create a new 13-nation political organization, an expanded Asian Free Trade Association (AFTA), an Asian Investment Area (AIA), and major joint regional development projects, explicitly to rival the North American Free Trade Agreement (NAFTA) and the European Union. During informal discussion, the 13 heads of state also made headway on concretizing the Chiang Mai Initiative (CMI) for mutual currency support, the Asian Monetary Fund (AMF), and even the redesign of the global financial architecture.

An Eminent Persons Group of former ASEAN-Plus-3 officials also released a proposal to the group on Nov. 22, calling for creation of the AMF "as a positive building block toward a new global financial architecture," just as *EIR* Founder Lyndon LaRouche has proposed.

"The news came as a bit of a shock," as Japan's staid financial daily *Nihon Keizai Shimbun* put it on Nov. 25. "The breakthrough proposals . . . echo strongly the proposal by Malaysian Prime Minister Dr. Mahathir Mohamad in the early 1990s to start an East Asia Economic Caucus (EAEC), which was opposed especially by the United States," the Malaysian state press agency Bernama noted on Nov. 24. "I was asked by the leaders to make a very strong statement that we should now begin to think as East Asians, and this meeting will contribute to greater peace and stability in East Asia," host Singapore Prime Minister Goh Chok Tong told a press conference that day.

At the core of the surprise was the sudden rapprochement of Chinese Premier Zhu Rongji, South Korean President Kim Dae-jung, and Japanese Prime Minister Yoshiro Mori, whose countries have enormous historical enmity. After their Nov.

24 "Plus 3" breakfast in Singapore, they were shown in a warm, three-way handclasp on the front pages of the Asian press, something which was impossible a year ago. China's Zhu in particular shed any "Middle Kingdom" reticence, and made more initiatives in an international forum than any Chinese leader since Zhou Enlai at Bandung in 1955. He called for the "rapid conclusion" of the AMF and the CMI, extended development of the Mekong River Basin, completion of the trans-Asia railway from Kunming in China down Malaysia into Singapore, and joint development of western China.

"This could be the beginning of the end of the American Empire in Asia," area specialist Dr. Chalmers Johnson told *EIR* (see interview below). It will be a battle, however. The U.S. Treasury and the International Monetary Fund (IMF), for example, which tried to take over the CMI in September, have been kept from a controlling position, but are still involved, *EIR* has also learned. Unless the ASEAN-Plus-3 make a clean break with the IMF, this could later prove a fatal flaw.

Paradigm Shift?

While the IMF remains a threat, Asian currencies continue to dive, and area governments are under attack. Still, at summit's end, the unthinkable had at least become thinkable. With the political and financial collapse of the United States since the Presidential election, the United States has become a global laughingstock. Meanwhile, a possible source of world leadership not under the control of London or Washington, had happily set up shop half a world away.

"This looks like a good opportunity for a new paradigm shift," as LaRouche put it on Nov. 27. Any observer not blinded by ideology, he said, can understand the strategic importance of the Singapore ASEAN-Plus-3 summit: The bankruptcy of the U.S. election process, and the escalating



The ASEAN-Plus-3 summit in Singapore, Nov. 24, 2000. "This looks like a good opportunity for a new paradigm shift," commented Lyndon LaRouche.

global financial crisis, have created a situation where countries outside the United States realize that they must act more and more independently. Furthermore, as long as the United States believes that either Gore or Bush should be President, the real crisis will continue, and other nations know it.

Keen observers will have noted the similarity between the Singapore results, and LaRouche's consistent policy proposals to Asian leaders, from his memorandum "An Asian Monetary Fund" (*EIR*, May 26, 2000), to his study "Trade Without Currency" (*EIR*, Aug. 4, 2000), and his more recent itemized action agenda "LaRouche Warns Leaders at 'ASEAN-Plus-3' Summit" (*EIR*, Nov. 17, 2000).

"The AMF idea has been around since 1997 as a successor to the Malaysian EAEC, and the Americans have stepped on these ideas at every turn, seeing to it they've never gone anywhere," Dr. Johnson notes. "Yet at this year's meetings, these ideas are back again, alive and kicking, with many other, more radical things like an [Asian] free trade agreement—and all endorsed by China. The important thing to ask is: Why . . . [have] East Asian nations begun to seriously cooperate in this way?"

