

work should be allowed to evolve in the region, as they require a common economic approach for the development of oil and gas resources. Tajikistan and Kyrgyzstan can complement each other in building a strong economic base in the region.

- The international community should help in the process, and the United States, Russia, and China should stop looking at it as an arena of strategic competition; given the present security environment and aggressive U.S. policies, cooperation between big powers is unlikely.

- Islamic resurgence is still subdued here, but backing of dictatorship for the sake of maintaining military bases can give a fillip to radical Islamic movements. The sudden outburst of violence in the Ferghana Valley and the ruthless suppressive measure taken by Uzbek authorities is one manifestation of the lurking dangers.

- If the situation in Afghanistan stabilizes and radical elements are either sidelined or defeated, one can hope for a peaceful and prosperous Central Asian region to emerge.

Lyndon H. LaRouche, Jr.

Economic Foundations of A Peace of Westphalia

Lyndon LaRouche made these remarks on June 28, during the discussion following the presentations of Dr. Sergei Glazyev of Russia [published in last week's EIR], Dr. Ding Dou of China, and Gen. Assir Karim of India.

I'd say this, that some things were overlooked in the discussion and they should be raised: First of all, we have to look at the composition of consumption and the composition of production. In those terms that you can not compare the present economies in terms of money volumes, or currency valuations at present, because they don't mean anything. And they're about to become totally meaningless.

For example, as I mentioned in my principal remarks, the case of the 70% factor¹ in composition of economy—social composition of economy, in China and India, which are the big vulnerabilities. You have comparable, or worse situations in the rest of Asia. So that, you can not price—the price of goods, the price of a commodity is not meaningful, because the present prices are based on an overvaluation of the performance of the economy, by the lack of performance in meeting

1. LaRouche stressed in his keynote speech that 70% or more of the population of these countries lives in extreme poverty. See *EIR*, July 8.

the requirements of the population of the economy as a whole. If 70% of your population is living at grossly substandard, unimprovable conditions, don't say that the economy of the remaining 30% is a good performer.

Now, we have the same thing in the United States, in a different way. We have destroyed our infrastructural composition, which should be 50%, at least, of our total national product, should be invested in basic economic infrastructure. We have not invested in basic economic infrastructure *for over 30 years!* Our infrastructure, which has a general average physical life of 25-30 years, is now at the terminal stage *of its physical life!* Power production, water-management systems, so forth—they're collapsing; our health-care systems are collapsing. The value of the dollar was premised on the total composition of the dollar, in terms of what it was spent for. Which included infrastructure, which we haven't spent for in the past 30 years. Hmm!

You find a similar situation in Europe: Look at health care in Europe; look at housing in Europe; look at net purchasing power of a standard of living in Europe. How many Germans are unemployed? And the unemployment of Germans is *a cost of production!* Which is not being paid! You've got to employ 10 million Germans, before you can bring the German economy back into balance. The euro or mark don't mean a damned thing, until you get 10 million or more Germans profitably employed.

It doesn't mean a damned thing, unless the people, the 70% whose needs are not being met in Asia—or more, in many countries—unless those needs are taken into account to bring them up to standard, then your currency is overvalued.

Now, what we're going to have to do, is this: We're going to have to think in terms of the future of what *the standards of cost must be, of maintaining a national economy with an acceptable rate of improvement and growth in the economy.* This is the problem that confronts India; which China has expressed its concern about—it's much more concerned, actively, on this thing, and therefore China has the leading position, because of its concern about the development of infrastructure for the Chinese population of the coming two generations. And the future of China, and the value of China today, depends upon what China will be two generations from now. The cost of reaching that level in two generations, in a reasonable rate in China, is the cost of production.

We have in Russia, you have a similar thing.

The Issue Is Leadership

But, look on the other side, what's the general solution for this whole business? The solution is *leadership*. Not who is going to agree. Who is going to take the risk of leadership? I would propose that the country that is able to take leadership now, and *will* take leadership, I think—right now; I wouldn't have said it six months ago—but now: the United States. If we have the courage to dump George Bush and

Cheney, the process of dumping, you will see a suddenly-changed United States.

