Romanian President Emil Constantinescu has put a priority on development of the Eurasian corridors, but he is under heavy pressure from the International Monetary Fund.

approval of a 2000 budget, consistent with the parameters of the program, is a prior action for consideration of the review by the Executive Board of the International Monetary Fund." It is self-evident that the lack of IMF approval, and a halt in the stand-by credit agreement, would mean the total economic and financial isolation of Romania.

Under the sword of the IMF, the government and the parliament feel they have no alternative but to impose more austerity. In presenting the economic perspective for 2000, Prime Minister Mugur Isarescu said that "this year also remains one of austerity." Some of the conditions demanded by the IMF include: an inflation rate of no more than 27%; control of fiscal and foreign payment balance; fiscal reform which should include the application of a unique value added tax of 19%, affecting immediately primary foodstuffs; a reduction of the capital gains tax, and the elimination of tax exemptions for some industrial sectors (because it is seen as the cause of corruption); and drastic budget cuts to keep the budget deficit under 3% of GDP. (The latter is to fulfill one of the Maastricht Treaty requirements for European Union members, and is supposed to prove Romania's desire to be part of the European club some time in the future.)

The government is indicating some of the measures it will impose to cut spending: decreased salaries, cuts in personnel expenses, and more layoffs—in the public sector; 60,000 in the education system; 23,000 in the Interior Ministry; and 25,000 in the Defense Ministry have been already announced. Subsidies will be cut: "To the end of strengthening fiscal discipline the government will drastically restrict direct financing from public sources of a number of enterprises . . . [and] curb budget subsidies to mining by another 25% in 2000."

Starting in 1997, the restructuring of the mining sector has resulted in the shutdown of 162 allegedly non-viable mines. While in 1997 the mining industry had 176,000 jobs, at the end of 1999 there were only 68,000. Clearly, the Romanian mining sector functioned with an extremely low efficiency and with obsolete technology, but the "IMF restructuring" means simply shutting down the mines, increasing unemployment, without any perspective for the future.

To fight inflation, the program foresees the removal of rail subsidies, and the same for electricity. The other big IMF demand, which continues to be reflected in the government program, is privatization. The commitment this year is to privatize 3,000 state-controlled firms, or firms with state participation, beginning with strategic sectors such as energy and transportation. Romania has large oil and gas production, and a well-functioning system of ports, pipelines, and other transportation systems, and the big international monopolies are ready to buy up whole sectors at heavily discounted prices. (For example, at the end of December 1999, the national currency, the leu, lost 67% compared to the dollar just in one year.)

Except for a few people, the majority of Romanians know that the IMF is pretending to cure a very sick patient—with poison. But, they feel too weak and alone to resist. This is why the battle for a New Bretton Woods financial system is being followed very closely by the political and economic leaders of the country.

Conference Report

Bucharest meet takes up plans for New Silk Road

by Ulf Sandmark

The Romanian government is using the concept of the Silk Road as a working tool in its effort to pull the country out of its dramatic economic collapse, and to participate in defining broader economic strategies for the future. On April 3-5, the capital of Bucharest hosted an International Transport Conference, with the participation of more than 200 Romanian and international experts on building development corridors across the Eurasian continent. Among the speakers, Paolo

