

# Globalization of the World Economy Is a Prescription for Disaster

*Lyndon LaRouche gave this presentation at the University of Jaipur, India, on Jan. 21. He was the guest of the university's Political Science Department and the Federation of Rajasthan University and College Teachers' Association.*

Approximately one week from today, in Washington, D.C., from a Washington hotel auditorium at 1 o'clock, I will deliver a State of the Union report on the condition of the United States, which report will last about three hours, as such events last. It will be a challenge to the President of the United States, who at 8 o'clock, that same evening, is scheduled to present his report on the State of the Union. I can assure you there will be a very distinct contrast, and there will be a very serious debate about the difference between my views and his, because we are now in a crucial phase of the world financial, monetary, fiscal breakdown. It's also an economic breakdown, but primarily, it's a breakdown of the international financial and monetary institutions. It is a failure, in particular, of the floating-exchange-rate system brought into being by Henry Kissinger, George Shultz, and Paul Volcker, through President Nixon, on the 15th of August 1971. That system has been a catastrophe for the United States. But the problem is not just that.

We're also in the midst, not only of a threat of the launching of an Iraq war—though I believe we have postponed that from inside the United States, with the cooperation of people in other countries, since the end of August. We managed to prevent the thing from happening in September, October, November, December, and so far, for January. So, the latest report is, it can't happen before February, but I'll give you no guarantees. Because of certain instabilities in the system, almost anything can happen. But in the ordinary course of events, we have it postponed.

## **Iraq War Aimed To Prevent Cooperation**

But the danger is not an Iraq war; the issue is not Iraq. The issue is, an attempt to prevent the nations of Asia, specifically the emerging cooperation among—even Japan, which has come into the picture today—Korea, China, the ASEAN nations, and also India, to enter into what a former Prime Minister of Russia proposed here in Delhi, in December of 1998, the creation of a Strategic Triangle of cooperation among Russia, China, and India, as a keystone for bringing together

the nations of Asia, and an alliance of mutual security and economic progress.

This process is now underway. It is not happening in a neat fashion. There was a recent conference in Phnom Penh, on the subject of the Mekong River Development Project. If this is done properly, this would be a revolution in Asia, because every part of Asia—India, China, and so forth, are involved in medium or major large-scale water projects to deal with crucial problems. There are those who do recognize that the populations of India and China, in particular, typify, in Asia, a vast population, which in the future will be the greatest market on this planet, because of the need for development of these countries.

We see already in China, great movements in this direction. The largest water project in the world, the Three Gorges Dam. A high-water project to bring water from the southern part of China to the northern part of China, to deal with that crisis. China has just built the first phase of the most modern transport system in the world, which went from Shanghai, to Shanghai Airport, at a top speed of 431 kilometers per hour. And if you watched that on television, and saw the Chancellor of Germany, Gerhard Schröder, and the Prime Minister of China, sitting side by side, in the front row of this vehicle, before them was a table. On the table was a bowl of water. In the water were floating rose petals. Nothing spilled, at 431 kilometers per hour!

This was done in a period of two years, with some of the most difficult construction, subterranean terrains, a huge challenge. Commander Wu, the engineer who was responsible for the project, is now a famous name, not only in China, but also in other parts of the world, especially in Germany, where this was heralded as a great achievement of German technology, which developed in China, which could not be brought to fruition in Germany itself.

So, we also have a potential in India—the Mekong Development Project, of course—if we can overcome the difficulties which are now going on in Korea, which China and Russia, among others, are working to deal with the North Korean crisis. We have a continuity of government in South Korea, which is very important. The outgoing President has a successor who agrees with his policy. This is unusual for South Korea. It's excellent.

What this means is, there's a great opportunity; because

if that railroad is put together, then we have rail lines automatically from Pusan, at the tip of Korea, to Rotterdam and Europe. We also will have, with China, cooperation to develop rail lines along the same route, through China, along the so-called Silk Road route, through Central Asia, and also to Europe. There's also a southern route in progress, from Kunming, into Myanmar, possibly through Bangladesh or through northern India, which would benefit India. Which would also go down to the tip of Malaysia, potentially across the straits into Indonesia, and circling back toward Vietnam, through China, and Cambodia.

