

Momentum Grows for The Eurasian Corridors

by Rainer Apel

With the Schiller Institute's 40-nation conference in Bad Schwalbach, Germany on May 4-6, serving as a crucial catalyst, the international debate about grand transport infrastructure corridors across the Eurasian land-mass has gained in depth.

For example, in Russia, the Caucasus, and Central Asia, there has hardly been a day without some of the leading media there reporting on new conferences, new projects, and new bilateral diplomatic meetings focussing on the development of infrastructure. Even the German media, usually uninterested in news other than on terrorism from the Caucasus and Central Asia, paid more attention to the economic side of the countries in those regions, and that had to do with the fact that Germany's Foreign Minister, Joschka Fischer, visited three of them—Azerbaijan, Kazakstan, and Uzbekistan—for the first time, on May 20-24. Fischer then travelled to Beijing, for the Asia-Europe Meeting (ASEM) foreign ministers conference, which received an extra Eurasian impulse with the outstanding "New Silk Road" speech by Chinese President Jiang Zemin (see accompanying article).

The ASEM meeting was only the latest of several international conferences that have dealt in great detail with the development of transport infrastructure. In most cases, this involves primarily the restoration of existing or formerly existing railroads, highways, and sea and inland shipping lanes, rather than the construction of new corridors centered around the most modern technologies, such as the maglev train system, as proposed by the Schiller Institute. But, the concept of grand corridors crossing numerous countries along the Eurasian land-mass, is featured prominently in the projects that have recently been discussed in Moscow, Almaty, Tashkent, and other capitals. This lays the ground for the rapid, long-overdue implementation of the newest generations of technology in the next few years, so that existing, traditional technologies can be replaced by more efficient systems.

Rapid-Fire Conferences

Among the international conferences that have taken place in recent weeks, only a few are mentioned here: On March 26-27, the **TransRussia 2001** conference was held in Moscow. Keynotes were delivered by Russian Transport

Minister Sergei Frank and Deputy Russian Railway Minister Alexander Misharin, with special emphasis on rail projects such as the Grand Eurasian Corridor from China to Europe, via Russia's Trans-Siberian Railroad.

A big step forward was then taken with the **Eurasia Trans-Kazakstan 2001** conference, in Almaty, Kazakstan, on April 25-27. Attended by senior officials of the transport and customs authorities of China, Kazakstan, Russia, Belarus, Poland, and Germany, the conference established a coordination council of the respective national institutions. Parallel to this conference, which took place in this form officially for the first time, was an exhibit, "Transit Trans-Kazakstan 2001," which displayed prospects for transportation along the envisaged road-rail corridor from China to Europe.

Presentations at the Almaty conference noted progress on two of the three main Eurasian routes: 1) the northern, Trans-Siberian main route, with links to the Chinese rail grid, and 2) the central, China-Kyrgyzstan route, linked to Europe via the Russian railway grid. Work on 3) the comparatively shorter, southern route, from China to Kazakstan, Iran, and Turkey, which would particularly benefit the Central Asian countries, has been delayed—also, because the Chinese give preference, at present, to the Kyrgyzstan link, which seems to be easier to bring to fruition. The Almaty conference resolved that the Kazak rail grid urgently needs improvement, because its present bad condition slows down freight trains to a maximum speed of 60 kilometers per hour (kph), often even only 40 kph, as compared to the 120 kph which can be reached on the Trans-Siberian route.

Russia Takes a Major Step

Then, on May 16, ten days after the Schiller Institute conference in Bad Schwalbach, Russian Transport Minister Frank announced the formation of a Eurasian Transport Union in Moscow, with special emphasis on the Grand North-South Rail Corridor (see "Russia's New Transport Union To Change Map of Eurasia," *EIR*, June 1, 2001).

That corridor, which will establish a direct connection for freight transport between the eastern Baltic Sea and the Indian Ocean, had been outlined earlier at the Almaty conference, by Russian Deputy Prime Minister Viktor Khristenko. He said, in a speech on April 26, that, in addition to the Great Eurasian-Transasian Railway corridor, which runs from China to Germany, via Kazakstan, Russia, Belarus, and Poland, another grand project worth considering was the creation of a network of marginal and latitudinal south-west-north transport corridors that would be linked to the Iranian railways, creating a direct communication line for the countries of Western and Northern Europe, Russia, and the Central Asian states. The implementation of such a project might increase freight and passenger transit, and double the pace of cargo transportation by land from Europe to the Indian Ocean, Khristenko said.

