

years ago. . . . The monetary reform had to be accompanied with necessary changes for the country. Immediately after defeating inflation, the government had to change the whole administration and fiscal machinery. Instead, [President] Cardoso dealt for one whole year only with the constitutional reform that ensured his re-election. And we ended up in the arms of international financial capital.

“We totally sold out. . . . We gave away half of our productive system thanks to privatizations. Well, what happened? Today we must go with hat in hand, to Washington, to beg money from the IMF. The whole world knows that the IMF advises only recessive policies and that its orthodoxy leads to poverty. . . . I cannot starve my people, or suspend stipends to my employees, in order not to collapse stock exchanges abroad. . . . I say that when you transfer sovereignty over your productive system to the international financial system, this must happen.”

Asked what was his alternative to the devaluation of the real, Franco replied, “I have an idea on the subject, but I prefer to wait and see.”

As for Mexican President Ernesto Zedillo’s public attack on Franco’s declaration of a debt moratorium, Franco fired back: “Zedillo does not even know where Minas Gerais is and not even where Latin America is, although he declares himself to be part of it.”

## China to U.S.: Help us build infrastructure

by Richard Freeman

In early January, the U.S. Commerce Department announced that Commerce Secretary William Daley will lead a multi-agency mission to China and Hong Kong on March 14-20, following a business mission to South Korea on March 10-13. The mission will follow up on initiatives for U.S. industry to participate in building infrastructure in China that were developed at the 12th annual meeting of the Sino-U.S. Joint Commission on Commerce and Trade, held on Dec. 17-18 in Washington, D.C. The principals at that meeting were Chinese Minister of Foreign Trade and Economic Cooperation Shi Guangsheng, and Commerce Secretary Daley.

On Dec. 22, Yu Shuning, Minister-Counselor for Press Affairs from the Chinese Embassy in Washington, presented the results of this joint Sino-U.S. Commission. Yu stated, “The Chinese delegation provided the U.S. side with three lists of major projects to provide opportunities for the U.S. business community to compete on the Chinese market.

“The first two lists comprise 28 projects in infrastructure and 10 technical renovation projects, which will be undertaken this year [1998] and in 1999. The amount of these 38 projects is about \$20 billion.

“Secondly, the third list comprises 25 sectors, areas for cooperation between the two sides in the period from 1998 through 2005. The value of these projects is estimated at U.S. \$600 billion.

“And finally, we told the U.S. side that in this period, from 1998 through 2005, China will import equipment, technologies, and products worth U.S. \$1.5 trillion.

“So, there are plenty of opportunities for the U.S. corporations to compete on the Chinese market on a fair basis. We say to address the issue, joint efforts are necessary.”

### An alliance for development

The Daley mission to China, following up on the proposals of the 12th annual meeting of the Sino-U.S. Joint Commission on Commerce and Trade, represents a ray of hope that the United States will develop a foreign and economic strategy that strengthens a development alliance with China, Russia, and India, for the Eurasian Land-Bridge and other great infrastructure projects, and away from its current ill-fated alliance with the monetarist, speculative Casino Mondiale schemes of the London financier oligarchy.

## So, You Wish To Learn All About Economics?

by Lyndon H. LaRouche, Jr.

A text on elementary mathematical economics, by the world’s leading economist. Find out why *EIR* was right, when everyone else was wrong.

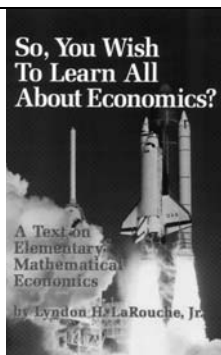
Order from:

**Ben Franklin Booksellers, Inc.**

P.O. Box 1707 Leesburg, VA 20177

**\$10** (703) 777-3661 Call toll free 1-800-453-4108  
fax (703) 777-8287

plus shipping (\$1.50 for first book, \$.50 for each additional book).  
Bulk rates available. Information on bulk rates and videotape available on request.



The three Chinese lists are quite broad, and cover an array of hard infrastructure projects. These are presented in **Figure 1**. Among those on the first of the three lists, entitled "Projects Inviting U.S. Companies to Bid," are 28 projects which China has either started in 1998 or will start in 1999, and will likely complete by the end of this year. They include eight power projects, including the Qangqu Power Plant in Shanxi Province, the Fuyang Power Plant in Anhui Province, and the Hancheng Power Plant in Shaanxi Province. The list also includes nine projects entitled "environmental protection," which are plants for clean water provision, sewage treatment, and gas utilization, such as the Zhangjiu River Water Diversion and Supply Project, and urban environment, water supply, drainage, and garbage treatment projects in Chongqing. List No. 1 also includes three chemical fertilizer plant projects and eight transport projects. The latter includes regional air traffic control centers in Beijing, Shanghai, and Guangzhou, and the Hangzhou-Quzhou Expressway project of the Shanghai-Ruili National Highway.

