

FIGURE 3

Defense expenditures per capita

(dollars)

	1985	1993	1994
U.S.A.	\$1,418	\$1,156	\$1,074
Japan	234	334	356
Taiwan	463	572	524
China	25	23	23

Source: IISS.

Figure 2 compares total defense expenditures. In view of the fact that U.S. defense expenditures are ten times what China's are, it can hardly be expected that the gap between this country and China will turn to China's advantage. The nation which has really undertaken a significant increase in military expenditures, is Japan.

Japan's expenditures per capita (Figure 3) are also relatively high since the collapse of the Soviet Union, and this, although Japan allegedly has only a "Self-Defense Force."

China's view of the U.S.-Japanese Treaty

It is no wonder, then, that the "new guidelines" of the U.S.-Japanese Defense Treaty, signed by President Clinton and Japanese Prime Minister Ryutaro Hashimoto in April 1996, more than irritate China. China considers this military alliance unacceptable, and equivalent in its implications to the situation that would exist if China had a defense alliance with Alaska, and the Chinese fleet were cruising along the American coasts.

In fact, Seiroku Kajiyama, general secretary of the Japanese cabinet and government spokesman, during a TV discussion on the Japanese state television station NHK on Aug. 17, said that the U.S.-Japanese Security Treaty also included Taiwan. The formulations on this point, he said, had been left deliberately vague, but terms such as "Far East" and "events on the periphery" included Korea, Taiwan, and the Spratley Islands within the defense area covered by this treaty.

Chinese press commentaries judged that the ambiguity of the treaty revealed the intentions behind it. The Japanese newspaper *Mainichi Shimbun* noted that Japan's concept of defense had shifted from a defensive one to an offensive one, with these new guidelines. The old guidelines took account only of countermeasures in case of an invasion, whereas the new ones defined the role to be played by Japanese Armed Forces in the adjacent areas, including Taiwan.

When the Japanese prime minister made a visit to China, President Jiang Zemin and Prime Minister Li Peng made it clear that the Japanese declaration was unacceptable, to the effect that the formulation "situations in surrounding areas" was not a geographical concept, but rather one which would be judged according to the nature of the incidents which might occur.

The claim that, in case of support of the U.S. military by Japan's Self-Defense Forces, there would be a "line" drawn between the Japanese Armed Forces and the battle zone, was characterized in Beijing press commentaries as "fools' talk," since the battle zones constantly shift in military conflicts. And, who was supposed to draw such a line of demarcation in the middle of an intensive conflict?

Furthermore, the formulation that this defense pact would come into force in the case of "incidents that have an important effect on Japan's peace and security," is attended by the problem of what criteria for such incidents would be applied, and who would decide that they should apply. Even the Japanese media wrote that this formulation permitted the government to interpret these "incidents" according to its own whims.

And, if the Japan Defense Agency emphasized that the criterion for judging "situations in surrounding areas" was explicitly *not supposed to be* clearly and legally defined, in order not to impinge upon the "flexibility" of Japan, then it was quite clear that this ambiguity was not the result of a mistake, but rather was supposed to conceal the true military intentions.

If we consider that the last war between Japan and China began with the "incident of the 18th of September," in 1931, and then turned into a full-scale war with the "incident at the Marco Polo Bridge," instigated by Japanese troops, and that this war lasted up to 1945, it is no wonder that Chinese nerves are rather raw on account of the new guidelines and the increased Japanese defense expenditures. It is, indeed, an inconsistency of U.S. foreign policy, on the one hand, to pursue a policy of "One China," and then not to accept China's view of Taiwan as a province.

That China does not now represent a threat, nor will it represent such a threat in the foreseeable future, as U.S. Adm. Richard Macke correctly noted, is not only apparent from the analysis of the military situation of China; it is even more obvious in view of the priorities of Chinese policy.

To be continued.

**China-U.S.A. summit:
a crossroad in history**

by Helga Zepp LaRouche

The following are edited excerpts from a strategic briefing given by Helga Zepp LaRouche on Oct. 11, to EIR staff in Leesburg, Virginia. The briefing was videotaped, and is being circulated widely.

