

Germany and China sign agreements for development of infrastructure

by Rainer Apel

Chinese Prime Minister Li Peng led a 150-person delegation of top business leaders to Germany at the beginning of July, where they signed \$3.5 billion in contracts and letters of intent, and broad-ranging cooperation agreements, during a five-day tour.

The agreements signed could contribute decisively to allowing the mainland Chinese economy to overcome its chronic problems, the heritage of the Maoist era, and could lead the country out of its current chaos into an era of reconstruction. Certainly the massacre of Chinese students at Tiananmen Square five years ago is not forgotten. But it is still necessary to draw China into the development of a modern Eurasian infrastructure, to prevent the collapse of this immense country. It is only under such conditions that it will be possible to assert human rights in China.

No one can ignore the fact that the internal situation on the Chinese mainland has hardly improved since the demonstrations and the massacre in 1989. But it is also questionable whether the protests against Li Peng's visit in Berlin and Weimar (which led to clashes with the police), as justified as they are, actually help to change the situation, particularly when these protests are voiced by people who care nothing for contacts with the real opposition in China, who are the ones most interested in economic development there. Instead, those who protested against Li Peng merely exploited what is indeed a weak flank in Chancellor Helmut Kohl's China policy—its purely technical and pragmatic aspect, and the fact that it ignores the Chinese opposition—as an electioneering gimmick.

Energy and transportation

The chief problems of the mainland Chinese economy are a chronic scarcity of energy and a miserably inadequate transportation infrastructure. Most of the Chinese railroad capacities are tied up in transporting coal, and the collapse of the older sections of track and engines, in which the Chinese have hardly invested at all for many years, cuts growing sectors of industry in the south of the country off from coal supplies. This has led to the absurd situation where coal-burning power plants in the south supply themselves with imported coal from Australia, because they cannot afford to wait for months for supplies from the north of China.

Since there are only three nuclear power plants in the

country, nuclear energy cannot currently fill in the energy gap of the coal power plants. And the single nuclear power plant which the Siemens company is supposed to build in the vicinity of Hangfeng will not significantly improve the supply of energy. Additional contracts for nuclear power plant construction are expected, however.

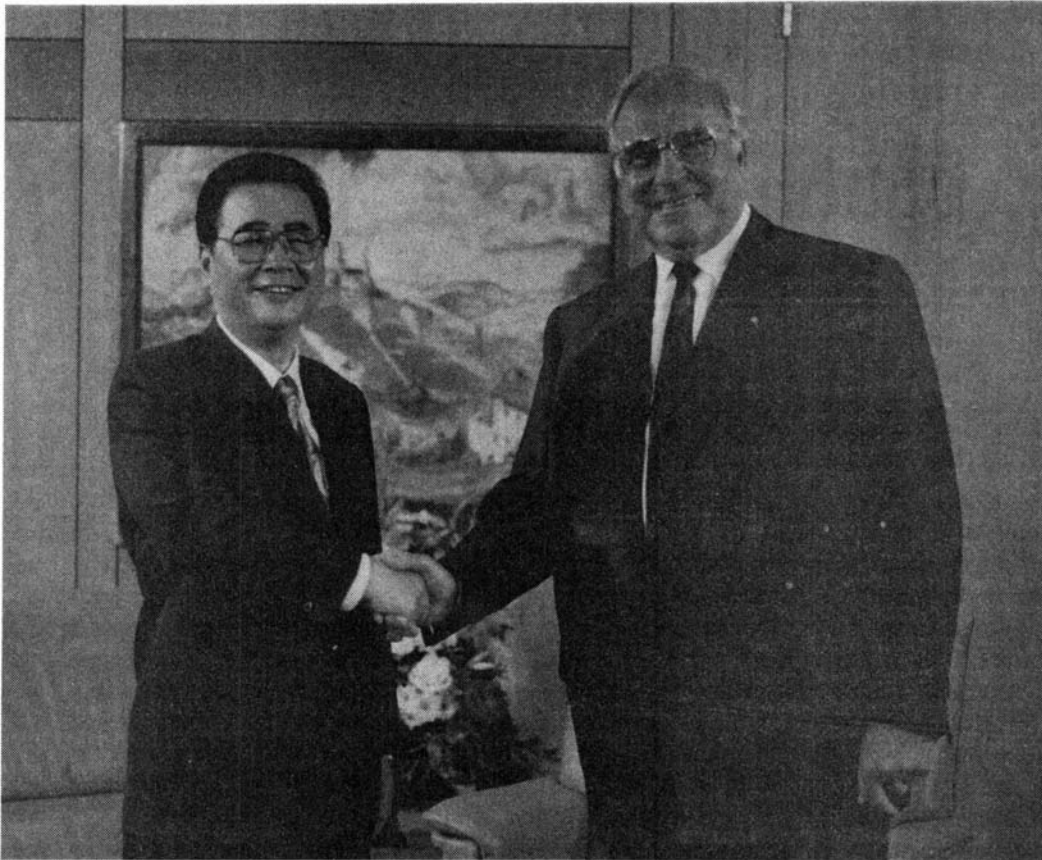
Instead of building additional coal-powered plants, it would be better to exploit the robust and safe German power plant technology, particularly high-temperature reactors, which would allow process-heat technology to better utilize the immense Chinese coal reserves. But German industry should not wait until South Korea, Japan, and even Taiwan—all of these countries are currently researching high-temperature reactor technology—push into the Chinese market in a few years to sell their own reactors.

