

LaRouche blasts U.S. establishment lunatics for 'losing China'

by Mary M. Burdman

Just as it has "lost Russia" through shock therapy, the United States is now about to "lose China," Lyndon LaRouche stated in an interview with *EIR* Aug. 11. The U. S. establishment is making strategic miscalculations on China, the most populous nation on Earth, on the same disastrous scale as its strategic miscalculations on Russia, on the Balkans war, and on the world economic and financial crisis.

The unbelievable stupidity of the dominant grouping among the U.S. intelligence establishment and policymakers on China, was exposed for all to see in the annual report of the Central Intelligence Agency made to Congress July 30. While admitting a few "shortcomings," the CIA endorsed the current economic disintegration of China as "growth," ignoring the disastrous condition of an economy of 1.2 billion people, without sufficient food, transport, or energy to grow. This is in stark contrast to the assessment of China not only by LaRouche and *EIR*, but also by leading continental European press, informed European policymakers, and even the controlled media of China itself.

"The developments in China . . . are one of the major indicators of where the planet as a whole is going right now, and where Washington policy is going at the present time, if it doesn't come to its senses," LaRouche stated July 27. "I base this, I think it is important to say, on communications I have received from high-level sources in Beijing as well as other sources outside China, which are looking at the situation also. . . . In Beijing, as in Italy, at the highest level, there is absolute rage against the British operation, which is what is being boosted in the United States. . . ."

"China is headed for a great crisis, at the same time that we see that Deng Xiaoping, the former maximum leader, is, because of health and other reasons apparently, retreating and the succession is in the waiting. China could disintegrate; or Chinese leaders could act, knowing that possibility, to prevent it from occurring. One of the things that they are going to act against, is Britain."

The United States "apparently is going with an enterprise zone policy for China," LaRouche said on Aug. 11. The policy "being pushed by the United States" is to build cheap export industries, produced by slave labor, in the Special Economic Zones of the east coast, Shanghai, Guangdong

province, in Hainan, in Hong Kong. China's "surplus" (unemployed) peasant labor — which already numbers 170 million and will number 400 million, approximately one-third the entire population, by 2000, the Ministry of Labor reported July 10 — is being shipped as coolie labor to the coastal zones. "The U.S. foolishly believes that this program will work," LaRouche said. This policy will "take 400 million Chinese and melt them down one by one in these enterprise slave-labor projects. . . . It's sort of like what the Nazis did at Auschwitz, which was to kill people largely through slave labor. Some Chinese become rich, through peddling the product of slave labor. China becomes poor, through losing population, through melting down its own population. China will go, under these conditions, into an explosive crisis."

There is no Chinese economic miracle, and, in contrast to the foolish Americans, the British understand this. The Chinese "understand this, too," and understand that Britain foresees chaos for China, LaRouche said. The "United States has a policy conflict, where a foolish U. S. policy, run by . . . greedy people who don't want to see what they're doing — against a British policy which is more sophisticated and very diabolical."

This is producing a reaction in China, LaRouche said July 27, "because China as a nation has approximately 1.2 billion people; and among 1.2 billion people approximately you have a lot of very intelligent people. . . . They hate what the British are doing. This issue about the Governor of Hong Kong, Chris Patten, is simply a symbol of it. They know the British are trying to destroy China; and they are mounting in a great rage. They attribute the problem to the old Lord Palmerston opium operation against the Chinese people, by Jardine Matheson, and so forth. Chinese leaders are blaming the old opium dealers for this, and while Henry Kissinger has got himself a monopoly deal in Shanghai peddling insurance, nonetheless, at the same time, there are those who might just one day sweep in, take all these Kissinger Associates and chop their heads off, or something like that."

A new 'South Sea bubble'

In late May, the International Monetary Fund released a most astonishing report, announcing that China had suddenly

replaced Germany as the world's *third-largest* economy, after the U.S. and Japan. The IMF concluded that China produces \$1.7 trillion in goods and services, *four times* the amount earlier estimated.

In late May, the IMF's report was endorsed by the Pacific Economic Cooperation Council and now-departed New York Federal Reserve President Gerald Corrigan, who told the Foreign Policy Association, "Unless something very unfortunate . . . happens in the near future, China in economic terms is going to be a very, very major player." The Business Coalition for U.S.-China Trade, even argued in a study released at the same time, that China could "retaliate against U.S. economic interests" — and have "considerable" impact on the U.S. economy.