At that point, we will adopt a standard—because this is what I’m working on, this is what the questions are that I’m getting from members of the Senate and similar sources—these kinds of questions. Under those conditions, we will think about new methods of international cooperation. We will go for the greatest expansion of infrastructure in U.S. history. We have the unemployed with which to do it. We have the *needs* for it. We will push Europe, a reluctant Europe, into doing the same thing.

We will then, at the same time, set up a network of cooperation, on science and technology, with a group of countries. We will have to work out conferences, which are not negotiating this and negotiating that: We’re going to have to negotiate in a positive way, on positive objectives of technology. We have certain technology in the United States, which we still have, which is unique. Russia has certain technology, largely concentrated among people who are over 70 years of age. Who are very valuable people, and they *do* have things, as I mentioned this Vernadsky problem: *Russia has a potential in Asia, which no other country in Eurasia has*, for understanding how to approach infrastructure. It’s essential. Russia’s identity in the future, will be associated with science, the name of Vernadsky, and what that represents. They’ll be a contribution to every part of Eurasia and the world at large.

Transform the Planet

We will take the best technology available, in terms of scientific development, in each of the countries, and make a package of these potentialities. We will then say, “This is the standard we want to reach.” In other words, not negotiate, in the usual Hobbesian way. But think about the future of humanity, go back to the Treaty of Westphalia, 1648: The principle of the advantage of the other nation, must be the commitment of each nation and each people. Only in that way, can we achieve what we must achieve. And the time has come, when warfare is what it is now, that *you must do that that! We can not afford more wars!* We have to do the things that prevent them.

Therefore, we have to have a standard of technology, where we set certain standards, jointly, by discussion of what our potentials are, for the needs and capabilities of scientific and related development of humanity as a whole. We have to set a standard, for the development of a standard of living, of the average person and their future, for the future. We have to think in terms of two generations.

I’m convinced, that, on that basis, knowing the factor of scientific progress, that with *science-driver programs*—not average production programs, science-driver programs—we can transform the planet. With water projects, with all other kinds of things. We are not even *thinking*—even in our discussions today—we are not even *thinking* of what the possibilit-



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Lyndon LaRouche with moderator Michael Liebig. LaRouche said that unless you take into account the needs of the 70% of the people in many Asian countries whose needs are not being met, to bring them up to standard, “then your currency is overvalued.”

ies are, the positive possibilities for transforming this planet. We have to think in terms of Westphalia, the principle of the common good, the general welfare: We have to think about *new dimensions of cooperation*. We have to think *scientifically* about economy. We have to say, “We can not *accept* the condition of the people of Africa. We can not the condition of the poor in Asia. This must be changed. We must set a *standard*, a world standard. And we must find out how to cooperate *as sovereign nation-states*, to put our abilities together to get that result.”

On that basis, we will *fix* the value of currencies, accordingly. We will *fix* credit accordingly. We will never pay the debts for financial debts on speculation, financial derivatives. All the debt related to financial derivatives, to speculation, must simply be cancelled as a part of general bankruptcy. Honest debt, where somebody has paid actually for something they have received directly, that’s an honest debt. All other kinds of debt, forget it! It’s a general bankruptcy, and the last debt never gets paid—and the last is going to be the person in the derivatives line.

So, we just can wipe out most of these financial problems, by saying, “We’re never going to pay them anyway. These debts are cancelled. And debts of countries that can’t afford to pay, or never could, their debts are cancelled, too.”

And then, we come up with a standard. But the standard has to be the sense of the *composition of consumption* required for a decent standard of living, assured over the coming two generations, for every part of this planet. Hmm? Then the technology of meeting this demand, by pooling scientific technologies, scientific progress, in a way that, in two gen-

erations, we can say, “We will meet that standard within two generations.”

