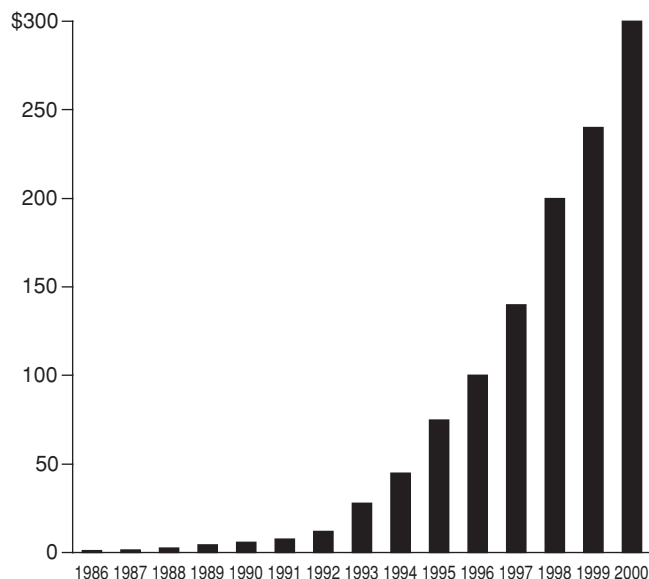


FIGURE 4  
**World Derivatives Totals**

(Trillions \$)



Source: EIR estimate.

TABLE 1  
**World's Largest Derivatives Institutions, 1999**

| Bank                 | Country     | Trillions \$ |
|----------------------|-------------|--------------|
| 1. Chase Manhattan   | U.S.A.      | 12.9         |
| 2. Deutsche Bank     | Germany     | 11.1         |
| 3. J.P. Morgan       | U.S.A.      | 8.9          |
| 4. BNP Paribas       | France      | 7.4          |
| 5. Citigroup         | U.S.A.      | 7.4          |
| 6. UBS               | Switzerland | 5.6          |
| 7. Société Générale  | France      | 5.2          |
| 8. Goldman Sachs     | U.S.A.      | 5.2          |
| 9. Bank of America   | U.S.A.      | 5.1          |
| 10. Crédit Suisse    | Switzerland | 4.6          |
| 11. Fuji Bank        | Japan       | 4.3          |
| 12. Merrill Lynch    | U.S.A.      | 3.9          |
| 13. Tokyo-Mitsubishi | Japan       | 3.7          |
| 14. Morgan Stanley   | U.S.A.      | 3.4          |
| 15. Lehman Brothers  | U.S.A.      | 2.9          |

Sources: *Swaps Monitor*, EIR.

some months ago, in a reference to the “\$5 trillion” global derivatives market; later in the article, the *Post* admitted that the global derivatives market actually had a notional principal value of \$88 trillion, but that only \$5 trillion was at risk.)

Even using the official figures, it is clear that the banking system is hopelessly, fatally addicted to derivatives (**Table 1**). U.S. commercial bank holding companies had \$42 trillion in derivatives as of June 30, 2000, led by Chase Manhattan

with \$14.4 trillion and J.P. Morgan with \$9.6 trillion. The recently announced merger of Chase and Morgan will create a bank with \$24 trillion in derivatives. It is highly likely that the merger of these two banks was a direct result of huge derivatives at one or both of the institutions.

## German-U.S. Maglev Pact Boosts Export Prospects

by Rainer Apel

In the context of the International Transportation Symposium, “Moving To the 21st Century,” in Washington, D.C. on Oct. 9-12, which was attended by delegations from 90 countries, U.S. Secretary of Transportation Rodney E. Slater and German Transportation Minister Reinhard Klimmt, signed an agreement on the exchange of technological information on magnetically levitated (maglev) rail technology. The agreement includes the establishment of a joint governmental commission, which is to prepare for the first use of the German Transrapid maglev rail system in the United States, within the next four or five years.

Potential candidates for the first such line include from Washington, D.C. to Baltimore, whose mayors are considering a maglev link that, at about 320 miles per hour, would reduce travel time between the cities to 17 minutes. The first U.S. maglev line would get Federal funding of \$950 million, which would cover about one-third of the construction costs for a 40-50 kilometer project.