The Chinese themselves were most astonished by this nonsense. Chinese State Statistical Bureau official spokesman Zhang Zhongyi stated July 8 that China is still a low-income, developing country, not the world's third-biggest economy as the IMF claims. China's statistical accounting is too backward for its economy even to be measured by the IMF "purchasing power parity" method, Zhang said. Per capita income in China is only \$400 *per year*, he said, although Gross Domestic Product (GDP) reached \$458.6 billion, the tenth largest in the world. But industrial output amounted to only 27.2% of GDP, 14% below world average. Nutritional levels, literacy, education, and per capita living space all put China as a low-income nation. Of 1,903 counties, 520 are "poverty-stricken," with average per capita income below 200 yuan (approximately \$30 a year).

On July 10, the official *China Daily* reported that the Ministry of Labor had announced that China already has 170 million "surplus" rural laborers, and forecast that the number will grow to 400 million by 2000. On July 31, an official of the Chinese State Information Center's Economic Forecasting Department said that China's economic restructuring package imposed July 3 was essential, because if "the disorders remain unchecked, the economy would explode next year." He admitted the whole package is a "stopgap" measure.

According to estimates made by analysts at the International Institute of Strategic Studies, and endorsed by the *Times* of London, China's GDP is roughly *one-third that of Italy* — a nation with less than 5% of the Chinese population. For 1991, the last year when comparable figures were available, China's GDP was the equivalent of \$371.2 billion, compared to the Italian GDP, which is approximately \$1 trillion. For 1992, where the figures were less reliable, the Chinese GDP was estimated to be about \$434 billion. While this represented about 12.8% growth, it must be remembered that inflation was at least 10% for the year.

Lunacy from Langley

Undeterred by reality, on July 30, the CIA submitted its report on "China's Economy in 1992 and 1993: Grappling with the Risks of Rapid Growth," to the Subcommittee on

Technology and National Security of the Joint Economic Committee of the U.S. Congress. CIA East Asian analysts Martin Petersen and Lee Zinser testified that China is a "modern economic power," the third-largest in the world, with a GDP of \$2.35 trillion, equal to Japan's, and sustaining 13% growth a year. Martin Petersen claimed that the changes carried out for the past 14 years had sharply improved living standards in China and allowed free domestic markets.

The CIA testimony, which LaRouche characterized as "lunatic," is most notable for its lack of information. There are no elaborate manipulations of figures: The method is much cruder. Almost every figure on the Chinese economy is given *only in percentages*. Consider China's history over the recent decades. In the early 1960s, as the United States was preparing to go to the Moon, tens of millions of Chinese were *starving to death* as the result of Mao Zedong's "Great Leap Forward." A decade later, in the Cultural Revolution, the economy stopped. Trains did not run for months on end, no housing was built for 10 years, industry shut down by political chaos. This is the baseline of China's double-digit percentage of economic "growth."

For this nation of 1.2 billion, which urgently needs the most modern technology and infrastructure, including nuclear power and high-speed railways, to survive, the CIA praises the "growth" of "thousands of small-scale economic development zones" and "informal capital markets. . . . The number of companies nearly doubled last year . . . largely because the regime strongly endorsed the expansion of the service sector last year, encouraging surplus [state] workers . . . to set up new service ventures . . . to trade in securities or to cash in on booming foreign trade. By the end of last year, China had over 4,000 real estate companies." The result was construction of useless hotels and office buildings, termed "investment in fixed assets." This was "the main driver in the rapid GNP growth that China registered last year."

Most revealing is the section on trade. China's enormous trade surplus with the United States increased over 43% in 1992, to reach \$18.2 billion. While U.S. exports to China went up 19% to reach \$7.5 billion in aircraft, fertilizer, measuring instruments and wheat, U.S. imports from China "concentrated in low-technology, labor-intensive products," such as textiles, footwear, and toys, and jumped by 35% to \$25.7 billion, boosting China's share of total U.S. imports from 3.8% in 1991 to almost 5% last year.

"The U.S. trade deficit with China — which is second only to the U.S. trade deficit with Japan — could reach more than \$23 billion this year if current trends continue," the CIA said — a growth of 30%. While growth in Chinese exports to the United States has slowed slightly, up only 25.5% over 1992, growth in U.S. exports to China was only 15%, and "another record deficit appears likely this year. Indeed, if the bilateral trade trends through the first five months of 1993 continue, the U.S. shortfall by year end will reach more than \$23 billion."