"Reason number one is the great Asian fear of a re-run of 1997, with an even worse response by the Americans this time, because of the utter cop-out reply of Bush in the debates," that he will have Federal Reserve Chairman Alan Greenspan run the next crisis, just as Greenspan had in 1997, Johnson said. "Reason number two: Now Asian leaders actually question whether there is a U.S. government, and whether there is any legitimacy to anything the U.S. does."

"Certainly you can say that the U.S. government crisis gave us some room," said one Asian diplomat on Nov. 27.

"Now, today, Bush says he has won, but that doesn't matter; we will continue in our direction anyway." As one Korean diplomat told *EIR* recently, "The United States has lost enormous face and it no longer matters whether Gore or Bush becomes President. The fact that neither of them could agree to any cooperation, in an unprecedented crisis, has completely discredited both of them."

China and Korea Step Forward

"Reason number three," in Johnson's words, and major news by itself, is the new leadership shown by China and South Korea at Singapore, in joining Japan as sponsors of the CMI, the AMF, and creating a whole new ASEAN-Plus-3 political bloc. These are ideas upon which the three rivals could never have agreed just months ago (see "Asian Monetary Fund Faces Strategic Challenges," *EIR*, Aug. 25, 2000). Chinese Premier Zhu, in a speech to the summit released by the official Xinhua news agency, made a multi-point proposal, led by: "earnestly implement the Chiang Mai Initiative. China wishes to hold further consultations with Japan, R.O.K. [South Korea], and ASEAN countries with a view of reaching a common position on practical measures for implementation, so that an East Asia bilateral currency swap network could be gradually established."

A Chinese Foreign Ministry official in Beijing on Nov. 22 also told Agence France Presse that Zhu would "push forward China's agenda on establishing an Asian Monetary Fund." China has quite specific ideas about structure for the AMF, the relative size of quotas which Japan, China, and the other 11 should pay in, and more, Bruce Murray, Asian Development Bank representative in Beijing, told the news

FIGURE 1

Participating Nations in 'ASEAN-Plus-3'



“This also dovetails with the strategy of developing China’s west, which is well under way now,” Zhu added, inviting Japan, Korea, and the ten other nations to expand cooperation there, an idea they eagerly accepted.

As part of Mekong basin development, Zhu called for the rapid construction of the trans-Asia railroad linking the Malay peninsula with Indochina, as proposed by Malaysia. This would extend existing lines between Singapore and Thailand to Cambodia, Vietnam, Laos, Myanmar, and the Chinese city of Kunming. The project fell behind during the 1997 crisis, and the ASEAN-Plus-3 now plan to raise funds for the railroad from the Asian Development Bank, which is led by Japan.

South Korean President Kim Dae-jung called on the leaders “to closely work together to prevent a repeat of the 1997 financial crisis,” the *Korea Times* reported on Nov. 24. Kim made a series of proposals, which the 13 leaders accepted, led by formation of “a close-knit economic consultative body as a stepping stone to a regional economic bloc, and to hold their summit on a yearly basis.” Kim called for the ratification of the CMI swap network, a collective system to monitor short-term speculative capital movements and other activities of hedge funds, and development of an early

agency. “Japan’s economy is about seven times the size of China’s, while China’s economy dwarfs the economies of the Southeast Asian countries, so the ownership structure of any fund would have to reflect this,” he said.

At the summit, Zhu emphasized that the group should “increase input in the Mekong River Basin development area. China agrees that priority should be given to infrastructure development, such as transportation, telecommunications and energy, and human resources development,” meaning education and training. “This will help narrow the development gap between countries in the region.” Zhu urged Japan and South Korea “to give full play to their advantages in financial and technological resources and contribute to the development of the Mekong Basin.” He also briefed ASEAN leaders on China’s participation in other projects with ASEAN, including the realization of commercial navigation on the Lancang-Mekong River and the Kunming-Bangkok highway construction.

warning system against a financial crisis.

Kim and other Korean officials also made clear during Nov. 23-27 that Kim’s plan to save Hyundai, Daewoo, and other giant Korean construction firms from closure, features getting them heavily involved in the Mekong Basin, western China, and other development projects as requested at Singapore. During the summit, Korea and Japan were officially admitted as members of ASEAN’s Mekong Development organization.