In last week's EIR, Mrs. LaRouche wrote a preliminary report on her recent visit to China and India, titled "Shaping



Helga Zepp LaRouche addresses a university audience in Beijing, during a visit to China in May 1996.

the 21st Century for the Betterment of Mankind.” In that article, she emphasized that the United States and China share a twofold threat to their national security: first, the imminent danger of collapse of the worldwide financial and monetary system; and second, the possibility that Russia will disintegrate, with incalculable consequences. The world financial crisis was also a prominent theme of the briefing excerpted here, although the selections we have chosen deal primarily with the situation in China and India.

I want to talk about what you are all curious about, namely, my three-week trip to China and India. Now, as you know, I was in China for the third time. The first time was in 1971, in the middle of the Cultural Revolution; then, again, last year, after 25 years. . . . And, I told you at the time, that one of the biggest shocks was to see how China had changed in this period, and how it completely transformed from a pretty poor, normal, Third World country, into the fastest-growing economy in the world, right now. . . .

Let me focus on the summit, which will take place in less than three weeks from now, when the President of China, Jiang Zemin, will come on an official state visit to the United States, and have a summit with President Clinton. For Americans, it is very, very important to understand fully what is at stake, with this visit, because, it is *not* only the question of what will happen to the future of the U.S.-Chinese relations, even though that is a very important centerpiece; but, this

meeting, which will take place between the President of presently the only superpower in the world, after the collapse of the Soviet Union, and the presently largest country in the world, in terms of population, which, very soon, *will be* a superpower, obviously marks a crossroad for where mankind will go in the future.

Now, the people who are right now gearing up this anti-Chinese campaign, have to realize that the choices which are at stake here, are really: Will the world plunge in a very short period of time, into worldwide chaos, regional wars, new epidemics, a world which soon may only be dominated by mafias, armed gangs, private armies, and otherwise, a collapsing population, and a fall into barbarism? Or, will that summit be the crossroad in which a new road is chosen, which then, very quickly, can lead to a new world economic order, the biggest historical boom, in terms of economic development, in all of the history of mankind, and the emergence of new renaissances, not only of western Christian culture and civilization, but also of other beautiful cultures, around the world? And, that, maybe, if the second road is chosen, the old dream of the Founding Fathers, and especially John Quincy Adams, that a community of principle can be the way that the world is organized, is very, very close.

Now, the good thing is that both President Clinton and the Chinese government have an absolute interest that this relation should function. Both want a positive outcome for the summit, because both, for different reasons, have understood

that peace in this world, and especially going into the twenty-first century, without a good U.S.-Chinese relationship, is totally impossible.

So far, so good. The only immediate danger—and this is not a little one—is that the absolutely hysterical, British-guided, anti-Chinese campaigns, which are quite many-fold, could poison the atmosphere in such a way that the necessary accord between President Clinton and President Jiang Zemin would not quite be accomplished. Now, you know the components of this barrage of anti-Chinese campaigns. You have five different bills introduced in the House and in the Senate, all basically, completely ridiculous, and coming from the kind of geopolitical thinking which already has caused two world wars in this century.

Then, you have three Hollywood movies on Tibet emerging at the movie theaters just in time, obviously all reflecting the old Hollywood affinity with Tibet. When we published *The Hitler Book* many years ago, we pointed out the hard-core mythology of the Nazis, was this strange fascination with Tibet—the so-called “Roof of the World”—the whole Aryan mythology; and, if you know the history of Hollywood, their entanglement with the Ku Klux Klan, and many of their key actors having been fanatical friends of the Nazis, one should not be surprised that they’re now sponsoring a movie in which the hero is an Aryan-looking SS Stormtrooper from Austria, who ended up in Tibet at the end of the Second World War, and became the mentor of the Dalai Lama. This is portrayed, but they don’t even mention, with one word, that the hero is a Nazi! So, you have the funny coincidence, that China protested against this movie, and so did the American Jewish Committee! . . .

Straight facts about China

Let me just give you a couple of straight facts, which I think are important to take away the mythology, to take away the whole campaign, and just look at China as it is.

First of all, China is *not* a Yellow Peril. It is not an enemy of the United States; it does not *think* about itself as an enemy of the United States. From a military standpoint, China does not have an aggressive posture against its neighbors or the rest of the world. China does not have a plan to take over the world, quite contrary to the strategic planning of the Soviet Union, at the time.