List two consists of 10 "technology transformation and renovation projects." These include a project for technological transformation of an electrolyzed copper and aluminum production line with annual output of 50,000 tons in Gansu Province, and a cycloresin facilities production line with annual output of 20,000 tons, in Heilongjiang Province.

The projects on lists one and two have a combined value of about \$20 billion.

The third list is composed of 25 projects that will be constructed in China between 1998 and the year 2005. It consists of everything from a 600 megawatt supercritical and cooling thermal power generator, to technology for shallow-sea oil drilling and exploitation. These projects have a combined value of \$600 billion. Finally, as Minister-Counselor Yu indicated, between 1998 and the year 2005, the Chinese will need to purchase \$1.5 trillion in capital goods such as machine tools, and other technology, to build the infrastructure projects listed, as well as others that the Chinese are working on.

U.S. companies will have to bid on these projects, along with companies from other countries, but still there is an enormous amount of business to go around.

Speaking at a Dec. 18 press conference after the Sino-U.S. Joint Commission meeting, Commerce Secretary Daley asked that the Chinese also open up domestically funded infrastructure projects to participation by foreign companies, because the above lists consist largely of foreign-funded infrastructure projects.

### **Solving the U.S. trade deficit**

The meeting of the Sino-U.S. Joint Commission, and the lists, represent a rational way to deal with the growing U.S. trade deficit with China. In 1990, the U.S. trade deficit with China was \$10.4 billion; in 1998, the Commerce Department estimates, it was \$58 billion. Moreover, for the first 10 months

of 1998, Chinese exports to the United States, at \$59.5 billion, were five times the size of U.S. exports to China, at \$11.6 billion.

In response to a question about U.S. government restrictions and controls on the shipment of certain categories of U.S. high-technology exports to China at his Dec. 22 press conference, Minister-Counselor Yu called for a "loosening of the U.S. controls," and said that high-technology products are "the strong point for the U.S. economy." He continued, "We are strong in labor-intensive products like toys, shoes, garments, small electric appliances [which are a large part of the Chinese trade surplus with the United States], for which the U.S. could not compete, because the U.S. does not produce these things." Notwithstanding that the United States does produce some of these goods, Yu's point is absolutely correct. Since the Chinese export a large volume of the type of goods that Yu spoke of to the United States, therefore, the Chinese are deliberately trying to arrange for the United States to ship a large volume of high-technology goods, like transmission lines, advanced machine tools, and infrastructure-related and other goods to China, for use in its industrialization process. Through such state-to-state intervention, the Chinese are trying to defuse the trade issue by reducing the Chinese trade surplus with the United States in a rational manner.

Such infrastructure and related trade projects in China could add \$100-200 billion of high-technology physical goods to the order books of failing U.S. manufacturing companies over the next 10 years, and provide employment for tens of thousands of manufacturing workers.

Second, through the Sino-U.S. Joint Commission and the shopping lists that the Chinese presented to the United States, Beijing, it would appear, is trying to bring the United States into the geometry of the Eurasian Land-Bridge. This does not suggest that even a significant minority of the infrastructure projects that the Chinese presented are in the Land-Bridge corridors per se, but rather, that the geometry the Chinese are attempting to bring the United States into is one in which the Eurasian Land-Bridge and other large-scale infrastructure and high-technology development projects worldwide are the basis for alliances among countries, and for constructing a new economic and financial system. This would be a break with America's current alliance with the speculative manipulators of London.

### **The Cox committee**

The work of the United States and China on trade seeks to undo the damage that Rep. Christopher Cox (R-Calif.) is doing through the House Select Committee on U.S. National Security and Military/Commercial Concerns with the People's Republic of China, which he chairs. On Dec. 30, Cox told the press that his committee had completed a classified report containing allegations that the Chinese military has benefitted from U.S. technology, and that Clinton's policy has "harmed U.S. national security." Cox, and other neo-

FIGURE 1

### China offers projects for foreign participation



conservative outlets, have targetted U.S.-China space cooperation, in particular alleging that U.S. commercial use of the Chinese Long March rocket for commercial satellite launches, and U.S. government assistance to China on quality-control for the Long March program, which the United States undertook after a series of Chinese rocket launch failures, constituted transfer of sensitive military-related technology.