This perspective gained prominent support from Georgia's President Eduard Shevardnadze, who said in Almaty the following day, that work on rail corridors should be expanded into a north-south transportation link through the Caucasus — which would be the shortest distance from Iran to Russia, via Azerbaijan, Armenia, and Georgia. Numerous reports on, and references to these remarks, have appeared in Caucasian and Central Asian media since the end of April.

Initiatives in Central Asia

The Central Asian aspect dominated the agenda, then, at the **New Silk Road** conference in Tashkent, Uzbekistan, on May 29. It focussed on the European Union's road-rail Transport Corridor Europe-Caucasus-Central Asia (TRACECA) project, which covers the entire region from Turkey to the Chinese-Kazak border. What made this event worth special note, was the attendance of a large delegation of senior representatives of Chinese construction and other industrial companies. A recurring theme in conference presentations was that "the economic prosperity of Uzbekistan and other Central Asian countries depends on convenient international transport communication." Envisioning a strategic improvement in trans-Eurasian highway transportation, the Uzbek government announced a project for a new 2,000 kilometer highway, running across Uzbekistan, from its western border with Turkmenistan to its eastern border with Kyrgyzstan.

Only a week after that Tashkent event, a four-day conference on rail development was scheduled to begin in Baku, Azerbaijan, on June 5, with the participation of senior rail officials from the 15 former Soviet republics, in addition to those from ten other states in Eastern Europe and Asia which are members in the Railway Operators Cooperation Organization. In between these events in Tashkent and Baku, rail and related transport issues were also expected to come up in talks at the Commonwealth of Independent States (CIS) summit in Minsk, Belarus, on May 31. Two other big international conferences in mid-June, one of the CIS, on economic policies, in Moscow, and another in Beijing of the Shanghai Five (Russia, China, Kazakhstan, Tajikistan, Kyrgyzstan), are scheduled to discuss the same issues, among others, as well.

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Berlin Bank Going, City Faces Collapse

by Lothar Komp

When speculative bubbles burst, the taxpayer has to bleed. True to this principle, the Japanese government over the last ten years, presented one bailout plan after another for the failing private banks of the country, and thereby built up a gigantic mountain of state debt, such that now, along with the banks, the Japanese state as well is on the brink of bankruptcy. The taxpayer finds himself dealt a bad hand of cards, when his government itself has speculated and lost. In 1994, Orange County, California had to declare bankruptcy, after it had lost \$2 billion in derivatives speculation, which had come from a fund for schools, water supply, and public transportation.

Now the German capital, Berlin, has been hit. The Berliner Bankgesellschaft, the tenth-largest German bank with 400 billion deutschemarks in assets, faces bankruptcy, as a result of bad real estate loans. On May 31, the biggest bank collapse in post-war Germany was avoided by a hair: After the BBG had written off DM 7 billion in bad loans, from 1994-1999, it had to list another DM 5 billion in loans as "to be surveilled." As a consequence, the German banking supervision agency threatened the bank with closure, because its core capital due to the write-offs had shrunk below the required minimum of 8% of its total credit volume. This would have meant not only 16,000 jobs lost, but also the end of the Berlin economy's biggest creditor.

Only through a formal guarantee by the Berlin Senate on May 22, that the large financial hole would be filled within weeks by the public, was the collapse of the BBG stopped. Just how much taxpayers' money Berlin will have to pump into the bank, in which it has a 56% share, is not yet clear. In mid-April, BBG board chairman Wolfgang Rupf estimated the deficit of the bank's core capital to be about DM 2 billion. The Financial Senator Peter Kurth, on May 22, spoke of "at least DM 4 billion," while other members of the Berlin state government reckoned with DM 5 billion. And, by the time the banking supervision has completed its special auditing in the beginning of June, the amount is bound to go higher. In the German Savings and Loans Association, the figure of DM 8 billion is circulating.

The Berlin real estate bubble, which was built up right after unification, started to burst in 1994. While Berlin's in-