

At the IMF meeting: Soros battles LaRouche

by Richard Freeman

While the International Monetary Fund and World Bank held their annual meeting in Hongkong on Sept. 20-25, planning to further push the deadly globalization and deregulation of the world financial system, economist Lyndon LaRouche, who has a 25-year history of opposition to IMF-steered genocide and the IMF-created financial bubble, emerged publicly at the center of the policy fight against speculator George Soros and the IMF.

A signal of this was the *Wall Street Journal* article on Sept. 19 (Asian and European editions, and on the Internet), which circulated at the IMF conference, and cited LaRouche as the source of attacks on Soros. To understand “the LaRouche Effect” in Hongkong, think of LaRouche playing the role of “Old Marley’s Ghost,” appearing to tell Scrooge what ought to be done. The Soros policy was the key issue at the IMF conference, and LaRouche, by name, was identified as his accuser. What Soros and company fear, is the degree to which LaRouche is influencing the emerging attacks on the IMF by Southeast Asian nations and China.

On Sept. 19, the *Wall Street Journal Europe* ran on its front page an article that described the battle between Malaysian Prime Minister Dr. Mahathir Mohamad and British Commonwealth hit-man and global speculator George Soros, who for the past six months has been short-selling and wrecking the currencies and stock exchanges of Malaysia, Thailand, the Philippines, and Indonesia, causing them to fall 10-80%, and destroying those nations’ economies. As Mahathir labeled Soros a “criminal” and a “brigand,” the *Wall Street Journal* came to Soros’s defense.

The *Wall Street Journal* wrote that much of the information that the friends of Mahathir in Malaysia have used to skewer Soros, including certain formulations in Mahathir’s speeches, came from *EIR*, whose founder and contributing

editor is Lyndon LaRouche. Specifically cited is “The True Story of George Soros the Golem,” a Special Report which *EIR* published in April 1997. The *Journal* perhaps thought that presenting the Mahathir-LaRouche relationship would be damaging to Mahathir and a “shocking revelation.” But, few of the world’s leaders would be shocked, since it is recognized that LaRouche would put the bankrupt IMF-centered world financial system through Chapter 11 bankruptcy, and replace it with a development-vectored, fixed exchange rate-based New Bretton Woods monetary system. This represents the only sane alternative to the IMF and Soros.

The *Wall Street Journal Asia* ran the same article on its front page on Sept. 19, where it would be read by the more than 3,000 finance ministers, central bankers, bankers, economists, and journalists attending the IMF meeting. On Sept. 21, Soros travelled to Hongkong to address the meeting, to defend himself, and to call Mahathir a “vile person” (see excerpts from his speech on p. 16).

Some Italian and other European press began retailing a variant of the *Journal* story on LaRouche and Mahathir (see *Documentation*, p. 9).

Simultaneously, the IMF used its influence in Mexico to strip the physical security for a planned LaRouche visit to Mexico on Sept. 18-25. But the IMF’s thuggery only angered the influentials and ordinary citizens who attended the events against the IMF, and increased the seriousness with which they listened to LaRouche’s message (see article, p. 44).

The fact that the fight between LaRouche and the IMF, which has been ongoing for a quarter-century, would take center stage now, is lawful, under the current circumstances: The world has entered an end-game phase, as the disintegration of the biggest financial bubble in history accelerates. A financial explosion during October is likely, because of the

settlement of accounts at the end of September, plus the possibility of an interest rate hike and other processes.

Soros's destruction

Mahathir began attacking Soros in July. On July 28, the Malaysian President called speculation that destabilizes national currencies "a crime," and, when asked whether he regarded Soros as a criminal, he responded, "Well, as much as people who produce and distribute drugs are criminals, because they destroy nations, the people who undermine the economies of poor nations [are too]."

Soros is one of the British Commonwealth's chief political assets. He is a leading financier of the drug legalization effort, having poured a million dollars into the pro-drug ballot initiatives in Arizona and California last year (see article, p. 7). The hedge funds, like Soros's Quantum Fund, many of them offshore, are a major Commonwealth weapon. They speculate by buying large amounts of stocks or currencies, using large amounts of leverage—i.e., little of their own funds—and much borrowed money from commercial banks. According to the Sept. 23 German daily *Frankfurter Allgemeine Zeitung*, David Folkerts-Landau, the director of the IMF's International Capital Markets Project, co-authored an IMF report issued in September, that reported that there is not much central banks can do to defend their currencies against hedge funds, because hedge funds have a combined financial muscle of \$100 billion, and can mobilize, through leveraged borrowing, 6 to 11 times that—that is, \$600 billion to \$1.1 trillion. Against this, most developing countries' central banks have foreign reserves in the range of \$10-30 billion, with which to defend their currencies.

