Free Trade Free Funds for Foreigners

by Phyllis Schlafly *December 3, 1997*

Now we know what "free trade" means. It's taken several years to flesh out the definition since the passage of NAFTA made it a household expression, but now that we are confronted with the Asian financial flu, we can see that free trade means forcing the American taxpayers to bail out bad loans to and by foreigners.

The free trade advocates were humiliated last week when South Korea, which has been extravagantly touted as a "glittering economic success," announced that it is seeking a bailout from the International Monetary Fund (IMF) of $20 billion immediately, and an additional open line of credit expected to bring the total to more than $60 billion. That would surpass the previous record of $48 billion which the IMF committed to Mexico three years ago.

Some analysts (including the chief economist at Zurich Kemper Investments) are predicting that South Korea will need up to $100 billion to avert an economic meltdown. South Korean banks and companies owe an estimated $110 billion to foreign lenders, more than three times their capital resources, with $20 billion due by December 31 and more than $60 billion due within the next 12 months.

Buried deep in the *New York Times* news account is the key to why the Clinton Administration is rushing to the rescue. If Korea gets the money, it will be "used primarily to help distressed banks repay debts they owe."

And to whom do Korea's "distressed banks" owe those billions? Some are Japanese banks, but you can bet that the giant U.S. banks and multinationals are deeply involved, the same ones that are such enthusiastic advocates of "free trade."

When Mom and Pop's business goes bankrupt, they are told: those are the breaks; the wonderful free market gives you the opportunity to succeed or fail. But when big banks make bad investments, they get the politicians in both parties and the media-elite editorial writers to demand that the taxpayers cover their losses.

The free trade advocates refuse to live by the exigencies of the free market. They demand foreign trade subsidized by the U.S. taxpayers, both directly and through the World Bank, the International Monetary Fund (IMF), the Export-Import Bank, the Asian Development Fund, assorted other regional lending outfits, and of course the Overseas Private Investment Corporation (OPIC).

Bill Clinton's spokesman, U.S. assistant secretary of treasury for international affairs Timothy Geithner, has already told the Korean ovemment that the Administration intends to "support" South Korea in getting whatever it needs. The IMF delegation will arrive in South Korea this week and the handouts are expected to start arriving in three or four weeks.

How did South Korea plunge so dramatically from mighty miracle to pleading pauper? The South Korean banks indulged in reckless lending to companies favored by the ruling regime, without regard to profitability, not only in South Korea and elsewhere in Asia, but even in Latin America and Eastern Europe.

Korean industries overexpanded, overborrowed, and built many more factories than they needed. Massive debt has engulfed many of the South Korea's industrial giants, the ones that ship us those low-priced goods that drive American workers out of jobs.

So, South Korea has suffered a string of corporate bankruptcies. Eight big companies have gone under this year. South Korea's currency has fallen 20 percent against the dollar this year.

Now we can see Southeast Asia's domino theory in action. When the Asian disease started in the summer in Thailand, the IMF rushed in with a transfusion of $3 billion. But that didn't cure the problem.

By November, the epidemic had moved to Indonesia, and the IMF gave it $7 billion. Without any by-your-leave from Congress, and regrettably without any protest from the Republican leadership, Bill Clinton just gave Indonesia $3 billion of U.S. funds.

The epidemic shows no signs of slowing. Japan's financial system is teetering, and one of its largest brokerage houses has just gone belly up.

China's banking system is awash in bad loans to state-owned enterprises. The lending procedure seems to be based on corruption driven by politics and personal connections.

Some economists warn that the cost of these Asian rescue efforts is so huge the international community may not be able to dig up enough money to finance them. Some analysts think it would be a terrible mistake to give lenders, investors, and foreign government officials the idea that, no matter how foolishly they behave, Uncle Sap will save them.

South Korea's politicians are apologizing on television for the financial crisis. One said, "We'll have to sacrifice our economic sovereignty in return for an IMF bailout."

The question for Americans is, are we going to sacrifice our right of self-government and let the big U.S. banks and multinationals decide that American taxpayers must cover the losses of foreigners' stupid loans and investments?