There are also at least six other options that might see the start of construction work by no later than 2003, including in the Los Angeles, Pittsburgh, Atlanta, Las Vegas, and Miami areas, and one in the state of Louisiana. The commission has a three-year mandate, to select a route and prepare for the first U.S.-German maglev project.

### Why Now?

The use of the German maglev system in America has been being talked about for some time, and even after the signing of the U.S. Transportation Equity Act for the 21st Century about two years ago, many experts and politicians remained skeptical that such a project would come about in the near future. What made the Slater-Klimmt agreement possible now, is, as the Germans see it, the attempt of the outgoing Clinton Administration to make sure that, first, the next administration is prevented from opting out of the project again, and second, its desire that the project finally take off.

Slater is seen as a backer of maglev technology. And, whereas frictions seem to now dominate most aspects of relations between Germany and the United States, positive mod-

els of cooperation, particularly in the field of 21st-Century technologies, are possible, if there is commitment on both sides.

There is also genuine interest among U.S. politicians for the maglev system, for example, on municipal and state levels. Gerhard Otto Rübekönig, a member of the Social Democrats' parliamentary group in the German Bundestag, who was at the conference with Klimmt, reported in a background interview with this author that the discussion with Baltimore Mayor Martin O'Malley showed the American to be a genuine admirer of the maglev option. And, during Rübekönig's meeting with Washington Mayor Anthony Williams, there was a similar openness to the new technology.

At the moment, Baltimore hopes to be selected as the site for the Summer 2012 Olympics, which is envisaged as a big boost for investments in the city and the region. A modern, efficient transportation system that could bring several hundred thousand visitors from Washington, D.C. to Baltimore within less than 20 minutes, is what Baltimore needs, O'Malley said.

O'Malley also made clear that the city and the region need such a system even without the Olympics, because the volume of passenger traffic is showing such an enormous increase already, that highways and airlines won't be able to handle it in the very near future.

The Maryland Mass Transit Administration estimates the cost of the project to be \$3.3-3.6 billion, of which one-third would come from the Federal government, another \$500 million from the state and the city, and a undefined amount from the city of Washington. The rest would have to be funded by private investors. If built, the maglev line would run from downtown Baltimore's Camden Yard baseball stadium to Washington's Union Station, with a stop at Baltimore-Washington International Airport.

### Reviving the Maglev in Germany

As Rübekönig recalled, the prospects for a maglev project on the American continent seemed grim, after the German government decided in February, to walk out of the envisaged, first fully commercial maglev project, the line from Hamburg to Berlin. If Germany was not committed to building the maglev system, how could other countries be expected to buy it? A few weeks after that devastating decision, Rübekönig toured the United States and got a first-hand impression of what a maglev project would look like, in six densely populated urban American regions. He brought home the impression that Americans would very much like a maglev rail line in their neighborhood, a prospect that even environmentalists in America would endorse. (By comparison, the Greens in Germany, coalition partner of the Social Democrats in the national government of Chancellor Gerhard Schröder, have an anti-maglev orientation.)

What changed things in favor of a renewed debate on the maglev technology in Germany, was the visit of Chinese Prime Minister Zhu Rongji and Shanghai Mayor Xi Huangdi



*The German Transrapid, a magnetically levitated (maglev) rail system that will allow overland travel at speeds of 300 kilometers per hour or higher.*

at the end of June. Both took a ride on the 34 kilometer Transrapid experimental track, in northwestern Germany. Xi Huangdi said that as far as he and his faction in the municipal administration of Shanghai are concerned, they are prepared to proceed by next Spring with the construction of the first Chinese maglev line connecting the city with the rapidly expanding international airport at Pudong, about 42 kilometers away. Xi Huangdi also said that, given the way such projects are built in China, the maglev line could be completed in less than 12 months, "because we in China are very efficient." A final decision has not been made in Shanghai, but it is expected by December this year. And, if nothing gets in the way of the work of the U.S.-German governmental commission, a decision on an American maglev project could be taken next year, as well.

The potential projects in China and the United States, have led to reconsideration in Germany, to select similar maglev projects connecting one or two of the bigger German cities with international airports. A decision on such a project, for example, in Munich, Frankfurt, or Düsseldorf-Cologne, is expected before the end of this year. It would not be a long line, like the one planned between Hamburg and Berlin, which would be 280 kilometers long, which had been dropped, but it would be a new beginning. In that sense, the meetings between Klimmt and Slater certainly were helpful.