

Asia tells Washington: No more Gore!

by Gail G. Billington

In spite of himself, U.S. Vice President Al Gore's reprise of the "ugly American" at the Asia Pacific Economic Cooperation forum in Kuala Lumpur, Malaysia on Nov. 17, served a useful purpose. His invocation of the "magic of the marketplace," in a part of the world where eight of the leading regional economies are officially in recession, coupled with paying homage to the "reformasi" movement of ousted Malaysian Deputy Prime Minister Anwar Ibrahim, send the clearest possible message that "business as usual" in the conduct of relations among nations is over.

More important, Gore's colossal gaffe demonstrates why there is a growing drumbeat in the United States and around the world to bring EIR Founder Lyndon LaRouche into the White House as Clinton's economic adviser, with the immediate task of collaboration among key nations, all members of the Group of 22, in drawing up the blueprints for a new global financial architecture committed to nation-building, through great projects such as the Eurasian Land-Bridge. Gore personifies the institutional political baggage in the United States that President Clinton must dump if his episodic impulse to emulate President Franklin Roosevelt's commitment to a just economic order is to amount to anything. Unbeknownst to him, Gore has given Asia a golden opportunity to address this crucial issue of leadership for the United States and the world.

Save the nations

Unfortunately, U.S. Ambassador John Malott compounded the damage done by Gore, in an interview with *The Star* on Nov. 20, defending Gore's rant about "democracy," arguing that "democracy is not simply having elections. Stalin held elections. Even Hitler had elections." The Malaysian Foreign Ministry summoned Malott, and delivered the message that Gore's statement is viewed as "incitement to lawlessness" and the introduction of the "law of the jungle" in relations among nations.

In Malaysia itself, Gore's gross interference in sovereign affairs of state has done more to rally national support for Prime Minister Mahathir bin Mohamad and the emergency economic measures, including capital controls, adopted on Sept. 1, than all of the devastating losses of the past year's financial collapse. And Gore's embrace may prove to be the kiss of death to what has been a foreign media-hyped, and wildly opportunistic, "reform" movement.

In Asia generally, Gore's APEC performance prompted

uncommonly blunt statements from government officials, prominent citizens, and leading newspapers. Exemplary is a report carried in Singapore's leading daily, *The Straits Times*, reporting on a signed commentary in the Nov. 21 official *China Daily*. The commentary noted that, given the economic recession in Asia, it is urgent for APEC to work out an effective economic recovery plan; thus, "it is untimely and repulsive for the United States to mix politics with economics on such an occasion."

There are some indications that President Clinton regrets that he opted out of attending the APEC summit in order to deal with the British-instigated crisis over Iraq, even though White House spokesman Joe Lockhart quoted the President as saying that Gore had done an "excellent job." Journalist Gerald Baker, who traveled to South Korea and Japan with President Clinton, reported in the Nov. 24 London *Financial Times* that Clinton's thinking on the need for global monetary reform "may be more radical than that prevailing in the U.S. Treasury, the International Monetary Fund, and the U.S. Federal Reserve." In Korea, Clinton sympathized with a group of community leaders, saying, "Don't be fooled. When \$1.5 trillion is moving around the world every day, the possibility for instability is great. You should not blame yourself. The situation is worse than it would have been because of the volatility and size of the financial crisis."

Putting an end to such financial anarchy was precisely the theme of the keynote address given by Mahathir at the Nov. 15 opening of the APEC Business Advisory Council (see *Documentation*), and the major speech delivered by China's President Jiang Zemin to APEC's 21 heads of state on Nov. 18 (see *EIR*, Nov. 27, 1998).

The 'Support Malaysia' campaign

Less than 24 hours after Gore gave his Nov. 17 speech, the youth movement of the ruling Barisan Nasional coalition in Malaysia launched a "Support Malaysia" petition drive, intent on gathering 1 million signatures, or 1 in 20 Malaysians, protesting Gore's remarks. This effort comes on top of an earlier petition campaign launched by the Rural Development Ministry in late 1997 to educate the rural sector on the nature of the economic crisis, which campaign is closing in on 2 million signatures by Dec. 19, when a rally of 5,000 rural community representatives will meet in Kuala Lumpur. Hotlines have been set up for Malaysians to voice their protests. Posters are going up in public plazas around the country for people to express their views. And the country's intelligentsia has taken to the pages of the national press in an unprecedented way to express their love for their country. The leadership of the Malay, Indian, and Chinese communities, the senior ministers of state governments, and even the leadership of the two principal opposition parties, the Parti Islam Malaysia (PAS) and the Democratic Action Party (DAP), which have exploited the ruckus created by the "reformasi" movement, have closed ranks in defense of Malaysia's sovereignty.