And, on the other side, China is right now the only country, or practically the only country (maybe with the exception of Iran, and one or two other countries) in the world, which is economically progressing, and therefore, is doing, by far, more to remedy the human rights situation of its population, than almost any other country in the world, by simply bringing an ever-larger percentile of its people out of oppressive poverty. If you want to know what is a real human rights violation, then it is starvation; it is seeing your children die. So, when China, right now, has embarked on a course to bring improvement in living standards into the inner regions, into Tibet, into

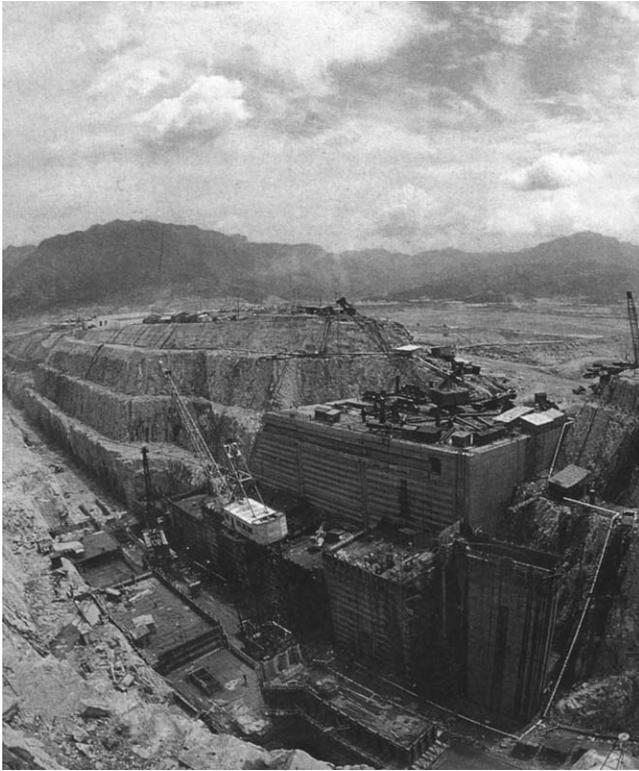
Xinjiang, into almost any part of China, *that* is an effective human rights improvement. . . .

Now, let’s look at the facts, concerning the military. Is China a military threat? It’s a complete absurdity, because it is the estimate of top-level military experts in Europe, that, even if China proceeds with a massive military buildup, it is impossible that, 25 years from now, they would be able to take Taiwan, with an amphibious takeover. Now, obviously, they have nuclear weapons, but, it is absolutely excluded that China would use nuclear weapons against what it rightly regards as a province of its own country. In order to have an amphibious takeover of Taiwan, they would have to have total air and sea control, because, when you land amphibious troops, you have to make sure that you don’t have exposure to air attacks, and so on. Their modernization of the Air Force has just begun. They recently put out a promotional article about their own military capability, in which they demonstrated the entire Navy, and it was absolutely not impressive. It is not a modern Navy. And, Taiwan, on the other side, had a massive military buildup, not least to say that the big friend of the Mainland, Sir George Bush, cleared the sale of 150 F-16 and 12 antisubmarine helicopters, which then was followed by France selling 60 Mirage-2000s to Taiwan. . . .

However, one has to also note the fact—and I think this is very important for Americans, that they get this clearly—that China has right now, probably 1.2 billion people—I think that’s about four times more than Americans right now—and it is very clear that, provided we can avoid a complete catastrophe in the world, that in the year 2010, or maybe 2020, but around that time, China will be a new superpower, comparable to what the Soviet Union used to be.

That is quite normal, and nobody should get upset about it, because the largest population concentration happens to be in West Asia, in South Asia, and in Southeast Asia. Therefore, nobody *should* deny or even *think* they should deny a sovereign country, or *any* sovereign country, for that matter, the right to develop the military capability which is in correspondence to the size of their population, and their legitimate defense needs. If you have any other ideas in your head, you have to investigate the axioms of your thinking, and you may have been afflicted by one-world thinking, and somehow, the idea that the U.S. should be the hegemonic force in this. So, I hope you don’t have this in your head.

So, the idea that China *will* be a superpower is something you have to get used to. And, there’s nothing wrong with that, because China is not an aggressive nation. Let’s look, from that standpoint, at the bills which have been introduced in the Senate and in the House. Now, there is one bill, introduced by Congressman Gilman, which makes a big fuss, and says, “Oh, the fact that China is selling Silkworm cruise missile systems to Iran really should be punished, with sanctions and so forth.” Now, if you look at that, it’s a complete piece of insanity, because, why should it be not legal? There is no basis in international law, why China cannot do that. Because



Infrastructure development in China: excavation of temporary water-way locks at the enormous Three Gorges Dam project.

these are not weapons of mass destruction; I mean, in that case, one could say that international law would put it under scrutiny. But, if you are talking about tactical weapon systems, like the Silkworm cruise missile, it's a question of a deal between two sovereign countries — namely, Iran and China — and therefore, is only basically affected by the jurisdiction of these two countries. . . .

