
Conference Report

Debate over Globalization Shapes Symposium on Western China

by Mary Burdman and Jonathan Tennenbaum

The great debate now going on in China, and East Asia in general, on the vital issue of real development versus Wall Street-dominated “globalization” and the “New Economy,” shaped the presentations and discussion at the “International Symposium on Development of Western China,” held in Chongqing, China, on June 8-9.

Chongqing had been the capital of southwestern Sichuan Province, China’s most populous, which was elevated to status of municipality, like Beijing and Shanghai, three years ago. With a population of 30 million people, Chongqing is by far the largest city in western China, and its location, where the Jialing River flows into the Yangtze, China’s greatest river, makes it the gateway to the interior.

For at least the past year, the problem of how to open up and develop the vast, landlocked western interior regions, has become an ever-hotter topic in China. The economic gulf between the coastal regions and the interior is growing rapidly, and is becoming a matter of national concern (see “Eurasian Land-Bridge Approach Needed To Develop China’s West,” *EIR*, May 26, 2000). At the same time, China’s prolonged difficulties in resolving the problems of its state-owned enterprises, and the continued impact of the Asian financial-economic crisis throughout the region, have exacerbated the difficulties. In this context, the Chinese government has announced that the development of the western region will be given strategic priority in the coming period, including major new state investments in rail, water, communications, and other basic infrastructure. The symposium was slated as part of the discussion.

The symposium was sponsored by the People’s Government of Chongqing, along with the Chinese Academy of Social Sciences, the Ministry of Foreign Trade and Economic Cooperation, the national *Economic Daily*, and the United Nations Development Program. Additional financial support was provided by British Petroleum (BP)-Amoco, the international insurance company Liberty Mutual Group, and Southwest Securities of China.

There were more than 300 participants at the keynote session, coming from 30 countries and regions, including

China, Russia, South Korea, Taiwan, Japan, Singapore, Germany, Australia, the United States, Great Britain, France, Canada, and Sweden.

‘New Economy’ Frenzy or Real Development?

The dire condition of the international financial and economic system, was the context for the debate at the conference. China’s national development perspective, focussed on both “reform and opening up,” and construction of the infrastructure, agricultural, and industrial capacities necessary for real economic progress for its population of 1.3 billion people, has been buffeted by the shocks to the world economy, of which the regional crisis in Asia in 1997-98 was only one phase. Enormous pressure on China from the United States, in particular, to integrate itself into the (already crashing) current world financial system, including via membership in the World Trade Organization (WTO), has been met from the Chinese side, by some forces too desperately eager to “join the club.”

However, this perspective is far from universal in China. Those more aware of the dangers posed to China’s welfare by the enormous Wall Street-London City financial bubble, and related Anglo-American political and military machinations, realize that the nation is now coming up against an *unsustainable* situation: China *cannot* develop its western regions, nor meet the real needs of its population, were it to allow itself to fall into the trap of “globalization” and the “New Economy.” These circles, are now bringing about a shift toward consolidating China’s strategic relations with its neighboring nations in East and Southeast Asia, including to protect essential economic and financial interests, *before* strategic relations can be undertaken with the United States or Europe.

China is certainly getting a taste of the “New Economy” frenzy. Tens of millions of dollars of “investment” began to flow into China — *immediately after* a U.S. plane bombed the Chinese Embassy in Belgrade on May 7, 1999. Some \$20 billion of “dot.com” investment from the United States, is reported to be only waiting for China to join the WTO to flood

the country, and already some \$500 million has come into China. Some of China's ablest young entrepreneurs and students, including leaders of the student protests against the bombing, have been directly targeted by Silicon Valley and "dot.com entrepreneurs," to be pulled into the Internet bubble.

The Chinese partners are finding themselves expected to do nothing more or less than burn money—by renting the most expensive offices and cars in Beijing, and hire many unnecessary staff. One company, although given over \$40 million by its U.S. sponsor, has followed in the wake of the crashing Western "dot.coms," into bankruptcy. It is clear, to many in China, that the U.S. companies are only madly attempting to boost their own precarious stock valuation, by appearing to have a foot in the door of a promised, gigantic Chinese Internet market. It is also clear, that, when the dollars stop pouring in, there will be a strong backlash against the Internet bubble in China.