## Great Projects and Human History

So, we have great projects before us, and there are such things in India. We have the possibility of the Brahmaputra Dam, in the North—in China—one of the great water projects, and power projects, which may save the Bay of Bengal from being silted up, among its other contributions. So, the great things are there.

But, what does this mean? This means that suddenly, you can have high-speed transportation, of passengers and freight, from the Atlantic Ocean, to the Pacific Ocean, across the great Eurasian land-mass. This means that we can move freight, across land, at a cost which is less than that across water, by ocean freight. Because when you build a great development transport corridor, you include within it, not only transportation, such as rail, you include also water projects. You include development of new towns and cities, which are an essential part of the process. You put power generation and distribution systems into the area. You take areas which are undeveloped, and undevelopable, which have large stores of mineral resources under the soil that are not economical to reach right now. You suddenly transform this area into an area of population growth, and development. So, in effect, the process, so to speak, the physical process of change from the transportation project, more than pays for every bit of the freight cost of transport across the transformed [area]. This is the greatest process of change in humanity I know.

Because through most of humanity, contrary to some British and other myths, humanity's culture obviously developed along the lines of ocean routes, sea-going routes. There are physical reasons, which some of you who study economics know, for that. The great development of civilization came from the seaborne routes, especially since the past 21,000 years, since the great melt of the glacier began. It began from the sea, at a time that the waters of the Indian Ocean were probably 400 feet [125 meters] below where they are today. And one could search the coast of India for 19,000, or 10,000 years ago, 12,000 years ago. There must be some interesting things buried down there which we could find.

Because, we know civilization is much older than 10,000 years. It's gone through catastrophes, but certain elements of civilization, like the great stellar constellations, which were followed by ancient astronomers, were passed down from



*During a visit to the Jaipur Observatory, the LaRouches stand at the site of the largest sundial in the world, which dates from the 18th Century.*

earlier generations, from generations maybe 30, 40, 50 thousand years ago. Language developed, cultivated languages like the languages in this country. Many parts of it were developed, in many places a long time before the melting of the glacier. This transmission from ancient cultures to modern cultures, was part of the foundation of modern civilization. And the struggle has been, first to move up rivers, to conquer the inland territory and develop it. And you see, up the rivers, the great riparian projects of development. Later, more and more inland, with improvements, especially in canal systems, water management. Now the time has come when we can reverse that process. We can now make a land-based development of civilization, for the first time in history, to the benefit

of civilization. And the great land-mass of Eurasia, is the keystone of this global process, which requires financing development, but it also creates the opportunity for it.

Now, what does that mean for those in the British Empire? Or those who sympathize with the British Empire tradition in the United States, those whom we call the American Tories? We could call them traitors—but they're called officially American Tories. This means for them, that the old system of Europe, the evil part of Europe, especially since about 800 A.D., when the Venetians emerged as a great power, an international maritime imperium, based on the shoulders of Rome, by a financier-oligarchical interest. Since that time, the history of Europe has been the development of primarily, imperial maritime systems, based on the emergence of financier-oligarchical control.

With the collapse of the abominable Hapsburg empires in Europe, there emerged during the middle of the 17th Century, the Anglo-Dutch Liberal model, based on so-called parliamentary government, but actually under the control of central banking systems, which actually represented the control of the state, by a financier oligarchy. Where the money system controlled by the bankers, dictated to the state, the terms. It called for the fall of the governments. It suppressed the will of the people, the will of the government, saying the moneyed interests *will not let you do that*. What happened on August 15, 1971, with the floating-exchange-rate system installation, is typical of that. The system that had worked, was *wrecked*, and the world has been suffering ever since, especially the developing sector.

### Disastrous Shift to 'Consumer Society'

But, let's go back. What is the President facing, and what am I facing, a week from today, in Washington, D.C.?