The vulnerability of the four Southeast Asian "Tiger" economies of Malaysia, Indonesia, Thailand, and the Philippines, which Soros singled out for attack, is that, to a significant extent, they "globalized" their economies, a process which built up over-sized financial, stock, and real estate markets, including derivatives. These financial markets are far too large for the physical economies of the nations concerned. The hedge funds then directed surges of speculative funds into and out of these countries' markets, undermining the economies and the currencies.

Soros's Quantum Fund, using leverage ratios of 20:1, started attacking Thailand's currency, the baht, as early as February, and, by June-July, was taking short positions in (i.e., betting on the fall of) the Filipino peso, the Indonesian rupiah, and the Malaysian ringgit. With the large amount of funds he could mobilize, Soros could cause the currencies that he was betting would fall, to fall, making millions of dollars per trade. The same speculative attack was launched against these nations' stock markets.

According to the Sept. 25 German daily *Die Welt*, the speculative stock market attacks have wiped out more than \$113 billion of stock value of these four nations thus far this year, with the Thai stock market losing 50% of its value since

Jan. 1, the Malaysian stock market losing 25% of its value, and so on.

The speculative attack has devalued the currencies of these four nations by 10-30%. This immediately raised the cost of all imported goods and increased the cost of dollar-denominated debts by the same percentage. But, there are other consequences: It is forcing industrial contraction. Thailand's Siam Cement has had to write off \$1 billion in foreign exchange losses. Prior to the crisis, Proton Berhad, Malaysia's national car company, had already announced plans to cut costs by 30% over the next three years. But with the devaluation of the ringgit increasing the cost of imported parts, it will have to cut costs further, which could force it to reduce employment and production. Various infrastructure projects, including a \$5.3 billion dam in Malaysia and \$37 billion of infrastructure projects in Indonesia, will be reviewed or indefinitely postponed.

Disrupting the IMF agenda

In his Sept. 20 speech to the IMF, Mahathir said, "I know I am taking a big risk to suggest it, but I am saying that currency trading is unnecessary, unproductive and immoral. It should be stopped. It should be made illegal. We don't need currency trading. We need to buy money only when we want to finance real trade. Otherwise, we should not buy or sell currencies as we sell commodities." Thus, the agenda of the IMF meeting was disrupted right from the start.

The IMF-World Bank had planned to push for globalization, which the IMF describes as the process by which countries "integrate into the world financial system." In reality, this means that a country must deregulate its banking system so that it can be taken over by British Commonwealth banks, as is occurring in Ibero-America; must adopt "free trade" to destroy its manufacturing; must set up speculative derivatives, stock, and secondary real estate bubbles; and must accommodate to the international drug trade.

In remarks to the IMF board of governors on Sept. 23, IMF Managing Director Michel Camdessus chanted the mantra of globalization. With the debate over Soros's and other speculators' raids against the economies of Southeast Asia still echoing in the hall, Camdessus said, "The lesson to be drawn from recent developments is not about the risks of globalization—and still less about demonizing the markets—but rather about the importance of exercising good citizenship when tapping them." Camdessus then brought out the whip: "Here in Asia . . . countries must give priority to the pressing business of strengthening current account positions and ensuring financial sector soundness, rather than to spurring growth prematurely."

As for the IMF's genocidal policy of conditionalities, structural adjustment programs, and "surveillance," which collects the debt at the expense of the survival of the populations of the Third World, Camdessus not only preached continuing the current policy, but added a new element: that na-

tions should “join . . . with their neighbors in mutual surveillance on a regional basis.”

Reality intervenes

On Sept. 22, a shaken *New York Times* warned that “the fundamental emotion that [Mahathir] expressed clearly carries an extra resonance now, far beyond his country of 21 million.” Indeed, as LaRouche pointed out in an address by telephone on Sept. 22 to a Mexican audience, “it must be recognized that the Southeast Asian nations have tended to support Mahathir against the assault of the speculators—unlike what happened in the situation of Mexico’s currency crisis of 1994-95.” The speculators attempted to attack Hongkong and its currency, the Hongkong dollar, but have failed. (Since July 1, Hongkong has been part of China.)

