

the so-called GKO's, to foreign investors. Once the Asia crisis forced South Korean banks to raise cash to repay loans back in October, the Russian bond market went into a free-fall. Korean banks, eager to get high returns to cover growing losses on their *chaebol* loans, poured money into the world's highest-interest bond markets. They were the same markets which today have collapsed: Thailand, Indonesia, Malaysia, Brazil, and, above all, Russia.

Russia, today, in many respects is like Mexico in late 1994 before the peso crisis hit. It is wholly dependent for government daily finances, on foreign "hot money" investment in short-term bonds. With the flight of those funds, Russia's ruble is again collapsing, hyperinflation is exploding, and untold political and economic instability will result.

As well, eastern Europe is teetering on the brink of disaster. The Czech Republic has just been plunged into chaos with the abrupt resignation of Prime Minister Vaclav Klaus, the architect of the country's post-1990 economic reforms. The country was already reeling from a devastating series of summer floods and a run on its currency, the koruna. The political uncertainty threatens flight of foreign investment, which could make that country the next candidate for IMF funds, if Malaysia or Brazil doesn't get there first.

### The 'mother of all meltdowns'

None of this takes into account what one trader terms "the mother of all meltdowns," namely, the potential for the Japanese financial crisis to explode. The present calm there is illusory. On Dec. 10, the Hashimoto government will present plans to the Parliament to deal with the crisis in the Japanese financial sector. Bad debt still held by Japanese banks from the 1980's "bubble era" speculation in real estate and stocks, is estimated to be anywhere between \$900 billion and \$1.1 trillion. Unless the government is able to break a deep internal political deadlock and decisively act to clean up the banking mess, by no later than Dec. 11 we will be talking of the spill-over of the "Japan crisis" into global markets.

It is not surprising that, privately, and, increasingly, publicly, the proposals of American economist Lyndon LaRouche for the creation of a new, just world economic order, a new Bretton Woods system, are being seriously studied.

## Fight against currency speculation spreads

by Gail G. Billington

As the financial contagion that hit Southeast Asia in the spring and summer spreads, engulfing Russia, eastern European countries, Brazil and Argentina, and now the economic pow-

erhouses of Asia—Japan and South Korea—Malaysian Prime Minister Datuk Seri Dr. Mahathir bin Mohamad continues as the leading head of state calling for reining in speculation against national currencies. Since his ringing indictment of megaspeculator George Soros at the September International Monetary Fund (IMF) Annual Meeting in Hongkong, Dr. Mahathir's remarks have been picked up from Moscow, to Budapest, to Lima, to Shanghai. *EIR* last week reported on his role in putting this issue on the table at the heads-of-state meeting at the Asia-Pacific Economic Cooperation (APEC) conference in Vancouver on Nov. 24-25.

Immediately following that meeting, certain circles in Japan decided to "play the Mahathir card," inviting the Malaysian prime minister to expand on this subject in a televised interview and in the country's leading financial press, during his stopover in Tokyo on Nov. 28-30. Upon returning to Kuala Lumpur, Dr. Mahathir addressed the Association of Southeast Asian Nations finance ministers' meeting on Dec. 1-2, in what proved to be a squaring off with IMF Managing Director Michel Camdessus. Dr. Mahathir made clear that he will pursue these themes at the Dec. 12 World Trade Organization meeting in Geneva, and the annual informal summit of ASEAN heads of state in Kuala Lumpur on Dec. 14-16, which will mark the association's 30th anniversary. A Dec. 1 press conference in Beijing by Chinese Foreign Ministry spokesman Tang Guoqiang, on the importance of the ASEAN summit, underscores that Dr. Mahathir speaks for a broad consensus. Tang said: "We should emphasize regional and global financial cooperation to safeguard the normal financial order and jointly prevent being attacked by the excessive speculation of international floating capital."

We include below excerpts of Dr. Mahathir's statements to APEC business leaders in Vancouver on Nov. 25, on Japanese TV on Nov. 28, and at the ASEAN finance ministers' meeting in Kuala Lumpur on Dec. 1-2.

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## Documentation

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*From Dr. Mahathir's address to CEOs of APEC countries on currency trading (from The Star Online, Kuala Lumpur, Nov. 25):*

"We really don't know who is trading, how much money is being traded, where the funds are coming from, what is going to come next and where they trade. . . . Surely you cannot allow people who make billions of dollars to get away without paying tax. Our country has been deprived of some U.S. \$30 billion . . . but we don't get a single cent in tax. We can't tax people we cannot see. So they should be made visible. They should also be limited to maybe raising up to 100% more than what they put in by way of capital. . . ."

