

India's decrepit economic infrastructure. The investors have realized that India is not interested in developing the foundation of a flourishing manufacturing sector, but is merely catering to the service-exporting sector, to generate growth and earn foreign exchange quickly.

But the foreign exchange has begun to leave India's shores. For instance, the Tata industrial house, which produces 5 million tons of steel in India, is now ready to spend \$6.7 billion to buy Corus Steel of the United Kingdom, which produces more than three times annually what the Tatas produce. Similarly, Ranbaxy, and other Indian pharmaceutical companies, are buying up pharmaceutical manufacturers in Europe and North America for good reasons, but draining foreign-exchange reserves in the process. It is evident that New Delhi, having stymied these manufacturers at home by not building the infrastructure to support them, has made available to them large chunks of foreign-exchange reserves to allow them to expand their business globally.

Social Tensions

These developments are indicative of the problems that were piled up by these leaders adopting an economic policy which has virtually no future for the poor. It is altogether another matter to make Indians believe that the poor will accept the new situation quietly. Already, anger against economic disparity has begun to show its fangs—although New Delhi prefers to ignore them. If the suicides of such a large number of farmers have not awakened the nation, Indian leaders feel they have little cause to worry about the rise of extremist forces in the most poverty-stricken areas of the country.

However, that could be a grave mistake for which generations to come may have to pay. Violent militant cells have been set up virtually all around India. New Delhi talks about them only when those militants carry out bloody actions, such as the explosion of bombs on the Mumbai railroad last July.

It is also ignored that some parts of India are reeling under Maoist-terrorist threats. The Indian Maoists, known in the 1960s as Naxalites, have proliferated. Throughout the virtually ungoverned state of Bihar and the jungles of Madhya Pradesh, Orissa, and Andhra Pradesh, Maoists have emerged as the "law." They have developed large dumps of arms, and intelligence reports suggest that they are not only working hand-in-glove with their Nepali counterparts, but have developed a close "business relationship" with the "mother of all terrorists"—the Tamil Tigers.

It is widely recognized that the Maoists in India have taken control of a huge swath of land running from the state of Bihar in the north all the way to the state of Tamil Nadu in the south, encompassing in the process highly underdeveloped areas of Jharkhand, Madhya Pradesh, Chhattisgarh, Orissa, and Andhra Pradesh. One common thread that runs through this massive stretch of land is: underdevelopment and poverty.

A Rail Land-Bridge For Eurasian Freight

by Rainer Apel

Very encouraging news came in from Beijing on Nov. 21: The directors of the state-run railways of Germany, Russia, and China signed an agreement on a joint project to establish a rail freight route from China to Europe, via Russia. The agreement is a statement of intent; details have yet to be negotiated.

As German Railways' Hartmut Mehdorn put it, coordinated investments in the improvement of existing rail infrastructure and in cooperation with big Chinese sea ports like Shanghai and Hong Kong, are to create "a Trans-Siberian Land-Bridge between Asia and Europe," by the end of 2010. By 2011, 10 million standard 20-foot containers shall be transported between China and Europe, the entire route taking 12 days. Container ships from Shanghai to Hamburg now take 30 days.

Germany's share in the project is 2 billion euros, of which 1.2 billion alone will be invested in the construction—together with Russian and Chinese investments—of modern freight terminals along the entire route, to reduce loading-unloading time, so that the considerable delays which today create an obstacle to getting more freight on the Trans-Siberian Railroad, are removed.

The fact that three state-run railway companies are partners in this development project, allows optimism that it will be possible to overcome the many delays which designs for a grand railway cooperation among the leading powers on the Eurasian continent have seen over the past 16 years since the Iron Curtain came down. The crucial role of the state in such grand infrastructure projects was addressed by Russian Railways' Vladimir Yakunin at a conference on "Russia as Transport Corridor Between Europe and Asia-Pacific" in Irkutsk, on Sept. 21. There, Yakunin said that "these tasks cannot be solved without government involvement, and these [Eurasian] territories should not be dependent on commercial companies alone for their future development."