At the IMF meeting, Japanese Treasury Minister Hiroshi Mitsuzuka unveiled a plan to create a \$100 billion Asian monetary fund—outside IMF control—to blunt speculative attacks, such as those which hit Southeast Asian nations recently. This was backed by spokesmen for Thailand and Indonesia. IMF officialdom denounced the plan, complaining that such a fund would weaken the blackmail power of the IMF. “There was a concern that it could undermine the conditionality of the International Monetary Fund. This concern was expressed by all the big countries,” German Finance Minister Theo Waigel told the press.

The reality is that were such a fund to exist, it might not only defend against currency attacks, but could also finance industrial and infrastructural development, in the context of the Eurasian Land-Bridge. This great project is being aggressively pursued by China and other Eurasian nations. It evolved out of LaRouche’s Productive Triangle proposal of 1989, which called for construction of railroads and high-technology infrastructure corridors from the Pacific to the Atlantic. This would utilize the machine-tool-design capability of the planet, which is based primarily in Europe, Japan, and the United States, to jump-start a global economic recovery.

Only one way out of the crisis

The world can no longer sustain the cancerous financial bubble, which now totals at least \$100 trillion in derivatives outstanding in the international financial system, and which will vaporize imminently, a situation that LaRouche uniquely can handle. In a Sept. 23 radio interview with “EIR Talks,” LaRouche stated, “People should understand, there is generally now a political, as well as a financial unravelling of the international financial system, at a time when we’re coming up to the Sept. 30 point, at which the Federal Reserve System, and some others, are going to have to make a hard decision as to what they’re going to do in the face of this mounting crisis. I should explain that the cause of the crisis in Southeast Asia is partly the raiding being done by pirates such as Soros and company. But, the general situation is not peculiar to the conditions of Southeast Asia. It’s global.

“Presently, in order to maintain the financial structures—the bubble that exists presently—a certain amount of money is required in circulation. The amount of money circulating in the international system now, is falling short of what is considered an adequate margin to support these financial structures. At the same time, these pressures which tend to be inflationary, under these conditions, are impelling some central bankers to think about raising interest rates, putting in what’s called ‘fiscal austerity.’ Now, imposing fiscal austerity, under conditions of a bubble like the present, is like putting a lighted match to gasoline; who knows what’s going to happen in October.

“There’s no way out for these bankers. If they do raise interest rates, significantly, and more than one nation does it, then the whole system can blow out, or at least go through a major shock. If they don’t raise interest rates, then their credibility is called into question, which has an effect quite similar, but in a different way, to raising the interest rates. So, everybody is looking for a big shock in October. Those fears may be somewhat exaggerated, but something is going to happen, and we’re in an ongoing process, a downward spiral of disintegration of the entire world’s international monetary system.”

When Soros attacked Mahathir, and, implicitly, LaRouche, World Bank President Sir James Wolfensohn was standing by his side. Wolfensohn’s and Camdessus’s attacks publicly identify LaRouche as their main opponent, who will initiate the post-IMF era.

Documentation

The ‘LaRouche factor’ in the headlines

Wall Street Journal Europe, “Malaysia’s Mahathir Finds Strange Source for Soros Campaign; Asian Country’s Media Tap U.S. Conspiracy Theorist Lyndon LaRouche, Jr.” Sept. 19, 1997, p. 1.

The article, by Raphael Pura (Kuala Lumpur correspondent) and Eduardo Lachica (Washington, D.C.), asserts that LaRouche is the source for the attacks on George Soros by Malaysian President Mahathir. The timing of the article coincided with the most important two days of talks at the annual IMF meeting in Hongkong.

The article states that some of Mahathir’s views (“vitriol”) “apparently came from an unusual source: a publication run by Lyndon LaRouche, Jr., an eccentric 75-year-old American who spins elaborate conspiracy theories, has run unsuccessfully for President five times and was convicted in 1989 of conspiracy charges in the U.S.”

“LaRouche,” the authors say, “has alleged that Mr. Soros is a key figure in a global financial conspiracy against sovereign nation-states involving, among others, the Queen of England, international drug cartels and the Israeli secret service. Mr. Soros’ New York-based fund-management firm didn’t respond to requests for comment. Aryeh Neier, the president of Mr. Soros’ Open Society Institute, says he won’t ‘dignify’ Mr. LaRouche’s views with a formal reply.”

The article presents a sleuth-style account of how the particular item of current influence of LaRouche’s ideas, is an *EIR* Special Report dated April 1996.