Lawrence Klein Unmasked

Central themes for discussion at the conference, were the function and role of government in developing western China; comparison of different international experiences and different modes of regional development; narrowing the economic "gap" between developed and underdeveloped areas; and, the role of capital markets.

But running through all these discussions, were the broader issues of globalization and national interests.

The opening session, addressed by two vice chairmen of the National People's Congress Standing Committee, Wang Guangying and Xu Jialu, and Chen Jinhua, vice chairman of the Chinese People's Political Consultation Conference, discussed the international importance of the project to develop western China, and described the "hot debate" on how the project should be carried out.

Keynote speakers were Chongqing Mayor Bao Xuding, Nobel laureate in Economics Prof. Lawrence Klein of the University of Pennsylvania's Wharton School of Business, and Robert Hawke, former Prime Minister of Australia.

Mayor Bao Xuding emphasized the importance of "breaking the traditional mind-set" in the west of China, and using China's reforms to attract foreign funding. He noted the desires of multinational corporations, such as the Fortune 500, that Chongqing would become one of the first urban centers to China to open its financial, insurance, telecommunications, and other sectors, to their operations.

The grave dangers of such an approach, was rapidly made clear by the contents of Klein's keynote speech, which followed. Klein, who has been visiting China for 20 years, delivered a heavy-handed sales pitch for the "New Economy" on the current U.S. model.

Klein's highly slimy approach, was to combine superficial references to the role of railroads and other infrastructure in the development of America's own western region, with shameless promotion of the reputedly great success of the

U.S. "New Economy" Internet bubble, as a model for China, a nation with hundreds of millions of citizens who require better industry, energy, education, and genuine science and the most advanced technologies, to improve their lives.

However, challenges to his pitch reduced Klein to evasion and outright lies before the entire audience. Objections to his proposals were immediately raised by Schiller Institute representative Jonathan Tennenbaum and a representative of the German Adenauer Foundation, who works in China. The Adenauer Foundation representative pointed out that the Internet could hardly solve the problems of the vast poverty in China's interior regions. Tennenbaum followed by remarking, that Klein had not mentioned the gigantic speculative bubble on the U.S. financial markets, which "everybody knows is going to burst"; the huge trade deficit of over \$400 billion per year; and the growing income gap within the U.S. population. Klein responded by claiming that speculation was a "separate problem," which had nothing to do with the "New Economy," and that the gigantic U.S. trade deficit was actually created in order to help the world overcome the Asian financial crisis! After the session, a number of Chinese and foreign representatives approached Tennenbaum to comment on Klein's evasions, and to discuss the coming financial blowout.

Klein later noted, in a private discussion, that Clinton Administration policy, is to open China up to foreign capital flows, and to do "for China with the WTO, what we have done for Mexico with NAFTA," the North American Free Trade Agreement. Klein boasted that he had participated in the May 9 White House jamboree of free-traders of all stripes, which promoted the passage of Permanent Normal Trade Relations with China. Klein brushed off a question about the impoverishment of Mexico by NAFTA, claiming that Mexico was doing very well, and "could absorb that poverty," and China could do the same.

Hawke presented a strongly "pro-China" political stance, critical of the U.S. approach to China, but, as an avid free-trader himself, hardly offered a genuine solution to the challenges of developing western China.

The plenary session was also addressed by Gray Dicks, vice CEO of BP-Amoco, and Edmund Kelley, president and CEO of the Liberty Mutual Insurance Group. They presented their multinationals as dispensers of delights to China. Dicks praised the great employment and related benefits of BP's main project in western China—a chemical plant which employs a grand total of 200 persons! However, as the *London Times* revealed on May 20, BP-Amoco and Shell both are highly anxious to see the realization of China's WTO agreement with the European Union, which will allow these multinationals to "compete with" (i.e., undercut) Chinese national oil companies.

Kelley emphasized that Liberty Mutual's unique expertise in the field of "workers' compensation" is exactly what China requires, and suggested that the Chinese government

should quickly lift the restrictions placed on the activities of foreign insurance companies.