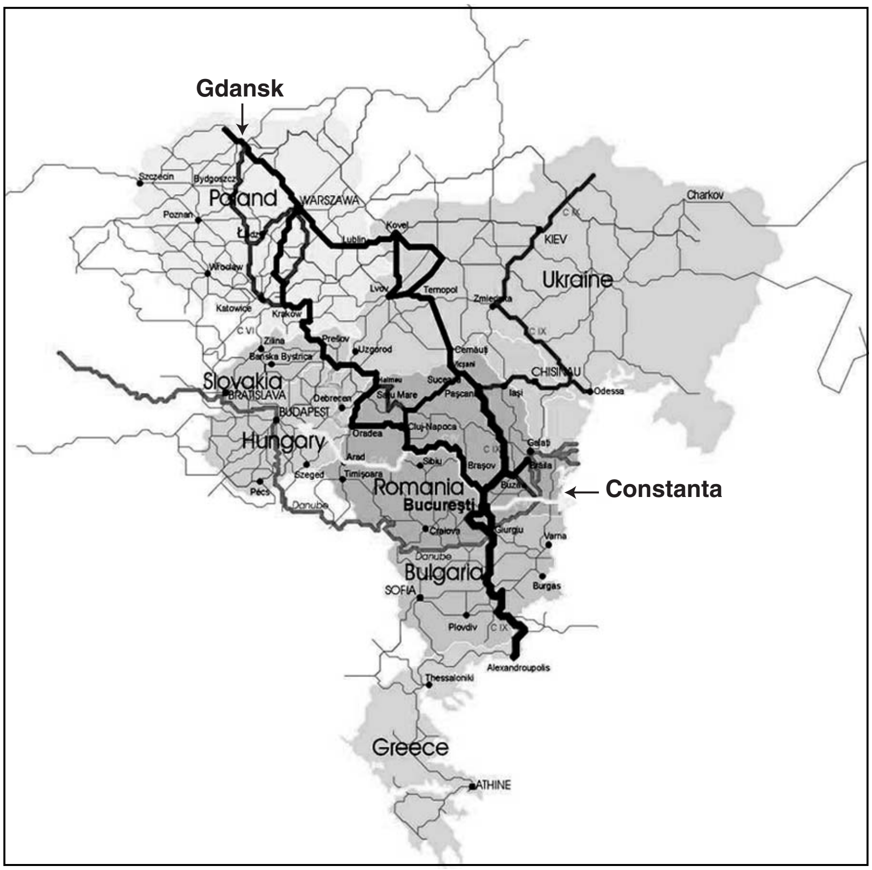
Raimondi from *EIR*'s European headquarters in Wiesbaden, Germany, was invited to address the theme "Balkan Reconstruction in the Context of the Eurasian Land-Bridge: The Way Out of the Global Financial Crash," and to present Lyndon H. LaRouche, Jr.'s proposal for a New Bretton Woods global financial system.

Under the leadership of Romanian President Emil Constantinescu, infrastructure and oil pipeline development have become a national priority. Addressing the conference, he said: "Romania has to intensify its efforts for modernization of its infrastructure to capitalize on its geostrategic potential and position, and to become a pillar of stability among the Central and Eastern European countries."

Romania is in the middle of Europe, measuring between Portugal on the Atlantic and the Ural Mountains in Russia. Also, as part of the Balkans, it is situated in southeastern Europe, on the crossroads between Europe and the Middle East, South Asia, and Africa. Through the country, traverse both a major north-south corridor and an east-west corridor (see **Figures 1** and **2,** respectively). With the support of the President, who is a geologist, an organization was founded, called "Romania at the Crossroads," to study the potential trade patterns in the corridors and propose new infrastructure for the country from the standpoint of its role in global trade. "Romania at the Crossroads" is organized as a non-governmental organization, whose members include Romania's leading state and private transport organizations, as well as Italian, French, British, and U.S. transport- and construction-related companies. It is headed by Presidential adviser Dr. Dan Capatina, a leading seismic engineering expert, who also advises President Constantinescu on energy and oil.

At the Bucharest conference, Transport Minister Traian Basescu put out a call for "retaking the Silk Road," saying, "The European links to the Asian corridors are not being implemented," and expressing the importance of using the Black Sea, where Romania has a major port at Constanta, to fill in the missing link along the Silk Road. "The port of Constanta can become a port for linking up to all the European networks," he said. In early September 1998, some 30 countries participated in a conference on international infrastructure in Baku, the capital of Azerbaijan, and a Caspian seaport. Since the Baku conference, the European Union, and nations

FIGURE 1



The corridor from Gdansk, Poland to Constanta, Romania can follow existing roads and railways. The roads are almost along a straight line, but the rail lines detour through Ukraine. Differing guages and electricity systems demand considerable investments to open up rail transport along the proposed new Corridor XI.

FIGURE 2

Paolo Raimondi from EIR *speaking at the April 3-5 International Transport Conference in Bucharest.*

around the Black Sea, in the Caucasus, and in Central Asia have had an agreement to establish a transport corridor along the Europe-Caucasus-Central Asia routes in order to facilitate economic cooperation and trade, as well as regional stability.