Gore's performance earned him the near-universal opprobrium of the APEC heads of state. Chinese Foreign Minister Tang Jiaxuan remarked, "The Chinese government and the Chinese people will never, ever, make irresponsible comments on the internal affairs of other countries." Singapore Prime Minister Goh Chok Tong was quoted in Denmark's *Jyllandsposten* saying that the "charisma level" at APEC dropped considerably with Gore's arrival. New Zealand Prime Minister Jenny Shipley rejected "megaphone democracy." And Australia's Deputy Prime Minister Tim Fischer said bluntly, "Al Gore was playing to the cameras first, and second pushing perhaps the content of his remarks."

Door left open

On Nov. 29, two of Malaysia's leading dailies, the *New Straits Times* and *The Star*, signalled that, despite Gore's actions, the damage can be repaired. Both newspapers carried a release from the state wire service Bernama, which quoted Lyndon LaRouche's comment on the Gore speech that "Gore put his foot in his mouth" (see *EIR*, Nov. 27). The release credits *EIR* with the report that the speech delivered by Gore was written by the National Security Council, but never reviewed by the President and was edited by Gore and/or his staff.

"It is therefore highly unlikely that President Clinton would himself have included this assault, but it is unfortunate that he feels compelled to back up Gore, whose speech was correctly described by the Minister of International Trade and Industry Datuk Seri Rafidah Aziz as 'the most disgusting I have ever heard,' said *EIR*."

Documentation

Mahathir: 'We will keep our financial controls'

The following speech, "Restoring Confidence, Regenerating Growth: Managing Globalization Better," was delivered by the Prime Minister of Malaysia, Dato Seri Dr. Mahathir bin Mohamad, to the Asia Pacific Economic Cooperation (APEC) Business Summit, in Kuala Lumpur on Nov. 15, 1998.

It heartens me to see so many of APEC businessmen present here today. Going by the press coverage leading up to this summit on whether anyone was coming to the Kuala Lumpur APEC Economic Leaders Meeting, I was initially concerned as to whether we had ordered too much food. . . .

2. As host to APEC this year, Malaysia feels a strong sense of responsibility that the meeting should help tackle the current economic problems. As we approach a new millennium, it is imperative that we devise and put in place a better

economic and financial regime, now referred to as architecture, for the world. Some of these will be the result of technological progress, but others will reflect the emergence of new commercial and sociological ideas and values. With your indulgence, I would like to take this opportunity to discuss the present architecture, or lack of it, as manifested by the anarchical and unregulated capital flows in the international monetary system. In doing so we must not be tied down by fanatical beliefs which act as mental blocks to our recognition of the facts involved. . . .

[Mahathir then described the devastation to the economies brought on by the speculative collapse of the currencies and stock markets.]

9. It is accepted that ever since the Bretton Woods fixed-exchange-rate regime was abandoned, the exchange rates of currencies had never been stable. Businessmen had to hedge against exchange-rate changes, and business went on without too much difficulty. But when the exchange rate changes became violent, rapid, and unpredictable, business must be affected. In one case the fall in the value of the currency was 600%, i.e., you require six times the amount of local currency in order to pay for whatever it is you want to import. . . .

12. The net effect is to impoverish the country and the people.

13. It is suggested that the economy would recover if financial reforms are carried out, if governments are less corrupt, etc. But those countries which tried to conform have found that reforms have not made things any better. In fact, the economic turmoil worsened despite the reforms and the loans from the IMF [International Monetary Fund]. There are attempts to paint a happy picture of economies under the IMF recovering. But the facts belie this. The people in these countries are still suffering unemployment and shortages of food and other goods. None of the currencies of these countries have regained their previous strength.

14. In any case, if they recover there is no guarantee they will not be attacked again by the currency traders and the share-market raiders. Several Latin American countries have been attacked repeatedly, with grievous results, despite their reforms. The fact is that currency traders attack, not because the governments or the systems are bad, but because they see opportunities for making money for themselves. . . .

15. Allegations about bad governments, etc. are just excuses. . . . We need not leave it to the currency traders to determine the rate. Various indices can be used, and governments can agree to a reasonable exchange rate. It may be difficult, but it is not impossible.