‘Vision 2020’ in 2001

Most important, the 13 leaders unanimously agreed to press forward with “Vision 2020,” a plan for the full political and economic integration of the 13-nation region, first proposed to ASEAN in December 1998 by the late Japanese Prime Minister Keizo Obuchi, and enthusiastically promoted by President Kim Dae-jung at the November 1999 ASEAN-Plus-3 founding summit. On Kim’s suggestion, the ASEAN

Eminent Persons Group has been expanded to an ASEAN-Plus-3 Eminent Persons East Asia Study Group, a top Korean source told *EIR*. The East Asia Study Group was mandated by the 13 Singapore summit leaders to step up the timetable of Vision 2020, and produce a report on the creation of a permanent 13-nation organization for the November 2001 ASEAN-Plus-3 summit. The Study Group will also produce reports on how to expand ASEAN's Asian Free Trade Agreement, now set for ratification in 2003, to include the full 13 nations; on a 13-member Asian Investment Agreement; and numerous others.

"The political cooperation at the Singapore summit of China, Korea, Japan, and the whole ASEAN-Plus-3 is more important than this or that specific issue," the Korean source confirmed. "For sure, the ASEAN-Plus-3 will create a permanent organization, become a permanent regional grouping, when the East Asian Study Group issues its report next year, and will then pursue integration, like the European Union. It could be surprising, it could take less time than the European Union." The particular ideas, like the AFTA and AIA, "will follow the political leadership idea," he said. "Monetary integration will take longer, but it will come."

"We are positive on the idea" of concretizing ASEAN-Plus-3 relations, Lee Ki-ho, President Kim's senior secretary for economic affairs, told the *Korea Times* in Singapore. "Tokyo has been pushing the idea since last year, and Beijing's backing came Nov. 22. Under the changing global economic environment, it is now inappropriate to continue dividing the region into ASEAN and northeast Asia. It is no longer relevant. We share a common sphere and a common fate." In the 1997 crisis, said Lee, globalization allowed "the financial crisis to spread quickly. Due to this changing paradigm, we have to form a community. It is time for Asia to work closely."

"I do not see why we should not, because the North Americans compete as a group—they have NAFTA," Singapore Prime Minister Goh told the summit's concluding press conference. "We are all for working with our friends," added Malaysian Prime Minister Mahathir, quietly enjoying the fruit of his past decade's effort.

Once the ASEAN-Plus-3 body is launched, "Korea's trade volume with ASEAN, which stands at \$30 billion, is expected to rise by leaps and bounds," Korea's Lee said. "As a result, the country's trade surplus will go up." Korean construction firms, he said, will benefit through more active participation in the Mekong River development project and China's \$450 billion Three Gorges development project on the Yangtze River. "The formation of a closely coordinated consultative body will likely change Japan's trade and surplus structure in terms of trade with ASEAN countries," Lee said, dispelling worries that the envisioned body might strengthen Japan.

While many raised questions about whether giant economies such as Japan or China would drown smaller ASEAN countries, the high-level Korean source told *EIR* that this has

been fully discussed and will be specifically prevented. Nothing like the vicious content of NAFTA, in which slave-labor manufacturing shops in Mexico replace skilled workers in the United States, impoverishing both countries, will be permitted, he said. "There is no need to worry that the expanded AFTA would cause economic hardship to some Asian members. We will manage it to the benefit of all."

ASEAN economic ministers on Nov. 23 approved an escape clause in their ten-nation free trade agreement, the Common Effective Preferential Tariff (CEPT) protocol, which gives members room to delay certain tariff cuts in the regional area if they face "real problems," Malaysian Trade Minister Rafidah Aziz told *Bernama*. The exceptions under CEPT would help Malaysia, for example, to keep viable special projects like its auto sector. "It's not like everything will be unravelled," she said. This will be extended to the ASEAN-Plus-3.

Chinese Premier Zhu's Nov. 24 speech also helped ASEAN leaders to dispel their misgivings on sharing markets, *China Daily* reported. China's economic and export goods structures are different from ASEAN's, said Zhu. China will not flood ASEAN markets, and China and ASEAN export different types of goods to the West, so their exports from the region can be made complementary.

"It was an historic occasion, because we could never imagine such good relations between China, Korea, and Japan, which previously had volatile or hostile relations, could happen so fast," the Korean source said. "The big news is, China has become so active," not acting like the Middle Kingdom, and "not so focussed on their relations with the U.S., but emerged as a leading player. So that's why there was a lot of discussion of economic integration; they will launch lots of new projects on trade and development."