The Black and the Caspian Seas are conceived of as means to leap the Silk Road project forward. New ferry routes are being developed to bring trucks and trains to Black Sea harbors in Turkey, Georgia, and Russia. From there, the trucks travel on to the Caspian Sea, whence they can be ferried across to various Central Asian countries. Harbor improvements, agreements, cost incentives, cooperation, and other measures make the transit on the new ferry routes easier. A railway agreement has opened transport from Constanta to the port of Samsun, Turkey, and via Turkish and Iranian rail, directly to Tehran, which will greatly facilitate transport for the 30,000 trucks and containers that go from Iran into Europe every year. The new sea routes cost half as much as overland transport, and circumvent delays at customs at border crossings along the way.

Constanta: 'Rotterdam in the East'

The main European artery for east-west transport is the Rhine-Main-Danube waterway, starting on the Atlantic in Rotterdam and ending in Constanta, on the Black Sea. Within the European Union TRASECA program to develop transport infrastructure in eastern Europe, this has been labelled Transport Corridor No. VII. The Constanta harbor, at one time the place where world grain prices were set, is where many different transport modes meet—sea, river, road, rail, oil pipeline, and air. The importance of the harbor depends on the capacity to flexibly handle different transport modes, called intermodal flexibility, to service the upstream territories.

The South Koreans have chosen Constanta as their entry point into Europe for importing goods from Asia, and South Korea's Daewoo automaker has taken over the Oltcit factory in Craiova and now builds its cars for Europe there.

The Danube has been blocked to barge traffic where the Serbian bridges were bombed last year, and the wreckage has never been cleared. There is some traffic, via small canals that can bypass those bridges, but cargo must be offloaded from Danube barges onto much smaller ones. The reconstruction of the Danube bridges will make modernization of the river transport possible, as a new standard for larger river barges can be undertaken, and would bring the barges on the Danube up to the same standard as on the Rhine. From the Danube, the barges could then enter the Black Sea, and from there have access to the rivers in Ukraine and Russia.

Past the Iron Gates II, the Danube flows into the flatlands in Romania, where the river becomes very shallow. It is deep enough for international fluvial navigation, up to a draft of 2.5 meters, but, in the summer, the Danube has to be closed to transport on average for 50 days a year. Dredging is needed to keep the river open. Civil engineers Gheorghe Luca and Constantin Draghicescu presented a long-overdue project to build dams at two places that would raise the water level. The dams would pay for themselves, because they would also be used to produce electrical power, and to provide gravity-fed irrigation for 114,000 hectares of farmland. A road and rail connection could also be built on both dams. The dams would raise the water level to 6-7 meters, deep enough to allow seagoing ships into several inland harbors along the Danube. With some changes at the present locks at the Iron Gates, oceangoing vessels could go all the way up to Belgrade, Serbia. The estimated costs for the dam projects are $7 billion, and construction time is ten years, with a workforce of 60,000—who are currently for the most part unemployed.

The road and rail corridors

Romania is now receiving greater Western interest, after being almost ignored up to 1997. The blockade against Serbia and the destruction of its Danube bridges has pushed European traffic to the Middle East into Romanian territory. The European Union (EU) has just decided to finance a second bridge between Romania and Bulgaria, and also the connecting road and rail line.

Bucharest has seized the opportunity offered by the EU interest and quickly come to an agreement with Bulgaria over the new bridge over the Danube at Calafat-Vidin. The position of the bridge routes transport through the Bulgarian capital, Sofia. It will have very little impact on Romania, since the route will skim one corner, but it will open up transport through a very distressed mining area. Another east-west branch from TRASECA Corridor No. IV goes right through Romania down to Constanta. TRASECA's main north-south link is Corridor IX, going from from St. Petersburg, Moscow and Kiev, Ukraine through eastern Romania down to Thessaloniki in Grecce.