20. There are many mechanisms for determining the exchange rates which can be devised by the fertile minds of economists and financiers. Governments of powerful countries just cannot abdicate their roles in determining the exchange-rate mechanism. They owe it to their peoples and their countries to accept the responsibility for determining the exchange rate.

21. The excuse they give, that currency trading cannot be

made transparent, is ridiculous. On the one hand the currency traders condemned governments for their lack of transparency, on the other hand these self-appointed discipliners of governments are themselves not transparent. Despite dealing in billions and trillions of dollars, we do not know who they are, how they trade, where they trade, and who invests with them. It is only when they fail, as the Long-Term Capital Management Fund failed, that we learn about them and their massive trading.

22. It is shocking to learn that with a capital of \$4 billion the Fund could borrow up to \$1 trillion, 250 times more. Banks are supposed to exercise prudence. Is this what is meant by banking prudence? Aren't the governments supposed to supervise banks, or have they abdicated this role also?

23. While nothing was done to stop such banking imprudence, rich governments were quick to act to bail out the hedge funds, using money deposited in the banks by ordinary people. The rich investors in the hedge funds are being bailed out with money belonging to poor people. Yet the same governments condemn any bailout of corporations belonging to the public using public funds. The inconsistency and double-standards are glaring. . . .

31. The reason for Malaysia removing the ringgit [its currency] out of the reach of the currency traders is because we still believe that currency traders are too powerful and completely irresponsible. They don't mind bankrupting countries and regions, impoverishing millions of workers, and destroying whole economies in their quest for profits. We had asked the world to regulate the currency traders, but we were laughed at for not understanding the world's financial system, for being in denial, for profligate ways, for building the world's highest building, etc.

32. Now the world is beginning to realize that the activities of the currency traders can adversely affect them also. . . . But we are of the view that there is still anarchy in the international financial market. If we go back, there is no guarantee that we would not be attacked again. . . .

36. Our currency control will remain in place for as long as the world refuses to bring order to the financial market. . . .

37. In currency trading, the hedge funds are the Bill Gates of the international financial market. They compete against puny central banks of developing countries. The central banks have no chance at all, especially against the combined financial strength of all the funds and the banks which lend them money. . . . All the great religions of the world are good, but their adherents fight and kill each other despite being urged to be brothers. Globalization, too, is good, but it can be abused, abused in such a way that instead of worldwide prosperity, there will be worldwide poverty or extreme disparities between rich and poor, international and civil disorders, revolts, rebellion, and all kinds of crisis. . . .

50. Creative destruction is not the way. We can build on what we have instead of destroying and expecting the phoenix to rise from the ashes. It may not rise at all, or it may take too long a time. . . .

New Delhi government opens up insurance

by Ramtanu Maitra and Susan B. Maitra

Turning its policy on foreign participation in the insurance sector upside down, the Vajpayee government announced on Nov. 23 that it would allow 26% foreign equity in the insurance sector, and an additional 14% for investments by non-resident Indians, foreign institutional investors, and overseas corporate bodies. In August 1997, when the United Front coalition government had tried to introduce similar legislation, the Bharatiya Janata Party (BJP), then the leading opposition party and now leader of the ruling 16-party coalition, had overturned the effort, calling it a "sell-out to foreign imperialism."

India's insurance sector was nationalized in 1971 by Prime Minister Indira Gandhi. The objective was to garner public money for development. This objective was met partially over the years, but of late, following the decision to liberalize the economy, domestic and foreign pressure has mounted to open up the insurance sector for private participation. On the domestic front, the Confederation of Indian Industry led the charge, while such powerful insurance groups as American International Group (AIG), Chubb Group of the United States, and Eagle Star of the U.K., among others, were also involved.

It is expected that the proposed bill will be placed in the six-week winter session of Parliament, which began on Nov. 30. A fight broke out within the cabinet on the issue, with some demanding that the bill be shelved. But the Prime Minister and Finance Minister's intervention ensured that the bill will be up for discussion. If it goes through, licenses will be issued by June 1999, and Indians will be able to buy policies from private firms by the end of next year.

The sudden change in BJP policy has caught the attention of many. According to a business daily, following the announcement of the opening up of the insurance sector to foreign companies, some BJP leaders claimed that the Vajpayee government had buckled under pressure from lobbies from the United States. As is widely known here, AIG CEO Frank Wisner, who was formerly U.S. Ambassador to India, is chummy with some of the BJP leaders at a very high level. Wisner has made no bones of his intent to see AIG, which has formed an alliance with the domestic Tata Group (a powerhouse by itself), become a major player on the Indian scene.

Also noteworthy is the allegation by one of the major