German-Chinese cooperation in the field of nuclear energy does include construction of production facilities in China for the new generation of very safe containers for used fuel elements. This will not only facilitate waste-disposal from Chinese power plants, it will also supply the growing Asian nuclear power-plant market. Prospects in this area are good because Germany still produces the world's leading nuclear-waste disposal technology.

The seven agreements signed in Bonn are particularly important, given the condition of the Chinese railroad system. One agreement will establish a joint Control Commission of government and industry representatives of both countries, which will work out proposals for a comprehensive development of transportation and communication infrastructure in the coastal regions of China. Horst Teltchik, board member of BMW and Kohl's former top foreign policy adviser, will chair the committee, along with China's deputy planning chief Ye Qing.

Teltchik said that four projects would be considered over the next 18 months:

- a 2,000-kilometer rail and ferry link between the port of Dalian in northern China to Shanghai, which would later be extended to the southern province of Hainan Island;
- a 600-km rail link from the coal fields south of Beijing to Huanghua;
- new transport and communications infrastructure in the Huangshan region of Anhui province;
- a new international airport in the Pudong Special Eco-



Chinese Prime Minister Li Peng and Chancellor Helmut Kohl in Bonn, July 4, 1994. Their economic accords can pave the way for solid industrial and infrastructural development in China, by contrast with the free-market cheap labor zones that are otherwise being set up in China by western financial interests.

conomic Zone near Shanghai.

Another agreement will establish a German-Chinese Railroad Commission, which will work on the project for a high-speed rail line from Beijing to Shanghai, in addition to the construction and modernization of additional rail lines, and joint projects for construction of railroad stock and engines.

In addition to the perspective of creating many new jobs in the German railroad industry, particularly for the east German DWA, the agreement not only opens the doors for export of the German high-speed train ICE, but also for the Transrapid, the most advanced technology, using magnetic levitation. Spokesmen for Thyssen Industrie AG, the producer of the maglev trains, indicate that there are good chances that this technology will be employed on future Chinese railroad lines. The Chinese have already signalled their interest in this, but this interest would be even greater if there were a freight version of the Transrapid. In view of the enormous transportation distances in China, which sometimes run thousands of kilometers for bulk freight transport, the magnetic levitation technology would be an optimal solution.

Credits for production

Agreements reached up to now, comprising a volume of some DM 6 billion (\$3.7 billion), have been far more generous than the Bonn government has been toward Russia and

eastern European nations. Many of the contracts with China have been granted the coveted Hermes export credit guarantees, and there are also plans to extend this to cheapened credits, via an agreement between the German Credit Institution for Reconstruction and the Bank of China. This represents a strategic political decision in the area of financial credits for the deals with China, which is long overdue, in cooperation with Russia and eastern Europe. The most appropriate means to that end would be the establishment of an investment bank operating on new principles, to finance larger infrastructural and industrial projects in the East and Far East with long-term credits at low interest rates.

Under the condition that the German-Chinese planned projects lead to creating a large number of highly skilled and suitably paid jobs in China itself, the current agreements are a welcome sign. If Chinese productive capacities are developed and channeled in a more stable direction than is now occurring with the unbalanced Special Economic Zones, so that economic development actually benefits the Chinese population, then we will see an improvement of the conditions of human rights for China's citizens.

This would also be in line with the ideas advanced by the great Chinese reformer Sun Yat-sen at the beginning of the century, before British intrigues paved the way for Mao Zedong and the communists to seize power.