Dr. Mahathir said that well-known authorities had told him big currency traders had between them some \$180 billion, which they could leverage into \$3.6 trillion. "No country in the world has access to such funds. . . . How can we defend our currency against people who have trillions of dollars to play with? Such is the strength of these people that they can bring down any currency by 10% immediately if you don't behave yourself."

*From Dr. Mahathir's Nov. 28 interview with Kiyoshi Hasegawa, chief editor of Nihon Keizei Shimbun, and Emiko Taguchi of TV Tokyo Channel 12, in Tokyo (from The Star Online, Nov. 29):*

Asked about talk that Malaysia might need IMF assistance, Dr. Mahathir said, "The pressure on us is very great. . . . We cannot discount it totally, but we will resist as much as possible."

During the one-hour interview, he said that the problem was not so much the IMF as three major conditions the Fund demands in return for assistance: opening up financial markets leads to powerful foreign banks buying up local ones; raising interest rates stifles business growth; and increasing taxes raises the burden on a population already suffering from depreciated currency.

"All these conditions are designed to enable the countries to pay back their debts to foreign banks and institutions, so that they will get back their money, but the people will suffer."

On the need for control of currency trading: "Our proposal for such regulations is to ensure stable global world trade for everyone, including developed countries." Unless currency traders are regulated, "We will never hit bottom."

On a proposed Asian fund to deal with the current crisis, Dr. Mahathir once again insisted it be separate from the IMF, so that it would be less restrictive. If not separate, it "does not achieve any purpose."

As a former practicing physician, Dr. Mahathir advised a "strong hand and a clear mind" in addressing the economic and financial crisis: "It doesn't matter what you do, as long as you don't have changes of mind and weaknesses in carrying out the cure. . . . But if you're not allowed to give any medicine, you [will] just watch and the patient will die."

*At the ASEAN finance ministers' meeting, Kuala Lumpur, on liberalizing economies and currency trading (from the Washington Post, Dec. 2):*

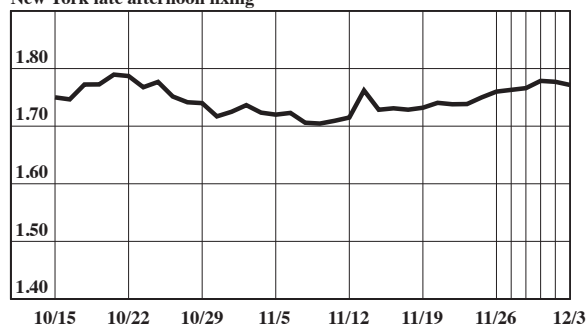
Dr. Mahathir: "They want our countries to be opened to their powerful companies and banks so that local companies . . . can be taken over. Then we will be like slaves again, working for foreigners and making profits for them to be rich."

IMF Managing Director Michel Camdessus: "You are in the midst of a crisis and you will feel invisible hands are out to strangle you. Let us exorcise these devils. . . . Openness will benefit everybody."

## Currency Rates

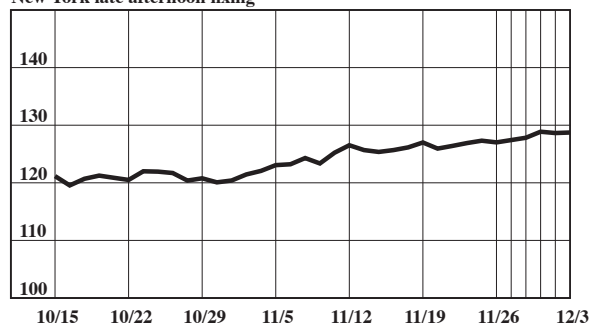
### The dollar in deutschemarks

New York late afternoon fixing



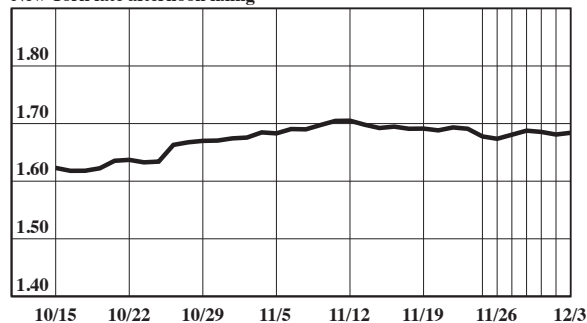
### The dollar in yen

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing

