

I have paid special attention to another one of Lyn's ideas. This is the idea of *infrastructure*, and the role of infrastructure in the development of an economy. You know that Russia is a very big territory. And now, we have such circumstances that in one place, we have agricultural products, we have fish, etc., but we cannot transport it to the places where it is needed. For example, in the Far East we can have the caviar from the fish, but the meat of the fish, good red fish, is thrown out. It's an awful situation, because we have not the infrastructure.

One more thing. This reform, that was conducted during the past five to seven years, was connected with the import of foreign products. When we produce our own meat, it costs \$1.50-1.80 for a kilogram (2.2 pounds). And when we import it from western Europe and buy it, it costs \$4 per kilogram. It's very exorbitant for us. But we gave up our own production.

But I must tell you, that the situation in Russia may improve, before our very brave journalists see the famine and other horrors they are waiting for in Russia. I will tell you one simple story about one of the central Russian towns. I have in mind Voronezh. It's about 100 kilometers from Moscow. One lady there was interviewed in a newspaper, on how they are preparing themselves for winter.

She said, "My husband and I have prepared for winter, the same portion of pickles and vegetables as we had last year. Sixty three-liter jars of tomatoes. Fifty jars of cucumbers, two big bags of potatoes, one bag of meal, one bag of sugar, one bag of cabbages, 40 jars of stewed fruits, etc."

In that way, many towns—especially regional towns—can save themselves from hunger and famine. And as to the awful situation of the North and the Far East, this is real. But I say once more, that the new government, for example, First Deputy Prime Minister Maslyukov—who met LaRouche in 1996, and impressed him with his very good intellect—has tried to do things using the power of the state. Before, we tried to remove the state from management of the economy. That was wrong. Now we must, in the best way, coordinate state and business interests. In this way, we can do the best thing for our country.

But, bear in mind that how the situation is explained in newspapers, radio, TV, etc., is not economic reporting, but political. They try to show that the new government will not do anything to save Russia from famine, to save Russia from a hungry winter. It's not right.

We need help, and this help will be very useful for us. But it is necessary to help our new government to do everything to make decisions—our own decisions—in the interests of the country.

I can add only one thing. There are two points in Lyn's last memorandum. These points are connected with the use of our own forces. This is the technology from the former Soviet military-scientific complex. It is the basis for developing our own agriculture, and other things. And we hope that when we help our government, we'll make all decisions in the best way.

Japan: new thinking on financial crisis

by Our Special Correspondent

In a series of major diplomatic and economic initiatives, the Japanese government has begun to demonstrate a new quality of thinking among leading institutions concerning the global financial crisis. Although the policy shift is not yet defined in terms of a specific, detailed program, nonetheless, what is under way could have a profound impact on the future of Asia and the world as a whole.

In discussions with leading Japanese government and business leaders in Tokyo during November, this correspondent saw for the first time a marked difference in the thinking about the nature of the global economic crisis. Practically every Japanese official had read *EIR* Founder Lyndon LaRouche's article "Save Japan, Not Banks" (*EIR*, Oct. 2), which received nearly universal acclaim for its accuracy and understanding about the problems facing Japan. Although the banks are still exerting far too much influence over Japanese policy, there is a recognition of the need for, and movement toward, reestablishing a new "industrial policy" for Japan and the rest of Asia. These measures are relatively tame, but they represent a step toward facing up to the end of the International Monetary Fund (IMF)-defined global financial system.

A global depression

In one of the most significant developments, Japan's Economic Planning Agency issued its annual White Paper on the state of the Japanese and world economy, which warned of the threat of a "global depression." Citing six indicators, the EPA report, which was approved by the Japanese cabinet, called upon the United States, Japan, and the European Union to massively "expand . . . financial assistance to emerging nations."

The EPA report stated that there could be several immediate causes of a global depression, including 1) a decline in the U.S. stock market and a chain reaction in stocks and currencies in the developing economies; 2) management failures in financial institutions and a destabilization of the financial system; 3) a worldwide credit crunch; 4) a prolonged economic slump in Japan and a collapse of its financial system; 5) the devaluation of the yuan (China's currency); and 6) expansion of the U.S. current account deficit and a return to protectionist measures by the United States. The report

criticized the role of the IMF, and posed the need for regulation of short-term capital flows.