The article said, “Mr. LaRouche has long been at odds with the U.S. political mainstream, which regards him as an extremist in his views about reforming the global financial system. But his theories receive a warmer reception in Malaysia, where the 60-page *EIR* report on Mr. Soros has been passed among Malaysian editors, intellectuals and politicians.

“*EIR* regularly thrashes Mr. Soros for allegedly trying to loot Asian countries. Since Southeast Asian currencies began plunging in July, the Malaysian government, too, has been hurling allegations at Mr. Soros, accusing his investment funds of pushing down the value of the ringgit—a charge Soros aides have denied. Prime Minister Mahathir has labelled Mr. Soros a ‘rogue speculator,’ an ‘anarchist’ and a ‘criminal.’ Malaysian authorities also have warned of an ‘international conspiracy against an Islamic regime.’

“In recent remarks to a gathering of Malaysian Islamic scholars, Dr. Mahathir, echoing a phrase from *EIR*, said of Mr. Soros: ‘He’s no Robin Hood. He takes from the poor and fills his own pockets.’

“It isn’t clear whether Dr. Mahathir or other senior Malaysian officials have read the *EIR* report. . . . The prime minister’s office didn’t respond to requests for comment. A spokesman for Deputy Premier Datuk Seri Anwar Ibrahim says ‘we know nothing’ about the LaRouche document. A Malaysian embassy official in Washington says that the embassy has regularly dispatched *EIR* to Kuala Lumpur.

“For his part, Mr. LaRouche welcomes what he sees as support from like-minded individuals and organizations in Malaysia and other Southeast Asian countries. ‘Two things are going on,’ he says in an interview. There’s a heightening of ‘patriotic’ feelings in those countries against speculators like Mr. Soros, and there’s also a ‘fairly strong interest in what I have to say.’ ”

Wall Street Journal Asia, and *Internet* edition, “Gaining Currency; Source in U.S. Helps the Malaysian Attacks on Soros,” Sept. 19.

The same text as the previous article, with the exception of the first line.

Corriere della Sera, Italy, Sept. 22.

The topic of the article is Prime Minister Mahathir’s criticism of speculators. The author, Stefano Cingolani, the chief

foreign policy editor, and correspondent in Hongkong for the IMF meeting, writes, “Mahathir has used in his polemics the poisons spread by a singular American hyper-reactionary, Lyndon LaRouche, who does not miss any occasion to recycle the theory of the Jewish-masonic conspiracy. This time he has accused Soros of having collaborated, although he was a Jew, with the Nazis who occupied Hungary, his country of origin. And the Malaysian press has elaborated on that.”

Cingolani adds that Malaysia’s threats “have alarmed the United States,” because of the political message to other countries in the area. “Protectionist reactions would strike a severe blow against globalization.” For this reason, Cingolani writes, U.S. Treasury Secretary Robert Rubin went so far in defending globalization, as to “justify currency speculation.”

La Repubblica, Italy, “Soros, the ‘Devil’ of the East,” Sept. 22.

The article’s topic is the “Mahathir-Soros” duel, and includes a slanderous characterization of Lyndon LaRouche. Signed by Roberto Petrini, who attended the Hongkong IMF meetings, the article states in the last paragraph: “Fanning the fire of the conspiracy theory, besides the authoritarian Southeast Asian leaders, are also strange American characters like the eccentric and little reliable Lyndon LaRouche, who spread a very poisonous biography of Soros, where he accuses Soros of having collaborated with the Hungarian Nazi regime. Soros does not care.”

Soros robs the poor, gives to the rich

by Scott Thompson

The man whom Malaysian Prime Minister Dr. Mahathir Mohamed has labeled an evil speculator and a “moron,” global money manipulator George Soros, prefers to describe himself as a modern day Robin Hood. But George has it all wrong. Through currency and derivatives speculation, and other forms of money manipulation, he has robbed from the poor to give to the rich. Among the beneficiaries of his “robbery” has been Her Majesty Queen Elizabeth II, who is said to be a principal client of Soros’s multibillion-dollar Quantum Fund N.V., and the wealthiest insider trader in the world.

The alms that Soros doles out, through his Open Society funds, usually go to carefully selected groups that oppose governments among the United States’ important allies or would-be allies. Soros has been or is now under investigation for his “philanthropic activities”—including alleged criminal activities ranging from money-laundering to espionage, to other questionable activities such as peddling drug legaliza-