Because of the interest from the EU, there is some money for upgrading these corridors coming in, including for building a highway east of Bucharest down to the Black Sea. Construction on this highway had stopped 1997, when the economic crisis hit Romania. Inflation made it impossible to continue many projects, which now stand half-completed all over the country. Since 1993, the government, with some support from abroad, has rehabilitated 10% of the national road network, at a cost of $1.5 billion. Engineering consultant Michail Stanciu, president of Search Corporation, pointed out that, at such an incredibly slow pace, "we are looking at rehabilitation of the entire national road network in about 78 years." Notwithstanding, in the interim, even the new and rehabilitated roads would need repair every ten years. In addition to repair of the national roadways, local and county roads—in total, four times as long as the national roads—are in need of repair; repair of the 3,000 road bridges has become urgent. Romania also requires construction of new highways that can carry high volumes of traffic at higher speeds. Since 1989, traffic volume has increased threefold, and the weight of vehicles and loads have also increased.

The rail system is much more advanced, but is totally insufficient to handle the transit traffic in the corridors. Some railway improvement will also be financed by the EU, but the main efforts over the last eight years have been carried out by the Romanian state. A new signal system has been implemented on all main routes, a technological leap that has created an optical fiber signal network, which will also be used by the telecommunications company for computers. New locomotives and rail cars have been purchased, as has equipment for automated railway upgrading and repair.

A new European Corridor

The analysis by "Romania at the Crossroads" has revealed a gap in the middle of the Pan-European Corridor systems. In his presentation, Dr. Capatina started out from the axioms of the Trans-European Network (TEN) and TRASECA programs, as providing the links from the old Iron Curtain in Europe. The links stretched eastwards to St. Petersburg, Moscow, Kiev, and Istanbul, leaving a whole area from the Baltic Sea to the Black and Mediterranean Seas uncovered (see accompanying interview).

A north-south connection between the Black Sea and the Caspian would open up vast territories for development. Dr. Capatina therefore suggested a new Corridor, No. XI, extending from the Polish Baltic port of Gdansk, south through Poland, Ukraine, and Romania, to Constanta, and then farther on through Bulgaria to Istanbul in Turkey (see **Figure 3**). This is the old eastern Ambra way, and the old Polish-Turkish trade route linking the Baltic with the Black Sea and the Medi-

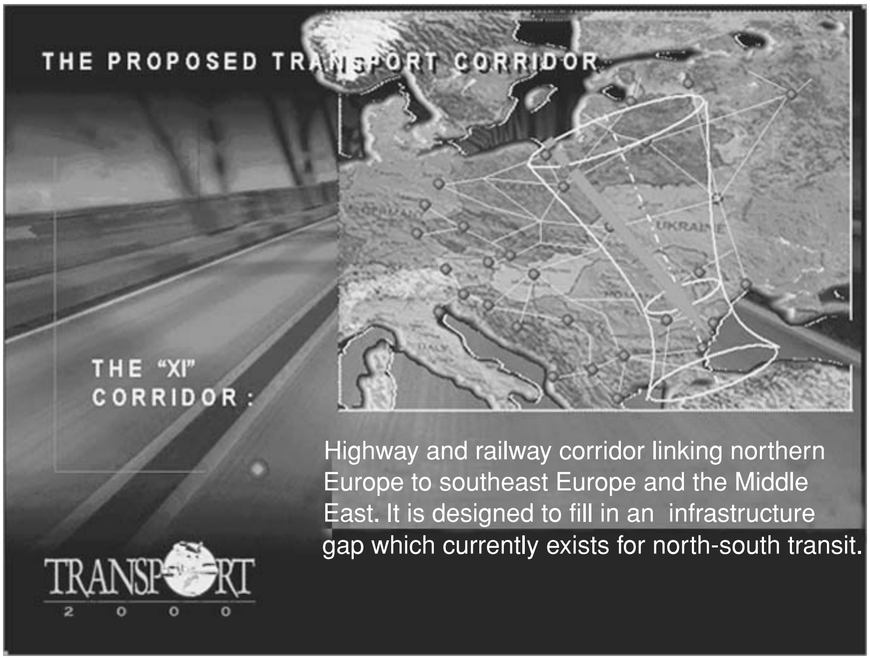
EIR's Raimondi covered in Romania's 'Economistul'

On April 12, the Romanian economic daily *Economistul* published the full text of the speech delivered by Paolo Raimondi of *EIR* at the Bucharest April 3-5 International Conference on Transportation.

