

Free Trade Area of the Americas (FTAA). He threatened that were Brazil to oppose his proposed tariff changes, he would go ahead and implement them anyway, thus violating any notion of regional cooperation on tariffs.

But the Argentine people aren't buying Cavallo's wares. On March 21, the dissident CGT paralyzed much of the country in a general strike, and brought 50,000 people to the Plaza de Mayo in Buenos Aires to demonstrate against the IMF and

Cavallo. The head of the official CGT, Rodolfo Daer, warned that Cavallo's "reform of the state" is an assault on pensions and social security, and will result in mass layoffs. Hugo Moyano, head of the "rebel" wing of the CGT, said that Cavallo is so insistent on being granted extraordinary powers, that "it would appear he wants to take us back to 1976," the year in which the military staged a coup against then-President Isabel Perón.

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# Who's Bringing on the Crash of 2001? Japan Criticizes IMF in Washington

by Kathy Wolfe

Following Japanese Finance Minister Kiichi Miyazawa's March 8 warning against a financial "collapse," the March 17-20 U.S. tour of Prime Minister Yoshiro Mori and his entourage brought further insights into the growing anger in Tokyo. After reporters at one March 17 Washington event insisted, in questions to a Japanese official, that Japan is to blame for today's global financial crisis, *EIR* pointed out that when the crisis hit in 1997, Japan, Malaysia, and others proposed to create an Asian Monetary Fund (AMF) to protect and develop the region. Instead, the opposite policy of the International Monetary Fund (IMF) was enforced, so doesn't the IMF bear some responsibility? *EIR* asked.

One Japanese official said, that of course the IMF is to blame! It is well known that the IMF policies are to blame for the current downturn. He pointed out that the way the IMF imposed its program in Indonesia in 1997, was a disaster. It was too categorical, neglecting all the background and history of Indonesia and the other countries, as well as being too hasty. Every country has its own history and culture, and so the solution for each country should be different, but the IMF always imposes the same prescription, he said.

Also, the United States crushed the AMF idea, he said. Everyone also knows that the main cause of the crisis was the hedge funds—which were coming from the United States. This was the main reason Malaysian Prime Minister Dr. Mahathir bin Mohamad wanted to protect the region from the predatory practices of the hedge funds.

"You can't quote any Japanese on this," one source said later on, "but the [U.S.] Treasury and State Department were quite unhappy with what was said." "However," the source also pointed out, what the official said "was not retracted."

Not a single article on the incident appeared, other than in *EIR*, despite the presence of reporters who publish frequently on Japanese financial affairs in the *New York Times*,

*Washington Post*, and so on. The sequence gives the lie to media reports that all was sugar and cream between Premier Mori and President George W. Bush at their March 19 meeting. As statements by Minister Miyazawa and Bank of Japan circles also imply, Tokyo is not happy with the role it has played, and the Japanese are aware of their potential financial power in today's crisis situation.

## 'Imposed by the United States'

The policies of the United States, at root, and not policies originating in Japan, have caused today's global crisis, *EIR* Editor Lyndon H. LaRouche told a Washington webcast seminar on March 21, noting that one must go back to the 1970s and '80s to understand reality. Japan had sought to industrially develop least-developed countries (LDCs) such as Iran and Mexico as markets in the 1970s, he said, but Henry Kissinger and Zbigniew Brzezinski said, "No." (Brzezinski, famously, said that the United States did not want more new Japans springing up around the world.) "The United States," LaRouche said, "through the 1980s, said to Japan, 'Don't export to Third World countries. We are against that. You will now concentrate on markets in Europe and, especially, the United States.' So, Japan concentrated on the consumer and related markets in the United States."

More recently, especially since Washington forced the yen's upvaluation in the 1985 Plaza Accords, Japan has been loaning yen at zero interest rates to "speculators" under pressure from Washington, LaRouche said. "They borrow the yen; they turn around and use the yen to buy European currencies and dollars, especially. So, therefore, what's happened, is that Japan has been driving itself into bankruptcy, with a financial policy *imposed by the United States*, but imposed so that Japan would *subsidize* the United States" and pay for the U.S. current account deficit.

The U.S. foreign deficit occurs as a result of U.S. globalization policies, he said, “under which we no longer produce our own products. . . . We destroy our own industries . . . to bring in goods, from cheap-labor and other foreign markets . . . on credit . . . in order to subsidize a U.S. economy, which can no longer maintain its own standard of living on its own earned income. . . .”

“Japan is being destroyed. And in effect, the United States government is saying to countries in Asia: ‘If you don’t do as we tell you, if you buck the IMF, we’ll kill you.’ That’s the way it’s run—by muscle. Japan is told, ‘You have a security problem. You do as we tell you. . . .’”