We had a great change in the U.S. economy, and also a simultaneous change in the United Kingdom economy, about 1964. The change was, a shift coinciding with the aftermath of the assassination of Kennedy, the aftermath of the Missiles Crisis of 1962, a shift toward a post-industrial consumer society. We've seen that before in European history. For example, at the end of the second Punic War, Rome, which emerged as a leading military power in the Mediterranean in that period, began to shift to depending upon looting countries it conquered, and shutting down production inside Italy itself. A conversion of the Italian economy inside Italy, to slavery, increasingly, and shutting down the independent farmers, and the others who had been the basis of the Italian people before then. This has continued to happen since then.

The United States has become, over the years, as happened with the Harold Wilson government in the United Kingdom, a scene of destruction of the economic power of the United States in particular, which had been the leading producer economy in the world. In 1945-46, the United States emerged not only as the leading power in the world, but the *only* power. The United States was the leading economic

power, whose strength was able to support a postwar reconstruction, a postwar monetary system, which worked: the so-called Bretton Woods system. There were many faults in it. The faults included the conflict with the Soviet Union, which was never necessary, but was used for orchestrating world politics. But nonetheless, we remained the leading producer society of the world. We represented an achievement of European civilization in developing producer society capabilities. At that time, say 1946, '45, in India, the Indian nationalists, who were struggling for freedom from the British monarchy, would say to anyone, as they said to me, "What are you going to do when you go back to the United States? Are you going to bring us the technology we need, to develop our economic independence, as well as our political freedom?"

That has changed today. That attitude toward the United States has changed. The United States is seen as a predatory nation, looting the world with its control of the World Bank and the IMF, through its international financial system, through its rigging of currencies, the value of currencies, and so forth. We are living, in the United States, on what we steal, legally, because we make the laws that enable us to steal.

Now, the President of the United States faces certain problems. He doesn't understand them; he probably never will. He's not a man who's qualified to understand these things. But he's a sitting President, and under our institutions, we do not shoot our Presidents, or at least we're not supposed to. And I'm not going to let it happen, if I can prevent it. But the man is not qualified to be President, by any means. We have a great crisis. We need someone like Roosevelt, not someone like this. Not someone like most of the Presidents we've had since then. But he doesn't understand the problem. And I know, as of four days ago, that his key advisors had no clue of really what the problem involves. Typical.

### A Systemic, Not Cyclical, Crisis

First of all, the United States is bankrupt. Every major bank in the United States is bankrupt. Virtually every major bank in Europe is bankrupt. This means the Federal Reserve System is bankrupt. This means that the European banking system, monetary systems, are bankrupt. The Bank of England is bankrupt. Most of the banks of the world, outside of China, are in bankruptcy, or close to it. Whole countries are disappearing. Peru is crushed. Colombia is crushed. Mexico is being crushed. A great genocide dominates all of sub-Saharan Africa. You know some of the conditions in Asia cohere, because you suffer them more closely here. The world is being crushed.

In the United States itself, 46 states, of the 50 Federal states, are bankrupt, and there is no hope of balancing their budgets, whether by tax increases, or tax decreases. Makes no difference. Budget increases, or decreases. It makes no difference. The United States is bankrupt: 46 states of the 50 are officially bankrupt. Now, we've had enough discussions with a few governors and their circles, to know some of the

details of this thing. It's bankrupt!

Typical of that: At the end of this month, if the Congress does not act to save the Amtrak system, the United States will no longer have a rail system. There will no longer be a national rail system; it's practically disappeared already. We have United Airlines in bankruptcy, and American Airlines going into bankruptcy. If they're being put into bankruptcy, they're being plunged into cutthroat competition with other airlines that are not yet bankrupt. If this process continues, the entire U.S. airline system will go bankrupt, and they'll be largely disintegrated.

Our power generation and production systems are disintegrating. We have a water crisis beyond belief. The Southwest of the United States is in a tremendous water crisis. There's no way of managing it. The ground is sinking in the large aquifers, from being overdrawn, as California is sucking the aquifers, is what California has done to the other states.

