

LaRouche Warns Leaders at ‘ASEAN-Plus-3’ Summit

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EIR Founder Lyndon H. LaRouche, Jr. issued a warning on October 30, to the heads of state of the ten members of the Association of Southeast Asian Nations plus Japan, South Korea, and China (ASEAN-Plus-3), before their November 2000 summit. An edited version follows.

In September of 1998, I warned that a major financial crisis would erupt in the U.S.A. by the time of the Washington summit between China and the U.S. That crisis erupted exactly at the time I had forecast. Now, the world has reached the end-phase of the process for a global financial, monetary, and economic chain-reaction collapse. This is not such a relatively minor problem as the 1929–1931 collapse, but the worst financial collapse in several centuries, possibly even as severe, on a global scale, as the Fourteenth-Century New Dark Age in Europe. The current spread of epidemic and pandemic diseases in Africa, and beyond, typify the threatened worldwide conditions such a Dark Age implies.

In this circumstance, the gravest political danger, is that those leading voices which fail to warn, now, of the onrushing world-wide financial collapse, before the collapse has occurred, will lack the authority to make the necessary reforms after reality has made itself clear to the population. The lack of any credible candidate for U.S. President threatens to create the situation in which there is no institution in the U.S.A. which is not acting to prevent a sane response to financial collapse.

What confronts us, is not a crisis within the existing International Monetary Fund (IMF) system, but a terminal crisis of the system itself. What is required, is not a reform of the existing IMF system, but its entire replacement by a new system, a new system best described as a return to the protectionist form of world financial, monetary, and economic order, which would have come into existence, had U.S. President Franklin Roosevelt not died prematurely, in 1945. The new system must be, as Roosevelt had intended, a post-colonial world order, equitably representative of the common interests of all nations, not merely of a privileged few.

My Proposals

The U.S. dollar could, on almost any day, disintegrate to a level below the Indonesian rupiah, to levels below the 1929 German mark. When even the heads of the Hongkong and Shanghai Bank, Citibank, and 300 other major banks of the Institute for International Finance, have warned world ministers of “a sharp fall in the dollar,” as they did at September’s Prague IMF meeting, even they know that we are all near the point of global financial and monetary bankruptcy. If Moody’s were remotely honest, U.S. government paper and U.S. banks, with over \$42 trillion in derivatives, would be rated well below junk bond grade. The Wall Street bubble is already facing either a chain-reaction deflationary implosion, or a hyperinflationary explosion.

Because the physical economies of your 13 nations retain some of the world’s best remaining machine-tool, plant and equipment, and scientific facilities, you have the chance, at your November summit, to take actions which could halt, or at least slow down your region’s now-threatened slide into a New Dark Age. Your efforts could also form the “seed crystal” of a new global monetary system, which could later become a catalyst for a “jump start” of the world economy.

Let me speak truthfully, as one warns a friend of danger, not in diplomatic sophistries: You must break, completely, with the IMF. There can be no debate. Either declare, or prepare announcements to soon declare, that none of the swap lines or other funds discussed under the May 6 Chiang Mai Initiative (CMI) shall be linked, in any way, to the IMF. This and other merely financial actions must be taken, to allow more fundamental action to protect your nations’ physical production and trade, listed below—and to demonstrate Asia’s political will to survive.

I recommend the following steps to you:

A. Conclude a minimum level of CMI swaps, completely independent of the IMF. Your reasons are clear. The IMF has a record of destroying living standards in Asia, Russia, and world-wide. The IMF and G-7 have repeatedly ignored Asia’s warnings against hedge funds and hot-money speculation. The IMF is also bankrupt as a system, and there is no reason to throw away Asian swap funds, to make a show of bailing out a hopelessly bankrupt system.

B. Create the Asian Monetary Fund (AMF) now.¹ Asia requires an institution to ensure continuing physical trade and development projects for its region, as the global IMF system fractures. The Anglo-American institutions are weak and well aware of their pending bankruptcy. They are too dependent upon Asia’s exports to dare start a trade war. There is also nothing you can do to stop the pending collapse of the U.S. market for Asian exports.

¹ Lyndon H. LaRouche, Jr., “An Asian Monetary Fund,” *EIR*, Vol. 27, No. 21, May 26, 2000.

For your nations' and region's survival, you require a regional trade arrangement to begin to offset the impending loss of that U.S. market.