The financial crisis, and what must be done

The biggest, common security threat to China and the United States is the danger of a financial blowout. . . .

You have the Southeast Asian crisis, the Japanese banking crisis. You have new “Mexico” crises in eastern Europe. The model case, the Czech Republic; Slovenia: They're now going the way of Thailand and Mexico. And you have similar crises in Latin America. You have the derivatives bubble—the most dangerous aspect of all. *And*—and I want to make this a special category—you have the crisis in Russia. Because all Russian banks are bankrupt; the Russian government is bankrupt; and the biggest danger right now, is that Russia will *fall apart*. That the state can no longer maintain its functions. After all, as a result of the IMF reforms, Russia today, has 20% of its industrial capacities left of what it had in '91; and of *those* industrial capacities, only 40% pay their taxes! So, the government has no more money to pay wages of the Army, or the civil servants, or the bureaucracy, or whatever.

So, given the combination of these different elements, almost anything could trigger a collapse. And Lyn [Lyndon LaRouche] points to the fact that, if that were to happen, you would have a crisis much worse than what happened in the fourteenth century, when the Lombard [banking] system in Italy collapsed, and you had similar collapses in all other countries—that created a situation in which the Black Death, and hunger, and other epidemics, could wipe out *half* the population, from India to Ireland. If this would happen today, it would be much, much, much worse, because it would be global, and the world would go to pieces.

Now, as I pointed out in many seminars I gave in China, and also in India, there is *only one way out of this crisis*, and that is that the President of the United States—and it has to be Bill Clinton, not because of Bill Clinton, but because he is the man in charge, when this crisis is hitting—he has to use the power of the U.S. Constitution, and do exactly what Franklin D. Roosevelt did when he put the U.S. economy on a war mobilization: By declaring the American financial system, the Federal Reserve System bankrupt; by establishing a National Bank; by giving the sovereign power of credit generation back to the Congress; by issuing long-term, low-interest loans for infrastructure investment and other high-technology investments; and, by getting the United States into a productive mobilization.

Now, this alone does not resolve the problem, but we are calling for President Clinton to conduct a New Bretton Woods Conference, to which he would invite the Chinese government, the Indian government—and I want to emphasize, these two countries have the largest populations, and therefore, they must be key in *any* kind of reorganization worth fighting for—but also other countries, then, should group around that. And, after an emergency meeting, these heads of state must come out with a declaration that the old system is bankrupt, and will be replaced by a new system, which will define a whole set of new trade and tariff agreements; and use some of the positive factors of the old Bretton Woods conference, but, obviously, bring in more justice, especially concerning the relationship to the developing countries. The concrete focus of such a New Bretton Woods conference has to be the Eurasian Land-Bridge, and the Eurasian Land-Bridge as the cornerstone of a global reconstruction program, reaching all the way through the Middle East, into Africa, through the Bering Strait to North America, into South America. And realizing a complete reconstruction of the world economy.

Obviously, this is not, right now, on the agenda for the summit. And, I think it is very important that we, ourselves, are clear about that. I'm not saying that this is a realistic idea to be the result of the summit, starting on Oct. 28. But, it, soon after that, has to be the issue of discussion.

If you look at what is on the agenda for this coming summit, the bilateral agenda is already fixed. You have, from the U.S. side, human rights, religious freedom, arms sales of China to other countries, trade questions. Then, from the

Chinese side, you have the U.S.-Japanese defense treaty, which China regards as absolutely *unacceptable*; Taiwan; trade issues, and so forth and so on. But, it is very clear that, if you leave this discussion on the level of bilateral questions, it would not address the most fundamental issue of all of mankind, right now, which is the danger of a financial collapse.

