

Reality shatters Chirac's Asian dreams

French President Jacques Chirac has recently been deeply embarrassed by his own effusive optimism about the world economic situation, and the "great future" that awaits France in Asia. Chirac, who had warned, at the Group of Seven Heads of State summit in June 1995, of the danger of world "financial AIDS," has since publicly backtracked, and put his foot into his mouth in the process. On French national TV on Feb. 22, shortly before his trip to Singapore and to the ASEM summit, Chirac stated: "I hear much talk about economic difficulties. I do not want to fall into science fiction in the economic field . . . but my conviction is, that the world is today on the verge of an important growth upswing. . . . The world market today, especially in the new countries, such as those of Asia and Latin America . . . is a market where demand—solvent demand which can pay—is exploding. During the next 10 years, this will create considerable demand on the international level. Do not forget that already one Frenchman out of five works for exports. I believe in a growth which will take off, and will be durable, at any rate, over a cycle of 20-30 years."

Chirac is particularly attached to Singapore's Lee Kuan Yew, whom he meets several times a year, and was Chirac's first prominent foreign guest after his election. French press describe Chirac as a "fervent admirer of the Singapore economic model," and report that ASEM was conceived during a visit of Singapore Prime Minister Goh Chok Tong to Paris in 1994.

But Chirac got an explosion of a different type. The week of Feb. 26, the French press reported the disastrous condition of the French banking system. The International Bank Credit Analysis announced that French banks, with 3.9% profits versus equity, are only marginally better off

than Japanese banks, and are far below the British banks' ratio of 20.4%. Bad real estate investments have hit the French banks hard, and, of a total debt of 350 billion French francs, FF 200 billion are estimated to be bad. A "surgical" reorganization of French banks is expected. Crédit Lyonnais already lost FF 12.1 billion in 1994, Paribas just announced a FF 4 billion loss, and Indosuez, BNP, and Crédit Foncionner, "an institution of the republic," are equally shaky.

On Feb. 25, the widely circulated *Journal du Dimanche* was led to wonder why Chirac believes that "a time of full employment will return." "Does he have information that the majority of economists don't know about?" Apparently, it is his dreams of Asia that inspire him, *Journal du Dimanche* noted. "I have a love affair with Asia," Chirac declared, in his Singapore speech on March 1. Asia, he said, "with the vitality of its cultures and civilizations and its economic triumphs," must participate fully in the establishment of "the new world equilibrium of the 21st century."

Chirac went on to proclaim Lee Kuan Yew, "a friend and one of the greatest statesmen of our times . . . a man of vision, a man of firm and creative action, who in less than two generations has shaped a modern and prosperous State. A man of wisdom whose lucid analyses and understanding of the future, continue to be a source of inspiration for decision-makers the world over."

Reality shattered Chirac's musings, when France's bank disaster hit the headlines as he was speaking. His not too courageous response was, "It is a cause for despair," and he complained about the banking system's "inability to assume its responsibilities," in supporting small and medium-sized businesses. The system's problems stemmed from "the fact that it has been badly managed," he added, helpfully.

French bankers were outraged. One said, "It is as if John Major went to Paris and said that all English banks were useless. I have never heard Clinton, Kohl, or Major make that kind of an attack on one of their own industries while on a visit abroad." —Christine Bierre and Mary Burdman

Cordiale with the British (see box). This much-heralded "Asian Way" is definitely not the kind of dirigist economic system which, under the postwar direction of "American System" advocate Gen. Douglas MacArthur, created the modern economies of Japan, South Korea, and Taiwan. Rather, it is an artificial creation which fantasizes that deregulation, free trade, and the East and Southeast Asian bubble economies will somehow save them from the impending collapse.

Meanwhile, European Union Trade Secretary Sir Leon Brittan, a leading spokesman in Asia for the British strategy

of Empire, is demanding that the European nations slash their remaining protective barriers, out of "fairness" to the Asians, who are being coerced to do the same. European workers, and even farmers, are being thrust further into competition with the cheap labor of China and Southeast Asia, as unemployment grows, standards of living plummet, and the economies of both eastern and western Europe continue to unravel.

One would hope that the Asians, as well as the Europeans, would have enough of an historical memory to see through yet another British imperial offensive.