The Cox operation is broadly meant to diminish high-technology goods sales to China, not just in the aerospace field, but across the board, pushing America in the wrong direction.

### The Daley mission

Commerce Secretary Daley's trip to China and Hong Kong will expand upon the positive infrastructure initiatives outlined by the Sino-U.S. Joint Commission in Washington in December. The Daley trip had been planned as part of the Presidential summit between U.S. President Clinton and Chinese President Jiang Zemin held in China last June. The Daley mission, according to the U.S. Commerce Department, will feature a business contingent of "large, medium, and small firms representing sectors such as . . . information technologies, power generation, oil and gas exploration and downstream development, construction including residential

---

## Key to Figure 1

### Power projects:

1. Wangqu Power Plant, Shaanxi Province
2. Fuyang Power Plant, Anhui Province
3. Hancheng Power Plant, Shanxi Province
4. Leiyang Power Plant Phase II, Hunan Province
5. Zhanghewan Pumped Storage Power Plant, Hebei Province (not shown)
6. Tai'an Pumped Storage Power Plant, Shandong Province
7. Zipingpu Key Water Control Project, Sichuan Province
8. Baise Key Water Control Project, Guangxi Province

### Environmental protection:

9. Water Supply and Environmental Protection in Tangshan, Shijianzhuang, Handan, and Qinhuangdao, in Hebei Province
10. Urban environment, water supply, drainage, Chongqing, Sichuan Province
11. Five Cities' Construction and Environmental Protection, Sichuan Province
12. Zhangjiu River Water Diversion and Supply Project
13. Fengshouba Water Plant Phase I, Chongqing
14. Sewage Treatment Works, Tianjin
15. No. 10 Water Source Plant, Beijing
16. Town Gas Project, Taiyuan, Shanxi Province
17. Gas Utilization Project, Yangquan, Shanxi Province

### Chemical fertilizer:

18. Guizhou Phosphate Ammonia Project
19. Yunnan Phosphate Ammonia Project
20. Hainan Chemical Fertilizer Project (not shown)

### Transport:

21. Relocation of Baiyun International Airport in Guangzhou
22. Regional Air Traffic Control Centers in Beijing, Shanghai, and Guangzhou (not shown)
23. Chongqing-Zhanjiang National Expressway
24. Shanghai-Chengdu National Expressway
25. Shanxi Qi County-Linfen Expressway project of Erlianhoate-Hekou National Expressway
26. Beijing-Zhuhai National Highway
27. Nanning-Youyiguan highway project of Hengyang-Kunming National Highway
28. Hangzhou-Quzhou Expressway project of Shanghai-Ruili National Highway

### Technology transformation and renovation projects:

29. Improvement of blast furnace, vacuum negative pressure casting production line, Jilin Province
30. Offset printing newspaper, annual output of 170,000 tons, Heilongjiang Province
31. Kraft board and paper, annual output of 170,000 tons, Heilongjiang Province
32. Electrolyzed copper and aluminum production line, annual output of 50,000 tons, Gansu Province
33. High-grade white cardboard production line, Shanxi Province
34. Cycloresin facilities production line, annual output of 20,000 tons, Heilongjiang Province
35. Aluminum alloy high-precision plates system, Heilongjiang Province
36. Cement clicker, daily output of 2,000 tons, Heilongjiang Province
37. Weld steel pipe for boilers production line, annual output of 60,000 tons, Heilongjiang Province
38. Bisphenol A production, annual output of 20,000 tons, Heilongjiang Province

---

dwellings, environment, transportation, and engineering and financial services in support of efforts to involve more U.S. companies in China's infrastructure development." Cabinet and senior officials in Washington who are involved in infrastructure will participate in the mission. They will visit infrastructure sites and meet with Chinese ministries responsible for building infrastructure.

In addition, as part of the trip, according to a Commerce Department briefing paper, Daley will go to Hong Kong, where "he will . . . urge selection of U.S. firms for Hong Kong's infrastructure efforts with \$30 billion in projects to be developed over the next five years."

The United States has posted a full-time U.S. trade finance officer connected with the U.S. Export-Import Bank, in Beijing, and the United States plans to have an Ex-Im representative in Shanghai soon. This will upgrade the U.S. commercial presence in China substantially, as well as provide U.S. companies with an interface with the Chinese government.

According to an Oct. 2, 1998 Ex-Im Bank press release, China is now the bank's largest market, surpassing Mexico for the first time, with an Ex-Im Bank exposure of \$5.8 billion. This represents nearly one-third of all Ex-Im Bank exposure worldwide.