It is not to be expected that the full package I was just talking about, the New Bretton Woods and the Eurasian Land-Bridge, will be the outcome of the summit, because it's the first meeting between Clinton and Jiang Zemin; and, the political environment is not such that you can expect it. But, what *has* to occur at this summit, is that a positive relationship *must* be established between President Clinton and Jiang Zemin, or, more fundamentally, between President Clinton and the Chinese government. There will be other meetings: There will be the APEC meeting in Canada in November; there will be other international meetings; there will be another summit, next year; and, very importantly, a "hot line" telephone will be established between the two Presidents. What *has* to occur, is a principled agreement between these two nations to work together in the future, to solve problems facing all of mankind. And, I think if we accomplish that, then the absolutely necessary stepping-stone will have been accomplished. . . .

Returning to India after 14 years

Let me just contrast this, very briefly, with the situation in India; because China is one thing, and, in a certain sense, everybody travels to China, and business goes on, and everybody is now, somehow, sensitive to the question that China is economically booming. But I went immediately from Beijing to New Delhi, and . . . I must say, I was completely stunned and shocked about India, visiting again after 14 years.

Certain parts of India have progressed — no question. You have now, 250 million urban middle-class people, who are doing economically much better. That is an important factor, but it's not in high technology; it's not really that India used the potential it had, from the standpoint of the high proportion of skilled labor. But, it is a middle class. For example, since I'm a technical genius, I couldn't figure out how you use the remote control for the TV, so, the first day, I only alternated among nine Indian TV channels, and they all had the equivalent of MTV. But, not as Satanic, but all video clips — and the girl goes like that, and then the man goes like that. And, it's very graceful, but it looks like an Indian version of the tango. It's the most banal, silly thing, and people are looking at it all over the country, watching this for hours and hours; it is a complete disaster.

And, as I said, 250 million people have a relatively good living standard, but 55% live below the poverty line. We went one evening to a restaurant. The car stopped nearby, and we rushed in, so I really didn't look around much. Then, when we came out of the restaurant, well-fed and happy, all of a sudden, we had to go a longer distance, because the car was

parked further away. I saw an old woman, lying on the street, and she was begging. Totally thin, horrible looking. And, then, she had two newborn babies, literally like little worms, lying there — and she said, pointing, that these babies have to eat. People were walking by, nobody bothered. And, it took me 20 seconds or so, to catch my breath. This put such pressure on me, that I naturally looked in my pocket, and the little boy who came, I gave some money (which you're not supposed to do), and, lo and behold, I was immediately surrounded by 10, 15 people all looking the same, all dying, all waving like the Night of the Living Dead. People walk by this; it has become normal. The people who are living in New Delhi, they ignore it. I couldn't live in New Delhi, because I would go crazy. Half of the Indian people are more or less living like that.

Children go to school for maybe one year, average. Then, they're pulled out for economic reasons. There is only 30% functional literacy in India.

So, in these 14 years, India has fallen apart. There is no question that they have some better roads in New Delhi; in China, you go for 10 miles, 20 miles, in each direction, and you have new buildings, even better and more than last year; and on and on. Here you have, maybe, one new building, and lo and behold, it is Citibank! But, you have no real change.

The psychological climate has changed for the worse, in a very incredible way. When we visited India in 1982 and '83, Mrs. Gandhi was alive — we met her each time; she liked very much our 40-year development proposal for India, which was the idea that, in the first generation, you would put infrastructure into the whole country, and then, in the next generation, every child would have access to universal education; and after two generations, India could make the jump to become a fully modern nation. She liked that, and it was completely realistic. *Nothing* of that has happened; absolutely nothing. No infrastructure. No high-technology development. Okay, a little bit — for example, just when I was there, India put the first satellite with its own rocket into orbit. So, they still have this capability, but it has not at all affected the living standard of the population at large.

Even more important, I think, is the fact that, in a very short time, Indira Gandhi was assassinated, and the murderers have not been found. Rajiv Gandhi was killed, and the murderers — sure, it was the Tamil Tigers, but what triggered them? What caused them to do that? You know, the *cui bono* is so obvious. And, I can only say, that if you think of what the psychological effect was, of the assassination of John F. Kennedy, Martin Luther King, Malcolm X, Bobby Kennedy — it is absolutely comparable. As a matter of fact, in India, it has somehow taken the soul out of the country, because the political process has been completely smashed; the Congress Party is in shambles; the other parties are not representing the same kind of leadership, which existed during India Gandhi's time. So, you have this destabilization of the ruling class.

And, I would say that there is no country in the world, which was more affected by the collapse of the Soviet Union, than India, because India was the closest ally of the Soviet Union, and practically the entire Indira Gandhi apparatus was very much pro-Soviet. India was one of the places where the Soviets had a relatively decent foreign policy. So, when the Soviet Union collapsed, I think that added an additional complete collapse of any kind of axiomatic certainty in the thinking of the Indian population. . . .