The true national interest of Japan, LaRouche concluded, is to return to a mission to industrialize the world, to supply “the technology which is immediately required” in Asia, Europe, Africa, and worldwide. Japan should “reorganize its financial affairs,” he said, with “a sort of Chapter 11 bankruptcy reorganization . . . and go back to the business that its national interest dictates. And that is, to find agreements, largely in Eurasia, the biggest market of all,” and supply high-technology goods that will develop that market.

## Reversing the Flow

Now, the flow of funds has reversed, and every Japanese financial institution is pulling in dollars and yen cash from around the world to shore up the troubled Japanese banks. The most important lesson to be learned from the March events is, that reversing this flow had become Japan’s policy before the Mori trip, and has remained policy, during, and afterwards. Nothing which happened during the trip changed that policy, much to the enormous distress of Washington officials.

Indeed, Japan has major need of this cash. At the March 17 Washington event, reporters and Japanese spokesmen alike bandied about numbers for non-performing loans (NPLs) on the books of Japanese banks, which are far beyond those being publicly acknowledged. In response to questions as to whether the actual size of the bad loans may be “Y70 trillion or Y120 or Y130 trillion or more”—i.e., as much as \$1.1 trillion, more than quadruple the size of the previous official figure of Y32 trillion (\$266 billion)—one Japanese official said that range of estimates “may not be wrong.” “At any rate,” he nodded, “they are very large.”

The Bank of Japan (BOJ) March 19 emergency announcement that it will provide Tokyo banks with “ample liquidity” is as much an immediate response to the Tokyo banking crash as it is to Washington’s loud calls for cash for Wall Street. The BOJ statement admits the failure of a decade’s crisis management in striking terms: “During the past decade in Japan . . . whereas fiscal policy has repeatedly implemented expansionary measures, the Bank of Japan has maintained interest rates at unprecedentedly low levels. Notwithstanding, Japan’s economy has failed to return to a sustainable growth path, and is now faced again with a threat of deterioration . . . economic conditions warrant monetary easing as drastic as is unlikely to be taken under ordinary circumstances.”

Tokyo, furthermore, is not about to do as Korea has done, and implement Washington’s demands that the banks, and their industrial borrowers whose loans have gone sour, be summarily shut down.

An emergency economic committee set up by Japan’s three ruling parties to handle the NPL, stock market, and other financial crises, is now debating the extent of a “direct large-scale NPL write-off,” a Japanese official explained. “But if we were to be very stringent now and just write them all off, this would cause enormous economic hardship, bring widespread unemployment, and lower the living standards of the population. We do have to take strong measures, but not to that extent.”

Japan also has some hefty financial ammunition in its arsenal. “We also do have significant assets,” one official noted, “including Y1,400 trillion (\$11.6 trillion) in private sector savings outside the stock market, and some \$1 trillion in net dollar external assets.” Insiders believe the Japanese may be quietly selling some of these dollar assets for yen to shore up the banks, and are doing so slowly under cover of the yen’s current weakness, so as not to cause a whip-saw crash in the dollar itself.

## Regional Strategy

“Globalization has brought worldwide standards, mostly American standards,” a Tokyo official summed it up to *EIR*. “But, on the other hand, Asia as a region also has its own requirements, which have to be met to take care of our population. Americans have NAFTA; the Europeans have their Union, and Asia is a region with a lot of potential, so we are of the view that Asia should play a very important role in the world recovery.

“To do that,” he said, “cooperation between China, Korea, and Japan, and the ASEAN 10 [Association of Southeast Asian Nations] are of primary importance,” as *EIR* has reported. Japan intends to promote political development of relations among the 13 Asian nations to make broader markets possible. “The Chiang Mai Initiative swap arrangements is one of the solutions we have reached,” he said, speaking of the currency-support arrangements now being finalized. “These should be in line, in general with IMF policies,” he said, so as to not occasion IMF attacks, “but still, they must primarily be set up so as to be beneficial to Asia. . . .”

“This will now involve China, and that is very important,” he noted. “Not only Southeast Asia, but China as a market is very promising, and we must help China to smoothly develop their internal market and develop as an industrial economy. If we do this, it will be a great stabilizing factor for the region and the world. Japan-China confidence-building is very key, both for our two countries, and for the Asian region as a whole. So this is our vision: that Japan should contribute to the prosperity which is necessary to the Asian region, and there is no doubt whatsoever about that. Whoever is the Prime Minister of Japan during this period, will have this vision,” he said.