The first German-Russian agreement on cooperation in rail freight dates back to October 2003, when a memorandum of understanding was signed at the German-Russian Summit in Yekaterinburg. A joint venture for the development of container rail freight between East Asia-China and Russia-Europe was signed during the Hanover International Fair in April 2005. In May 2005, an experimental first freight train

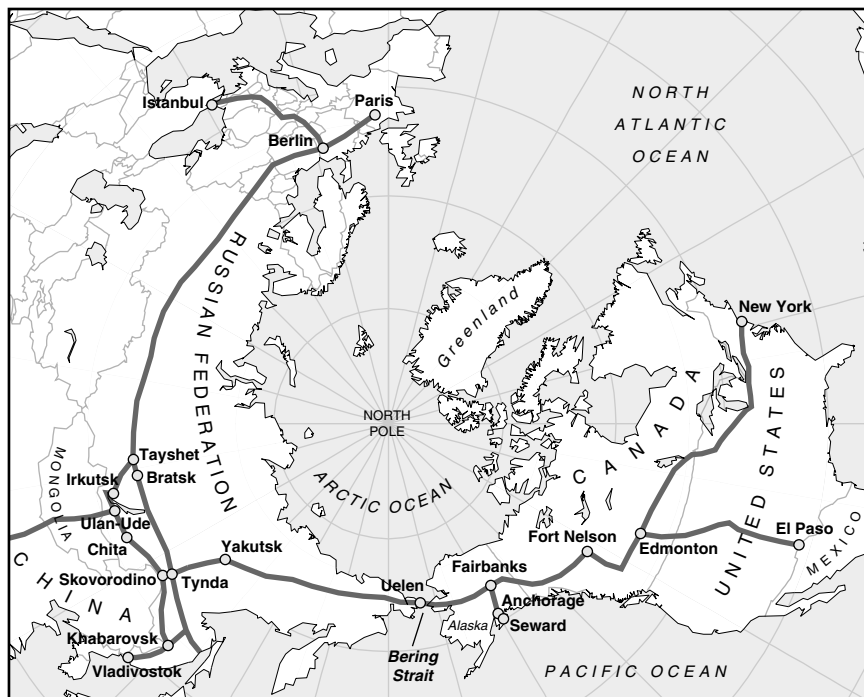
took 16 days to travel along the Trans-Siberian Railroad from Vladivostok to Moscow, and on to Dortmund in Germany. This included the time-consuming procedure of changing the track gauge from the broader Russian one (1,520 mm) to the European one (1,435 mm), at the Belarussian-Polish border, at Brest-Litovsk. Meanwhile, railway engineers have developed a technology to adjust the gauges while the trains are still moving, which helps to reduce delays. Once the entire Trans-Asian Railway grid is completed (see last week's *EIR*), through-transport of rail freight between the Pacific and the Atlantic will be possible in 12 days.

What About Maglev?

All of that looks promising. However, it is only a first step toward the full realization of a Eurasian Land-Bridge in rail transport that meets the challenges of the 21st Century. The problem is that none of the railway companies, transport experts, and politicians involved has ever seriously discussed the technological leap into the era of maglev transport. Having a maglev freight route from China to Europe would remove the current problem of the different gauges and railway systems, and reduce travel time for freight trains to a mere 3-4 days, along the entire route.

A big chance for having such a project existed immediately after the fall of the Iron Curtain, when, also under the impact of Lyndon LaRouche's proposals for continental Eurasian scientific-industrial cooperation, Eurasian governments and transport experts were still thinking "big." Plans for a national maglev train grid existed in Germany, and there was huge interest in linking up to that, in other Eurasian countries. But under blackmail by the private banks of the Anglo-Dutch Liberal monetarist system, such maglev projects were scrapped, under the pretext of "costing too much." In the Summer of 1990, the then-Soviet government approached the European Commission with proposals to build a new European-Russian railroad, but the Europeans were uninterested. The pro-monetarist liberalizers and deregulators of the Russian "reform governments" that were in power after the collapse of the Soviet Union in August 1991, had no interest in any big industrial or infrastructure projects. Thus, already by the mid-1990s, all the promising discussions about infrastructure development projects had been strangled. A handful of experts were still continuing the

Future Global Rail Connections, as Seen From North Pole



Redrawn from H.A. Cooper

The Trans-Siberian Railroad stretches from Vladivostok to Moscow, but technological upgrades are needed to make freight transport cost-effective—including linking up to rail lines in western Europe.

discussion, but with the perspective of “no big projects for decades to come.”

Boosting Infrastructure and Industry

The tripartite agreement just signed in Beijing can change the situation, also in respect to another aspect that is integral to the classical notion of “infrastructure development”: the idea that building transport links gives a boost to industrial and urban development of remote regions—of which there are many, east of the Urals. As Russian Railways director Yakunin said at the Irkutsk meeting in September, the intervention of the state is crucial. It implies that the state steps in to create a long-term credit line at low interest, for such grand development projects, during a period of 25-50 years. State guarantees will allow issuing development loans over several decades, to get the necessary infrastructure built independently from any ups and downs on private capital markets.

This is a job for the governments of Eurasia, and the leaders of Germany, Russia, and China should convene as soon as possible, building on the fertile ground created by their railway directors with the Beijing agreement. There is a special role that Germany can play in 2007, when it chairs the G-8 world economic summit, which includes Russia.