Get Rid of Bush and Cheney

The other thing—the leadership: My United States, we can hope, that we will get rid of Bush, get rid of Cheney; get rid of the neo-conservatives; get rid of the Mont Pelerin Society freaks in every part of the world, including Germany—including from the *Frankfurter Allgemeine Zeitung*, where there’s a big nest of these creatures. And we will proceed. We will proceed. And we can make this world a better world.

But, we should not let the obstacles get in our way. The biggest obstacles we have, are the fact of our lack of imagination, our lack of accepting challenges, our compromising [interrupted by applause]—.

So, my intent is to get the United States, to get my country, to dump the two pieces of rubbish, called the Vice President and President—I meant, the psychopath and the sociopath must go! We will get ourselves a new President by the usual process, Constitutional process now provided. Lame-brains are impeached, because *they are not competent*. We don’t impeach people because they committed crimes—that’s a good reason to impeach them. But the reason to impeach a high official of government, a President of a country, *is for incompetence!* And when you find they’re incompetent, you get rid of them! And we’ve got two of the most incompetent men on the planet occupying those positions.

If we get rid of those, with what I see from my colleagues in the Senate, and some of the institutions of the United States’ Executive branch now—what I see among those people, if we do this job, if we clean that White House out of its rats, we will have an affirmation—which we have now in the Democratic Party leadership. The Democratic Party has been changed during the past year, 2004, from the party which was against Franklin Roosevelt, to the party which is pro-Franklin Roosevelt. We are going back to a Franklin Roosevelt tradition in the United States. We will, therefore, provide the leadership with everything we have in terms of power and influence, to *ensure* that leading and willing nations of this planet come into agreement, and begin to cooperate, for our mutual benefit. Then, all these conferences we want, all these negotiations we want, *will happen*.

But, I’m committed to getting my country, to get kick the bums, kick the rubbish out. Get ourselves a new President. In the meantime, let the Senate take the leadership, and if we get something in that order, I think that we will be *so relieved* in the United States, at having rid ourselves of these diseases, this rubbish, this obscene sex show, that we will proceed to do something right, just to make ourselves feel better.

And our friends in China will cooperate with this, and they’ll get our cooperation, on discussing this whole thing, and remembering we don’t have to fight about it. We’ll discuss it.

Dr. Song Hong

China’s Role in The World Economy

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The Chinese economy grew 9.5% in 2004, and maintained the momentum of the previous several years. China’s international trade hit a new record, reaching \$1,154.79 billion; the annual growth rate is 35.7%, and for the first time in the history, China replaced Japan as the world’s No. 3 trader, only after the U.S.A. and Germany. Three years after accession to the World Trade Organization (WTO), the scale of China’s international trade doubled; and in the last decade, China’s international trade quadrupled. This growth rate is really impressive.

As far as the inflow of Foreign Direct Investment (FDI) is concerned, the performance of China is also outstanding. In the year 2002, the inflow of FDI in China was more than \$50 billion, that is, \$52.7 billion; in 2004, the inflow of FDI in China was \$60.63 billion.

The performance of the Chinese economy in 2004 was not exceptional in terms of growth rate. In fact, in the last few years, while the world economy has been in recession, the Chinese economy has been growing very fast. For example, from 2000 to 2003, while the growth rate of the world economy was 2.5%, 2%, 3.0%, and 3.9%, respectively, China’s economic growth rate was more than 7.3%. While the growth rate of the value term of world trade was 13%, -4%, 4%, and 16%, respectively, the growth rate of China was 32%, 7.5%, 22%, and 37.1%. During the same period, after the world inflow of FDI hit its peak in 2000, amounting to \$1,388 billion, it suffered in the next three years: in 2001 it was \$817.6 billion, in 2002 it was \$678.6 billion, and in 2003 it reached \$559.6 billion. But the situation in China is totally different. The inflow of FDI in China was \$40.7 billion in 2000, \$46.8 billion in 2001, \$52.7 billion in 2002, and \$53.5 billion in 2003. Why is China’s economic performance so outstanding; what is the mechanism of China’s economic connection with the world economy; and what are the implications of China’s economic development?



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