We have a crisis in the health-care system. We're killing people, to try to balance budgets. And the killing is being done by domestic interests which are looting the health-care system, to help guarantee profits. The lower 80% of the population of the United States, and similar family-income brackets, have been collapsing at an accelerating rate, since 1977. We have a social catastrophe. We have an economic catastrophe. If the United States is tending to go toward a war, the purpose is not Iraq. Iraq is not a bomb, it's a fuse. You set the fuse off, and you'll set off a chain reaction. And that is the intention. It is not that these people behind it don't intend it should happen; they *intend* it should happen; because we know the definer of the policy. The former head of the Arab Bureau of British Intelligence, Bernard Lewis, who controls the Middle East and Asia policies to a large degree—in fact, he should be put down for murder—controls the policies of Henry Kissinger, Zbigniew Brzezinski, Huntington, and so forth and so on.

We have a pro-war party in the United States, which wants to set up an American empire now. They're lunatics. We've held them in check so far. I think we can hold them in check for the next month. I'm not sure, because an accident can happen. The potential is there. But the purpose is to do what? It is to destroy the potential, as I indicated, in Asia. Why?

## The Asian Potential

Because if Asia does what Asia intends to do, typified by these trends in cooperation, rising trends in cooperation, if you include the three countries to the north of ASEAN—Korea, Japan, and China—with the ASEAN countries, and India, and with adjoining countries, such as Kazakhstan, and so forth, into this with Russia, what have you done? You have created a market for high-technology goods, not to export and import, as much as technology-sharing. Because India has technological capability, and China has that capability, but not enough. The way to deal with this with countries which do have high-technology capabilities, is through technology-

sharing. This means at least 25-year agreements, credit agreements as treaty agreements among nations, to cooperate on specified long-term projects: transportation projects, energy projects, water management projects.

Take, for example, the case of the Brahmaputra power project, from Tibet down into Bangladesh. This is a multinational project. You've got two principal powers, China and India, involved, and you've got Bangladesh involved. And others. This will change the power and water situation in India. There are other things of a similar scale, which involve more than one country, such as the Mekong Development Project, and so forth. These projects are key. China has access, potentially, to Central Asia, with major resources, but it doesn't have enough water in Central Asia for Central Asia to live. The solution is, to take the River Ob, and other rivers that flow into the Arctic, in Siberia, and divert them to flow back toward Central Asia—for example, to rebuild the Aral region. That immediately opens up the region for social, political developments, which is part of the necessary security of China, of India, and so forth. So, this kind of cooperation means that Europe, then, which is about to go bankrupt, belly-up—Germany, France, Italy, especially Germany; and Germany's largest markets are India and China. The vast majority market is China, for technology.

The basis for the relationship is technology-sharing. India has a technology-sharing capability with China, and with other countries. China is producing computers; India is producing IT. India's going to lose a lot of the IT market in the United States, right now. Therefore, what do you do? You go with a country like China, which has hardware capabilities; and the two countries can, together, produce a product for this area, with technology-sharing, as opposed to simple export-import relationships.

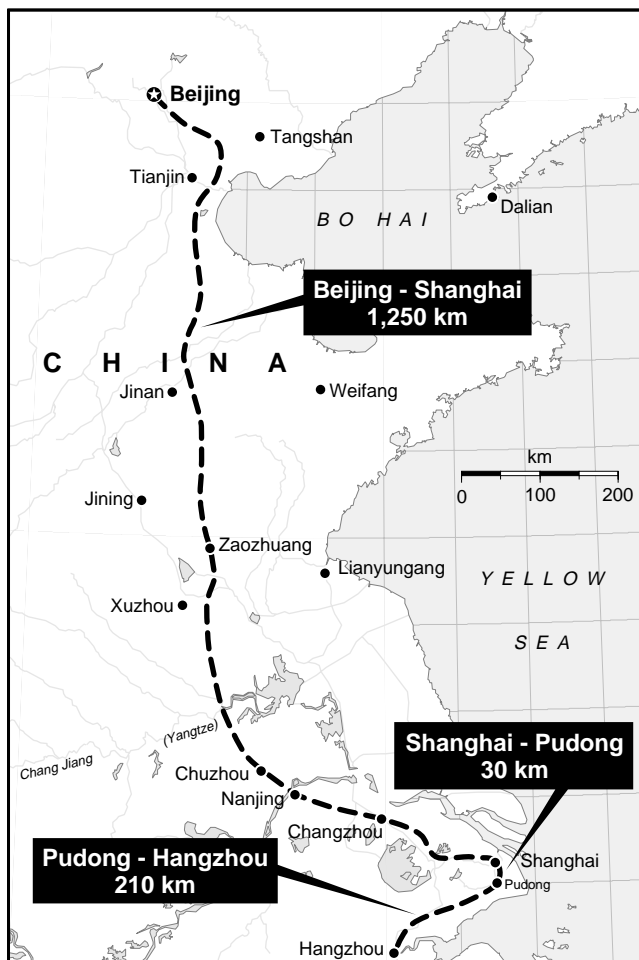
So, what does this mean? This means that Europe can recover, be no longer bankrupt, simply by increasing the amounts of technology-sharing with Asia.