Economistul is published in Bucharest, and has about 40,000 circulation nationally, including to all economic institutions and everyone involved with economic matters. The paper was founded in June 1990 as a periodical of the General Association of Economists in Romania (AGER), and it was the first economic publication put out after the collapse of communism in December 1989. As an independent, non-governmental daily, *Economistul* goes to the AGER members and also to the Romanian and international business community.

Raimondi's speech, which takes a full page of the paper, is titled "Balkan Reconstruction in the Context of the Eurasian Land-Bridge: The Way Out of the Global Financial Crash." It develops, in particular, Lyndon LaRouche's proposal for a New Bretton Woods global financial system.

FIGURE 3



The negative curved tunnel figure was used by Dr. Dan Capatina to illustrate the proposal for a new Corridor XI in eastern Europe.

terranean. As the corridor goes through the flatlands, bypassing the mountainous area of the Alps and Carpathians to the East, it would be extremely easy to develop.

The shortest route from Gdansk via Warsaw, Lviv, Cernauti, and Bacau to Constanta almost follows a straight line. Along the entire corridor, the highway and railway infrastructure requires only upgrades and repairs. The railways, however, take a major detour in Ukraine, and run into trouble because of different rail gauges and electrical systems.

"The first step to develop the transport corridor," Dr. Capatina said, "is the construction of a highway and railway bridge across the Danube at the city of Braila, where there is now only a ferry boat. Such a bridge would make it possible for the corridor to start to function, but also create an advantageous link for the northern Romanian regions of Moldavia and Transylvania to Constanta. At the local level, such a bridge would bring together the industrial towns Braila and Galati with the farmlands on the Braila River island and the counties on the other side of the river."

Fight for control over oil

The advanced standpoint of analyzing local infrastructure from the geostrategic view, was also applied to the future of oil transport corridors for Europe. The tremendous geopolitical tensions, around the oil deposits in the Caspian Sea and Central Asia, are also present in the Balkans. There is a race among U.S., British, French, Italian, Turkish, and Russian oil companies to take control over (or to block) pipelines, and especially over the Petromidas huge refinery just north of Constanta. There are elements inside the United States, tied to the British, that want to have Central Asian oil transported through Romania, Georgia, Azerbaijan, and Turkey, in order to avoid going through Russia. The Russian oil company Lukoil has bought two of the Romanian refineries. A pipeline crossing the Balkans, starting from the Bulgarian port of Burgas, crossing Macedonia to the Albanian port Vlora on the Mediterranean, will be built. Remember the words of Gen. Sir Michael Jackson, the British Commander of the KFOR troops in Macedonia and Kosovo, who long before this pipeline was decided on, asserted: "We are here because of the oil."

At the Bucharest International Transport Conference, diplomat Sergiu Celac presented the Romanian analysis of the potentials. Already by the year 2005, the oil from Central Asia and the Caspian region coming through Russia's Black Sea port at Novorossisk, will be double the transit capacity that can enter the Mediterranean through the Bosporus Strait by ship. Novorossisk now delivers 40-45 million tons of oil per year from the Russian Urals. The new pipeline from the Tengiz oil fields will, by the year 2004, be bringing 28 million tons per year to Novorossisk, and an additional 67 million tons per year in 2010. In addition, 15 million tons per year will be brought from the new oil fields found by Lukoil offshore in the northern part of the Caspian Sea. In all, the total of 150-155 tons per year will be too much, even if the Bulgarian pipeline is built. Romania therefore expects that a pipeline from Constanta to the Mediterranean Sea will be undertaken.

The oil from Novorossisk would be shuttled in five 150,000-ton tankers across the Black Sea. It then would be pumped out into a pipeline through Romania, via Hungary and Slovenia, to Trieste, Italy. Originally, the plan was to build this pipeline through Serbia, where there is a pipeline, going down to the deep-sea oil harbor close to the Croatian port of Rijeka. Pipelines exist along both routes for about 65% of the route, and would facilitate construction and maintenance. This pipeline, in addition to transit, would supply the market inside Romania, Hungary, Serbia, Croatia, and Slovenia with 22 million tons annually, and provide an additional 15 million tons annually into the European ADRIA, TAL, and AWP pipeline systems. The Romanian refineries' huge overcapacity could add value to the oil transport in this corridor.

