tration. On March 6, Foreign Minister Tang Jiaxuan gave a press conference in Beijing, in which he called on the United States to realize the "serious dangers" of its policy toward China, especially in relation to Taiwan. "If the U.S. side continues to fail to honor its commitment on the Taiwan question and insists on selling advanced weapons to Taiwan, including particularly the Aegis missile destroyers and the Patriot antimissile defense system, that would send a very wrong signal to the Taiwan authorities, which will encourage a very small number of people—the Taiwan independence elements—to continue to engage in separatist activities," he said.

"The U.S. side should come to the recognition of the serious dangers involved. It should rein in its wild horse right on the side of the precipice."

Vice Prime Minister Qian Qichen, the *éminence grise* of Chinese foreign policy, will be visiting the United States March 18-24, to take up "some issues" standing in the way of better U.S.-Chinese ties. "Provided that the U.S. side takes appropriate steps to approach the Taiwan question, among other issues, Sino-U.S. relations face a future of moving forward," Tang said.

Tang also stressed the "very sound momentum" of Sino-Russian ties. He said that Russian President Vladimir Putin will visit China twice in 2001, and that Chinese President Jiang Zemin will go to Russia, likely in July, to sign a new "Good Neighbor Treaty." China and Russia continue their economic, scientific, and technological—including military—cooperation.

China is also making what Xiang Huaicheng called a "moderate" defense-spending increase of 17.7%, to 141 billion yuan. Xiang called this necessary "to adapt to drastic changes in the military situation of the world and prepare for defense and combat, given the conditions of modern technology, especially high technology."

Foreign Minister Tang also said that "there is the need to modernize national defense and reform the military structure." While the increase seems large, Tang said, China's overall defense budget is the "smallest among major powers in the world," and amounts to a mere 5% of the United States', and just 30% of Japan's. Tang denied the increase had any link with China's opposition to the U.S. National Missile Defense. The increase will go mostly to raising pay for servicemen, and secondly, to "modernize national defense and reform of the military structure."

German Waste Water Helps U.S. Bubble

by Rainer Apel

On March 1, several thousand citizens of Düsseldorf, a big city in western Germany with about 600,000 inhabitants, took to the streets to protest against the planned sale of their city's utilities to private investors. The plan was conceived before the outbreak of the most recent crisis in California's deregulated, privatized energy sector, but the commitment of the Düsseldorf municipal administration to privatize the city's utilities appears the more absurd, as it is being adhered to even after the latest disaster headlines from California.

A crucial role in voicing the Düsseldorf citizens' concern, and collecting 63,000 signatures against the planned sale, has been played by the Civil Rights Movement Solidarity (Bürgerrechtsbewegung Solidarität, or BüSo), the political arm of the LaRouche movement in Germany. This was reflected also in the media, which otherwise prefer not to report at all on the BüSo activities: The day after the protest rally, all the leading news dailies of the region ran pictures showing the BüSo picket signs. For example, the March 2 issue of the Düsseldorf section of Germany's leading mass-circulation newspaper, *Bildzeitung,* carried a picture showing a picket reading: "Privatization of the utilities is theft from 600,000 Düsseldorf citizens—BüSo." The *Westdeutsche Zeitung* daily also showed that picket, and another one by the BüSo, reading, "Privatization is theft," along with picket signs held up by other protesters. *Express,* a regional tabloid, ran its article with a picture showing that picket against privatization, and another one by the BüSo, reading: "No California conditions in Düsseldorf! We want municipal utilities!"

The municipal administration of Düsseldorf rejected the 63,000 petition signatures, but it is forced to hold a regular referendum now, scheduled for May 20—and the law has it that if 90,000 citizens vote against the privatization plan, it is off the agenda for good. That target of 90,000 votes can be reached, because many citizens are very angry and concerned, which has to do with the abrupt awakening transmitted across the Atlantic, by the news from the energy disaster zone in California.

The situation in Düsseldorf sheds light on the advance of deregulation and privatization in German municipalities in general. Under the combined impact of sinking tax revenues, increasing debt, and cuts in federal and state subsidies to the cities, the comptrollers in many German municipalities have signed on to dubious schemes of selling their real estate, utilities, hospitals, and public transportation to private financial

A BüSo demonstration in Düsseldorf against energy deregulation.

groups. In many, if not most cases, these were groups in the United States—usually a company or investor group, and a bigger bank plus the respective law firms handling the deal.

Financial Sharks in the Water

In the case of Düsseldorf, the comptrollers sold two sewage works to an unnamed "U.S. investment fund" in the Spring of 1999, for 700 million deutschemarks (approximately $350 million). The sale was disguised by a complicated "sale-and-lease-back" scheme that gained a special tax-break status with the U.S. Treasury, resulting in "reduction in expenses" for the investment fund. The fund then leased the sewage works back to Düsseldorf, and paid the municipality $10 million in 1999 and another $9.5 million in 2000, as a kind of commission for the benefits derived from that contract. More serious leasing firms in Germany are warning against such sale-and-lease-back contracts, as a hoax that does not bring relief to the lease-holder, but only benefits the lessee. "Financial sharks" is the term used by serious leasing experts, for the people who design such contracts. And that these deals are at the expense of the U.S. taxpayer, is evident anyway: The U.S. Internal Revenue Service launched an initiative in the Spring of 1995, to shut down this tax evasion channel, but the relevant legislation was never passed by Congress.

The real nature of these "leasing" structures is not revealed, however, by looking at the DM 41 million which the Düsseldorf comptrollers extracted from the deal on the sewage works. The question is: What happened to the rest of the DM 700 million which the unknown U.S. investment fund paid for the deal? It did not flow back into the coffers of the Düsseldorf authorities, that is for sure. The money stayed with the banks that arranged the deal: Westdeutsche Landesbank and its partner bankers in the United States. If it was not invested back into the public sector of Düsseldorf, and was not invested in similar projects in the United States, where did the money go?

Most likely, it went into the Wall Street financial bubble. It may have helped some troubled U.S. firms to bridge their acute financial problems, in the same way that Boeing tried to benefit from a sale-and-lease-back arrangement with the northern German region "Altes Land," south of the seaport of Hamburg. There, the municipalities that share ownership in the regional sewage works company AVZ, are presently engaged in negotiating the sale of the company to an unnamed "U.S. financial trust," which would then lease the company back to its former German owners and pay the three municipalities that today are shareholders in AVZ, a "commission" of $1.4 million each. How does Boeing come into this picture? Well, that unidentified "U.S. trust" has another deal going, under which it would gain a substantial tax break from the U.S. Treasury—substantial enough to get the go-ahead for a loan to Boeing that could be financed at very low or no interest at all. Said Ingo Lange, chairman of AVZ, "Actually, it is a deal to refinance Boeing."

There is not one institution in Germany (except the banks that are involved) that keeps a record of such "cross-border leasing" arrangements, particularly the scope at which they redirected funds from public infrastructure into Wall Street. But a handful of independent experts whom this author talked to, would not rule out that $30-40 billion, or even more, has flowed into Wall Street, through such arrangements, since 1997-98: that is, in the wake of the financial breakdown crises in Asia, Russia, and, as the case of Long Term Capital Management shows, Wall Street. If, as these experts believe, several hundred municipalities and regional administrations in Germany have signed on to such sale-and-lease-back deals, this extra capital input into Wall Street was much higher, naturally. Among other dubious arrangements, German sewage works are helping to keep Federal Reserve Chairman Alan Greenspan's bubble alive. It is about time that not only the citizens of Düsseldorf, but also the rest of Germany, and those in the United States, be told the truth.