

## Report from Bonn by Rainer Apel

### A 'middle of the road' Asia policy

*The Soros-Mahathir conflict has had some unusual echoes here: signs of diminishing loyalty to the "free market."*

It came as no surprise when the vast majority of the usually unprincipled German media attacked Malaysian Prime Minister Dr. Mahathir Mohamad for his clash with George Soros at the Sept. 20-25 International Monetary Fund-World Bank meeting in Hongkong, and when they defended the free market of unbridled capital flows against all critics.

But some press attacked Soros as a prime example of the excessive speculation that almost brought down the European Monetary System in 1992, and has ruined most of the Asian financial markets in recent weeks. This coverage gave hints that an approach neither in the direction of Soros's speculation nor of Mahathir's political counterattacks, would be in line with the German establishment's interests.

This looks like the traditional middle-of-the-road approach. But, the media are also beginning to notice certain problems with it.

It was interesting to hear what German bankers, who were called by this author during the last week of September, had to say. A representative of Deutsche Bank, Germany's most globalized financial entity, when told about the *Wall Street Journal* reports that Lyndon LaRouche is behind Mahathir's attacks on Soros, said that one "should not be surprised about anything." He recalled LaRouche's proposal for a new world monetary and financial system (which for the bank was out of question), which he said was "not feasible." He said he could not imagine (as the *Wall Street Journal* wrote on Sept. 19) that someone like Mahathir, a longtime darling of the West in Asia, would be influenced by

"this man LaRouche." But he had to concede that, in these turbulent times, "nothing can be ruled out."

There has been a consensus among the German elites for the past ten years, to not mention the name of LaRouche publicly. Nevertheless, LaRouche's proposals and activities are being watched closely.

The elite that rules Germany matured under the close supervision of the Allied powers after the last world war. For the elites, to be pro-West is identical with being for the IMF, World Bank, and free market. Any other ideas are said to be "unacceptable," will "never find a majority," and so on. This is not only what nominally "conservative" Christian Democrats of Chancellor Helmut Kohl's party say, but also the nominally "leftist" opposition Social Democrats. At crucial points, the Social Democrats have consistently suppressed all polemics inside their party against the existing world system of finance. What they do not like about LaRouche, is that he does not make such foul concessions, that he speaks up whenever it is necessary to do so.

But many have an idea that the world of the IMF is not favorable to long-term investments on which a nation like Germany, with its emphasis on industrial exports, depends. After all, Germany still defines itself as a leading industrial nation, despite all the concessions that have been made to globalization and the service economy. And the damage caused by the speculative excesses is beginning to polarize the elites.

German industry has run into deep problems in Asia, because of the Soros

types. German firms want to invest and make good profits by producing components for long-term development projects, but they have noticed that what has been occurring on the Asian markets in recent weeks, has ruined most such projects. Construction firms that hoped to become engaged in infrastructure projects in Thailand, Malaysia, and Indonesia, report losses in their Asian business of up to 20%. The fact that the IMF told Thailand and Malaysia to shut down a number of projects, is disliked among German firms, but they do not to speak about it in public. They and the banks that fund their projects, are trying to repair the damage and revive the projects, in secret talks with the respective Asian governments. And, if there are new regulations against the Soros types which do not affect foreign investments in general, they are not opposed by the Germans.

For example, a representative of Commerzbank told this author that there is a far more important issue behind the clash between Soros and Mahathir: The main issue, he said, is how a larger part of the overseas capital flows that come into nations like Malaysia, could be invested for longer-term productive purposes, instead of being controlled by speculators. His comments appeared to be a variant of the traditional "middle of the road" approach of the German elites, but one that shows increasingly less loyalty to the unregulated "free market."

One may, therefore, be somewhat optimistic that steps which have been taken by Malaysia's Mahathir, whose loyalty to the IMF system was seen as absolutely firm in the past, are also possible in Germany. Thus, should Soros launch another attack on the European Monetary System, as in 1992, he may provoke the same type of angry response by the Germans, as he has just received from the Malaysians.