In a private comment, a Chinese official noted that the government is very carefully monitoring the strategy of these insurance companies, which are planning to invade the country after the WTO agreement goes into effect. “We know a big financial collapse is coming in the U.S. and elsewhere,” the official said. “The question is not whether it will come, but when.”

The Dirigist Approach

The reality, that dirigist, infrastructure-oriented policies were the foundation for the periods of real economic growth in the United States, Germany, France, Japan, and other nations, was presented by both Chinese and foreign participants in the conference.

Schiller Institute representatives Jonathan Tennenbaum and Mary Burdman submitted papers to the conference, Tennenbaum on lessons from the historical development of the United States and Europe for the development of China’s western regions today, and Burdman on international cooperation for the development of western China in the context of the Eurasian Land-Bridge. Tennenbaum presented his paper at a panel session on the second day of the conference.

Conference participants from leading institutions in Japan, South Korea, and Taiwan also referenced historical examples of the role of the state in developing basic economic infrastructure, in their own successful postwar economic reconstruction and development. They also urged caution and reconsideration, to those of the Chinese speakers who advocated rapid de-control of financial sectors and immediate privatization and selling-off, at least of the smaller and less strategic state industries.

In addition, several papers written by Chinese participants detailed the history of railroad construction in the United States and its impact in opening up the American West, including the first transcontinental rail line. This history is now being studied carefully in China, as part of the government’s declared goal of using infrastructure projects to overcome the isolation and backwardness of the western regions. Another important point of discussion and presentations from the Chinese side, as well as from Japan, South Korea, and Taiwan, was the construction of new towns and cities as “development poles.”

One Chinese speaker detailed the importance of the 1953 U.S. Small Enterprise Act, which, like similar programs in Italy and Britain, ensured government support to guarantee necessary credit to support small and medium-sized enterprises. Most important, although the Chinese government has recently tended to put the Eurasian Land-Bridge on the back burner, several Chinese representatives made clear in discussions, that the present push to develop China’s western regions, should be seen in the larger context of the Eurasian Land-Bridge concept.

Germany: A Power without Energy Sovereignty

by Rainer Apel

Demonstrating the profound moral degeneracy of sections of the German elites, the Social Democratic-Green party coalition government in Berlin and the energy producers agreed on June 15 on a timetable for terminating the use of nuclear power in Germany over the next 21 years. The energy to be produced by nuclear reactors has been limited to a total of 2,630 terawatts, and the maximum operational period of individual nuclear reactors has been set at 32 years. No new reactors shall be built, the agreement states.

The last time that a construction permit was granted for a new reactor was in 1979, and the last time that a new reactor was put into operation was in 1989. The first nuclear reactors, most of which were built during the 1970s, can be taken off the grid from 2002 on, once they have been in operation for 32 years. The final shutdown date for the last of the 19 reactors that Germany now has, is set for 2021.

The agreement is all the more absurd, because right now, there is no need to make such political concessions—the Green movement is weak and disorganized, and the Green party is unabatedly losing voters and supporters. Unlike the late 1970s and early 1980s, there are no widespread, violent mass protests by the ecology movement, so there is even less reason for making concessions. Moreover, the two national industrial associations, the DIHT and the BDI, have protested the agreement.

Because Germany is still a leading provider of nuclear technology to other parts of the world, the agreement has implications for many countries that have, or are planning to have, nuclear reactors.

Diametrically opposite to what the government and the energy producers in Germany believe “modern energy policy” should look like, the experts of Britain’s Royal Commission on Environmental Pollution think that the only way for the British to avoid both future burdens on the ecology and energy shortages, is to radically reduce its dependence on fossil energy sources. Presenting its report in London on June 16 (the day after that strange German nuclear deal was signed), the Commission called for a 20-fold increase of nuclear power in the United Kingdom by the year 2050, which implies the construction of about 45-50 new power reactors of Britain’s modern Sizewell B type. Nuclear power, the Commission argues, must be the centerpiece of Britain’s future energy supply, whereas “alternative” energy sources can play only a marginal role.