C. Create an entirely new synthetic Asian unit of account for trade and production credit, based upon a "basket of hard commodities," as detailed in my report "Trade Without Currency."² Note that, the debates about "how Japan, China, and South Korea are to pay" for the weaker "Ten-Plus-3" economies, and about the use of Japan's yen, China's yuan, and/or baskets of currencies, will soon be trivial, as the value of all currencies collapses. You require a temporary measure for use during the transition from a collapsed IMF system, until a new fixed-rate global Bretton Woods system can be established. The new synthetic Asian unit should be the accounting system of the AMF's credit facility, an Asian version of Special Drawing Rights, to finance trade and medium- to long-term loans for hard-commodity investments. It approximates the "gold reserve plus commodities exported" fixed-rate Bretton Woods system during 1945–1965. Trade and production loans are made in these units, not in currency prices; however, the exporter is credited with that number of synthetic units as the product is delivered, and repayments are determined by the price of the domestic currency, in those units, when payment is due.

D. Create emergency regional trade and trade-credit treaties to keep hard-commodity trade within Asia moving at all costs. Recent Korean-Japanese discussions of a regional trade zone can serve as the basis, but only if industry and agriculture in each member-nation are protected. Adopt those protective tariffs and economic cooperation measures, used in 1945–1960 joint recovery and economic growth of the U.S.A. and western Europe—similar to Malaysia's recent actions.

E. Establish parallel state-to-state hard-commodity trade agreements with producers, especially of oil and other raw materials, critical for production. Oil price spot-market speculation must be controlled by negotiation of long-term government-to-government contracts in rational prices.³

F. Endorse *EIR*'s 1992 Eurasian Land-Bridge proposal, a.k.a. the "Iron Silk Road," as a "science driver" program, similar to the U.S. Apollo moon shot of the 1960s, to jump-start China, North Korea, and Indochina into consumption of capital goods and high-technology infrastructure.

G. Escalate large-scale, long-term, low-interest credits from the region's capital goods exporters, a regional form of Asian "policy credit," for production of capital goods for

² Lyndon H. LaRouche, Jr., "Trade Without Currency," *EIR*, Vol. 27, No. 30, Aug. 4, 2000.

³ Lyndon H. LaRouche, Jr., "Bring Oil Price Inflation Under Control," *EIR*, Vol. 27, No. 38, Sept. 29, 2000.

increasing the physical productive powers of labor, per capita and per square kilometer, in developing areas.⁴

H. Reorganize the more than \$2 trillion in non-performing loans (NPLs) of the “Ten-Plus-3” commercial banks, and the more than \$15 trillion in derivatives held by Japan’s banks. Acknowledge that most of this paper is worthless. As much as \$400 trillions in today’s nominal financial assets of the world will soon be either wiped out by the crash or reduced to a mere fraction of its current valuation. This cannot be stopped; outstanding financial claims must be brought into line with the hard-commodity valuation of the world’s combined production. Should Asia become the first to address this, it gains comparative advantage; the U.S. and Europe hold far larger non-performing assets.

I. Issue a statement endorsing LaRouche’s call for a New Bretton Woods global monetary conference. The world’s need for a new monetary system, *per se*, will soon be clear enough, as today’s non-system evaporates. Asia would find it most unpleasant, however, to negotiate a new system with a United States which has gone fascist after the crash, just as Germany in the 1930s. It is in Asia’s urgent self-interest, that my proposed New Bretton Woods system, as I have defined its requirements, be the basis for all international negotiations. Absent such clear proposals to that specific effect, the world faces the prospect of a U.S. descending into chaos and fascism. Given the incompetence of the present leading U.S. candidates for President, no sane initiative is likely to originate from the U.S. after January 2001. In that case, the alternative must be presented to the U.S.A, without indulging in the futile wish that the U.S.A. might initiate something both in America’s own, and in the world’s, vital interests.

Asia’s leaders have been placed in a unique position by history. By simply forming the CMI and the AMF, the ASEAN-Plus-3 could supply the spark to prompt the world toward actions in the common and urgent interest of all peoples, by starting to break the stranglehold of the IMF.

In conclusion, I add the following cultural observations, as a representative of modern European civilization, to the ASEAN-Plus-3 nations, which generally have a different historical-cultural tradition. If we are to join together, to bring this world, now threatened with a new dark age, into order, we must base our cooperation on higher and deeper levels of cultural understanding.

The European sovereign nation-state established as law, for the first time, the principle that governments have no natural legitimacy, except as they promote the general welfare of all of the people, and their posterity. However, this principle has been bitterly and bloodily opposed by certain states in Europe, and by powerful forces inside the U.S.A. itself. We must

⁴ *The Eurasian Land-Bridge: The New Silk Road*, EIR News Service Inc., January 1997, 290 pages.

see this as primarily a cultural and moral crisis, a crisis defined by the need to establish a new, just, and therefore durable, world order among sovereign nations, premised upon love for the welfare of all mankind.