Promoting privatization disasters

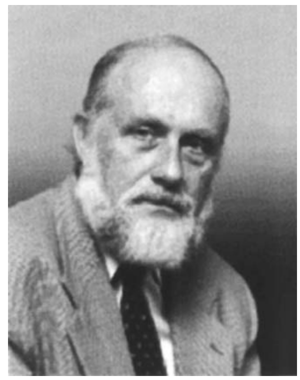
Many of the Western participants in the International Transport Conference were consultants, who promoted the privatization that is being forced upon Romania by the International Monetary Fund, World Bank, and the EU as a condition for membership. Typical of these privatization schemes is the plan by a U.S. company, Search Corp., to make a toll road out of Romania's only highway, that dates back to the communist era. The privatization schemes are another name for looting, and will bring very little investment for developing new infrastructure in Romania. The disasters suffered by the privatized British rail system should be a warning what not to do, not a model to follow. At Bucharest, every speech about privatization of rail, roads, telecommunications, electricity, airports, and air traffic, praised the British models up front.

The consultants, naturally, never explained how the looting functions. Taking the case of a privatized transportation company, most people can understand that so-called cost-efficiency measures and cuts in staffing and maintenance are a way to boost paper profits that line the pockets of the new owners. Those paper profits are then multiplied 10 or 20 times or more, by selling stock in the newly privatized company, with the help of a modern stock market. "Shareholder values" permit profits to be made through brutal cuts in maintenance and basic physical investments. Investments in marketing and putting a premium on the trappings of, say, passenger comfort, becomes a priority. Through the price/earnings ratio of the stocks, which has now soared far above any normal standards, the transport company can now realize huge profits, multiplied by an equal ratio. As the stocks go up, the owners can then pull out, taking far higher legal profits with them, than any embezzler inside the company could dream of. After some five years of privatization and deregulation, without proper maintenance or repairs, the catastrophes inevitably start.

Control and safety inspection are not as needed in a state-owned transport system, because such controls are usually built into the large staffing of these companies. Part of the privatization policy is in the name of attacking bureaucracy, to avoid having new safety inspection systems established to regulate the privatized companies. This is necessary in order to make profits from the privatization looting schemes. In contrast to such shareholder value schemes, *EIR*'s presentation put on table the only way out of the financial stranglehold over all infrastructure investment. Raimondi spoke as part of a panel on "Financing, Legislation, Taxation, and Insurance," along with some of the British privatization experts. He made it clear that all the good projects presented at the conference would never come into being, if no solution were found to the global financial crisis. Only projects directly connected to looting by foreign interests and raw materials extraction would be financed. Raimondi warned about the imminent financial crash and presented LaRouche's proposal for a New Bretton Woods. The chairman of the panel, Brian W. Jardine, from Arent Fox Kintner Plotkin & Kahn, thanked Raimondi "for his sobering speech."

Interview: Dan Capatina

Many ties needed from Atlantic to Pacific



Dr. Capatina, president of "Romania at the Crossroads," the organization which hosted the International Conference on Transport in Bucharest on April 3-5, is an advocate for an economic and trade corridor linking Central Asia and western Europe through Romania. At the final press conference, he commented on the Silk Road. "I, personally, don't understand, when America has so many connections between the Atlantic and the Pacific, why we can't have, here, ten to twelve connections between the Pacific and the Atlantic," he said.

Dr. Capatina was interviewed by Paolo Raimondi and Ulf Sandmark.

EIR: Could you comment on *EIR*'s proposals for a "New Silk Road" and "Paris-Berlin-Vienna: The Productive Triangle?" The latter was presented at a conference in Bucharest in 1992. From the heart of Europe, it would extend development corridors throughout the Eurasian continent.

Capatina: I think one of the opportunities to have an emerging market in the Caucasus and Central Asian area, is the rich amount of raw materials, not only oil, but platinum, and others. It makes it possible to realize here, in the next ten years, a good market. I think it is also possible to develop trade with East Asia, Central Asia, and China. Because the competition is tough, it is very difficult now for our products to penetrate the Western market. In the East, there are many people who are not so wealthy, which means that this market can absorb medium-priced products. Countries like Romania, the Czech Republic, and Poland can see in this direction a good opportunity for trade.

EIR: What are some of the priorities needed to develop the