Also astonishing was Japanese Prime Minister Mori's Nov. 25 proposal that the ASEAN-Plus-3 annual summit should be a place for "more comprehensive dialogue and cooperation for regional politics and regional security integration," the *South China Morning Post* reported. "This indicates a shift in Japan's traditional role from a passive aid donor to a player in regional politics and security," the daily correctly noted. Mori called for reforms in the United Nations, and urged that ASEAN support them. Japan has long campaigned for a permanent seat on the UN Security Council, but has faced opposition from Asian nations because of Japan's wartime aggression in the region. "However, earlier this week, an ASEAN panel said ASEAN will now support Japan because of its strong economic assistance and the change of times," the *Post* said. "Japan will also provide support for ASEAN's economic integration with Northeast Asia to promote trade and investment in the region," Mori told the press after addressing ASEAN. "We had very fruitful and positive discussions to seek the direction of regional cooperation in East Asia toward the 21st Century," he said. "We consider ASEAN a partner for peace and prosperity in East Asia."

"Announcing that we will meet regularly is very meaning-

ful, as it will send a message to the international community that the three countries are forcefully working toward peace and stability in Asia,” Mori also said of the successful summit with China and Korea. “Continuing such dialogue would benefit peace and prosperity not only in northeast Asia, but for all of Asia.”

Wrestling the IMF

While the development projects are the guts of regional integration, they will not happen if the IMF is allowed to continue its present political lock on the finances of East Asia. That is why it is so important to concretize both the Chiang Mai currency support agreement and the AMF, independently of the IMF.

In September, Korean and Japanese financial officials reported to *EIR* that the U.S. Treasury had thrown a fit, and demanded that the CMI funds be set up under the IMF, as a “second line of defense.” This meant that if any Asian member needed foreign exchange, it would have to go first to the IMF, get an agreement, and only secondly could access the CMI cash. The bureaucratic wing of Japan’s Finance Ministry, afraid of confrontation, argued that this would have to be accepted.

Numerous Asian officials, however, responded angrily. “The idea to link” Chiang Mai funds to the IMF “and get the IMF to oversee the swap arrangement is something the majority of ASEAN countries are not keen upon,” Dr. Mahathir told a Singapore press conference on Nov. 25. “After many Asian countries asked to minimize the role of the IMF in the independent Asian swaps, the Japanese who had favored the AMF all along were able to convince their colleagues that obviously it’s very stupid if we Asian countries just hand over our money to the IMF,” one Korean told *EIR*.

By mid-November, the U.S. scheme had been rejected, in favor of a “compromise,” under which the IMF is still involved, but will not be in control, officials in Tokyo and Seoul separately confirmed to *EIR* on Nov. 27. “The ‘second line of defense’ has been replaced by a compromise,” as a Japanese official put it, “because we cannot say to our Asian allies: ‘No, we won’t help you, unless you first get the permission of the IMF!’”

“But, unfortunately,” the Japanese continued, “I also cannot report to you that we got rid of the IMF as *EIR* has requested.” Under the compromise, certain amounts of Chiang Mai funds will be freely exchanged by ASEAN-Plus-3 members, without any IMF linkage, while certain amounts of Chiang Mai funds may require some consultation with the IMF, on a case-by-case basis. “We are worried about moral hazard. The Plus-3 cannot just write a blank check to certain weaker ASEAN members,” he said. “We just don’t know enough about what is happening in certain countries.” The Plus-3 countries, he claimed, will try using the IMF bureaucracy to research what should be done. A Korean source who

had first warned *EIR* about the Treasury’s “second line of defense” insanity, then confirmed this Tokyo report, saying that Korea and China are now satisfied that the IMF “does not have the upper hand” under the new plan.

The Korean, who had been angry with Tokyo, was in a new mood and very upbeat. “This way, the IMF is not in charge of the CMI, the Asian partners are in charge, and so the Ten-Plus-3 will have more leverage in the future,” he said. “I can also report to you: The AMF is not stillborn, and there will be important meetings on it soon.”

Especially interesting was the plan by the ASEAN-Plus-3 to issue their own study on the “international financial architecture.” This was suggested by South Korean President Kim Dae-jung, Malaysian Prime Minister Mahathir told a Nov. 25 news conference, after he held a bilateral meeting with Japanese Prime Minister Mori. “Japan pointed out that the G-7 has done one study and made some recommendations,” said Dr. Mahathir, but ASEAN, China, and Korea felt that the Group of Seven study was “inadequate and did not serve the purpose, particularly on finding out the cause of the recent Asian financial crisis,” Mahathir said. “We hope Japan will participate” in the new independent Asian investigation, he said. This would be the first time that Asia, or any group outside the G-7, has taken responsibility to study the entire global system.

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