

Keeping a stable, developing China is in the West's strategic interests

by Helga Zepp-LaRouche

The following statement by Mrs. Zepp-LaRouche, the founder of the Schiller Institute, was issued on June 3, 1998.

One of the main reasons why China has been able to withstand the effects of the Asia crisis relatively better than other nations, is because it did not go down the road of deregulation and unrestrained free market economy, and especially after the first round of the so-called Asia crisis, which really was the Asia expression of the global systemic crisis—from October 1997 to January 1998—the Chinese government took critical action to curb all tendencies toward the bubble economy.

But naturally, China is not an island in the world economy. And now, with the second round of the global financial crisis, the renewed stock market and currency collapse in Southeast Asia, and the continuing collapse of the yen, its exports are increasingly affected.

The Chinese government did the right thing by shifting the focus away from the export of consumer goods toward the infrastructure-based development of the inner regions of China, by planning investment of \$1 trillion in the next three years. But key countries like China need high rates of capital formation in order to meet the requirements of their large

populations. And this requires high rates of the introduction of machine-tool capacities, to increase the productivity of labor, of all layers of the population. Without such high rates of increase of productivity and large injections of scientific and technological progress, it is not possible to sustain the economic and social needs of the population.

The only way to counter the danger that China's economy would be hit by the effects of the "Asia" crisis, is to mobilize significant quantities of machine tools from Europe, Japan, and the United States, and transfer them to the economies of East, South, and Southeast Asia. The resulting increase in the creation of productive jobs and qualitative improvement of the economy is also the only way to offset the problems China is experiencing with some of its state-owned industries.

Such an investment in a stable, growing domestic market inside China is one of the best guarantees that China remains politically stable, and can continue to function as a kind of fire-wall against the firestorms of the "Asia" crisis. Such a policy to maintain a stable China is in the strategic, long-term security interest of the West. And one can only hope that the state visit of President Clinton and the accompanying delegation of industrialists goes a long way in this direction.



Helga Zepp-LaRouche (second from left) during a visit to China in May 1996.