In addition, the Ministry of International Trade and Industry (MITI) is beginning to play a more prominent role in the crisis. At the first meeting of the Japan-Association of Southeast Asian Nations (ASEAN) Economic and Industrial Cooperation Committee, held in Bangkok on Nov. 23, MITI minister Kaoru Yosano announced that Japan will upgrade its technology and business assistance to help meet ASEAN's "soft and hard infrastructure" requirements. MITI also initiated a domestic program to create 100,000 new companies. Through a new legislative initiative called the New Business Creation Facilitation Law, MITI proposed using the People's Finance Corporation, a government-backed lending institution, to provide emergency financing and economic assistance.

One highly placed Japanese source explained the recognition of the imminent global depression, and the need for Japan to reverse its policies, by telling *EIR* that "Japan's banks have failed to provide Japan any leadership. Their bad bank debt is not the only problem. They refused to recognize the need to change Japanese thinking to get Japan out of this crisis, and although there are many obstacles remaining, there is a consensus that we must move away from the domination of the big city banks."

In terms of the political process, there have been significant developments toward a political realignment involving the governing Liberal Democratic Party and one of the opposition parties, the Liberal Party. A new coalition government is currently being negotiated between Prime Minister Keizo Obuchi and Liberal Party leader Ichiro Ozawa. According to sources inside the LDP and LP, this new coalition will enable the Obuchi government to garner sufficient support to pass emergency economic measures without the wrangling and disruptions of the other opposition parties. "This is critical," the source said, "to establish a quicker consensus and action to address the present crisis. If this coalition comes together, Finance Minister Kiichi Miyazawa will resign and a stronger figure will replace him."

Japan's diplomacy

Despite the pathetic performance of Vice President Albert Gore at the recent Asian-Pacific Economic Cooperation (APEC) meeting in Malaysia, Japanese Prime Minister Obuchi took the lead in pushing forward the proposal for capital controls on hedge fund activity. In his speech, not widely reported by the Western press, Obuchi backed Malaysian Prime Minister Mahathir bin Mohamad's initiatives to impose capital controls, and called upon APEC to set up more effective surveillance of hedge funds and other speculative investors.

According to Ministry of Finance officials in Tokyo, a decision has been reached by the Japanese government to continue to press the United States and western European

government to implement measures to curtail the hedge fund activities.

Nearly all top Japanese officials see the hedge funds as part of an operation among international financiers to recolonize the Asia-Pacific rim, and they indicated to *EIR* that they view the European effort to forge a single currency and establish a European Central Bank, as a major part of this neo-colonial drive.

Relations with Russia and China

Japan's recent flurry of diplomatic activity with the United States, Russia, and China, these officials told *EIR*, is an attempt to boost cooperation with both Russia and China.

In his meetings with Russian President Boris Yeltsin and Prime Minister Yevgeni Primakov, Obuchi and his foreign policy team opened up a new dialogue on the Northern Territories (called the Kurile Islands by the Japanese), and called for economic co-management over the territories. Since the Hashimoto government's openings to Russia in 1996, Japan has pursued a serious normalization policy and has pledged to sign a peace treaty with Russia by the year 2000, finally ending the hostilities from World War II.

During Chinese President Jiang Zemin's visit to Japan beginning on Nov. 25—the first head of state of China to visit Japan—Japanese officials pushed for a "new partnership" with China. President Jiang's initial response has been tempered by the reluctance of Prime Minister Obuchi to provide a written apology for Japanese aggression in World War II; however, both sides recognize the need for greater cooperation in order to deal with the global economic crisis. President Jiang stated in Tokyo, "By making history a lesson for both China and Japan, and by preventing tragedy from being repeated, [the two countries] can develop long-lasting friendship for the first time." Obuchi responded by declaring in the Diet (Parliament) that a "new turn in Sino-Japanese relations" is at hand.

With the diplomatic and economic initiatives with ASEAN, Russia, and China in motion, relations with the United States are still in rougher waters. President Clinton, during his visit to Japan on Nov. 18-20, pressured the Japanese to reform their banking system and "open their markets." President Clinton, however, has been pushing the idea of bringing Japan and Germany into the United Nations Security Council as permanent members. This proposal alleviated some of the tension between the two countries, and Clinton and Obuchi both called for establishing a better "partnership."

With the new consensus emerging in Japan and the reform process moving ahead, for the first time in recent memory there seems to be some renewed confidence inside the Japanese establishment. And, if there is continued cooperation among Japan, China, Russia, and the United States, then perhaps the idea of a New Bretton Woods may emerge in the period immediately ahead.