America's responsibility

So, we are coming now to a point, where we have to mobilize so that the first step of [the reorganization of the world financial system] succeeds, which is the Clinton-Jiang Zemin summit. People just have to understand that we are at the point of history, and the outcome of what the next century will be, is in the hands of everybody we are talking to—each citizen of this country. Because the solution has been coming from the United States. It's so clear, that, when you travel through the world, as much ferment as you may have, and as much social explosion, rebellion, you may have, I do not see how any country other than the United States could make a change for the better, for the rest of the world.

So, this puts a gigantic burden of responsibility for you, and I think you have to get out of your system, *any* kind of neo-isolationist thinking, any kind of thinking that it's only the United States which counts, and the rest of the world is not so important. Because, the world may end up in a *terrible, terrible* crisis, and it may also end up ending all of these miseries, like oligarchism, which, in my view, is only a childhood disease, like measles. Eventually, you get old enough that you don't get measles anymore. I see mankind, when people grow up, when everybody has access to universal education, then who wants oligarchism? We are in an incredibly exciting period, but it means that we have to keep our nerve; we have to influence the political situation in the United States, and make sure that, on the one side, the anti-China lobby is ridiculed and defeated; and that, the first step, which, as I said, you cannot expect the big solution to come at this summit. I think this would be completely wrong. But, what *has* to occur, is a positive, *personal* relationship between President Clinton and President Jiang Zemin. And, then, we have to escalate our campaign, so that, when the crisis comes, we *do* have the combination of forces to win.

From the question period

Q: We share here in the United States and western Europe, in a funny way, a cultural problem with India, which is that the present generation doesn't know the excitement of industrial progress, conquering poverty by "Great Projects," and so forth. If you speak to some older people in the United States, they remember what it means to develop a country. China is

doing some of that, and they can see some of it, but we, our culture, and western Europe, are in the same boat as in India.

Zepp LaRouche: . . . In India, in a lot of the older generation, you could really see the absolute difference in axioms. For example, I gave one presentation to a very prestigious industrial association, which had invited 30 or 40 top industrialists. I made a speech and several people liked it very much, and commented about railroads, this and that. But in the audience was a German economist, of undefined nature, and this guy freaked out. He said, "This is outrageous! What I just heard, such a dose of macro- and microeconomics, all mixed together with Keynes!" I was able to demonstrate, in a heated dialogue with the guy, that we represented two completely different schools of economic thinking. I represented the physical economy, high technology, science and technological progress, and he, neo-liberalism, free-market reform. He got so mad, that he escalated, "This is fascistic, what you are saying, proto-fascistic, pseudo-fascistic!" The good thing was, that the ex-president of this industrial association, in his closing speech, praised me and completely backed me up; he said that what I said was absolutely true, upholding industrial development and at the same time preserving cultural values of Classical periods. So, the guy was shrinking when he walked out the door; he had nearly disappeared.

There are a lot of old people, who were part of the industrialization, the steel industry, and they are now being pressured to open India more [to the free market], because the rupee is not yet convertible; but they have not yet completely given up.

I think the key question is really to, on the one side, pull them more into Southeast Asia, which they are not! You would be surprised, how isolated India is. Just imagine, every fifth person in the world is an Indian! What do you know about India? Do you know of more cities than New Delhi and Calcutta? Have you heard about the internal development of Hyderabad in the last week? Obviously not!

It really hit me, because here you have a country which is gigantic in terms of people, but it is completely isolated. It has the Himalayas in the north, then it has the sea in the south, then it has Pakistan and Bangladesh, two not-so-friendly countries, as neighbors, and otherwise, it is totally isolated. And there is practically no interaction, worth speaking of, with the rest of the world, which is a completely unnatural condition. That will change through the Land-Bridge. If you have a functioning Eurasian Land-Bridge connecting China, Myanmar, India, Bangladesh, Pakistan, Iran, Afghanistan, Central Asia, then it would be tied to Europe, and the whole climate would completely change.

So, I think my visit in New Delhi has probably had a very powerful shock-wave effect, because first of all, the crisis makes people think. This also was the case in China, where last year, people would think that I was talking theory, very interesting ideas, whereas this time it is a life and death struggle! I think that this was a very important intervention, because the time was ripe.