What does this mean? This means that those whose ambition is to create a new English-speaking empire, based on the fools in the United States, and fools in Britain and Australia, Canada and New Zealand, and those dreams of empire are *over*. No longer will this planet be dominated by imperial maritime powers. No longer will this planet be controlled by financier oligarchies controlling central banking systems, and dictating to governments, what governments can and can not do.

As you know in India, the fiscal problem is a great one. India can do great things, but every time Nehru tried to do something, his back was broken by fiscal enemies in his own country. Every time Indira Gandhi tried to do something, the same thing—fiscal agencies. Every time we said the IT should have the funds to bring in the experimental equipment, the apparatus, to the ITs, to enable the people who are being trained in engineering to actually practice experimental physical science, it wasn't there. And the top layers of India's IT

FIGURE 1

## Planned Maglev Projects in China



Source: Transrapid.

*"Technology-sharing," one of LaRouche's major policies for the "Strategic Triangle" countries: China's revolutionary new magnetic levitation train routes (Shanghai-Pudong already in operation) "were heralded as a great achievement of German technology, which developed in China, which could not be brought to fruition in Germany itself." China's Prime Minister Zhu Rongji and Germany's Chancellor Gerhard Schröder at the launching ceremony in Shanghai on Dec. 31, 2002.*

graduates are running to other countries to find opportunities to complete their education, and find employment.

And why do you have this succubus that sits on these countries?

### The Purpose of Just War

So, therefore, there is a solution. The United States is not much today, in terms of economics. We truly don't have much in terms of military capability. We have a terrible destructive power, but not a war-winning power. We have a war-making



power, not a war-winning power. War-winning is person to person. It is truce, within occupied territory, and making friends with people who were previously your adversaries. War is—true war—is a search for peace, when no other means is available. But the purpose of war is not war; the purpose of war is peace, if you can't avoid war. And therefore, your war policy should have the aim of getting to peace as quickly as possible, as we should have learned from Europe, in terms of implications of the Thirty Years War, when this great Cardinal, Jules Mazarin, intervened in the Thirty Years War, to organize what became the Treaty of Westphalia; which was the rebirth of European civilization—not a very perfect birth, but a necessary one.

The purpose of military policy is peace: to have the necessary equipment to guarantee security. And the purpose of government is to use that power to negotiate peace, with all parties included.

So, the United States today is obsessed by a problem which obsesses Britain. The problem might be called Hobbes and Locke. Hobbes said that, by nature, man is a beast, in congregation with beasts. Locke said pretty much the same thing. Locke introduces the idea of shareholder value, which he called property—"life, liberty, and property"—which means slavery. It's what shareholder value in the United States, which is being put forth today, means: slavery. It's a return to slavery in one form or another. That financial values must be upheld, at the cost of real economy, and the population, instead of the general welfare.

So, these countries say—and I've had this argument with my friends even in the United States, in government circles—I've said, pointed out to them, what the great opportunities are, for the United States. Not imperial opportunities, but because of the historical tradition and present political authority of the United States, if the United States intervenes in world affairs, and says, "Let's put the bankrupt banking circles into bankruptcy reorganization. Let's reform the monetary system. Let's reform the financial system. Let's create the means for large-scale treaty agreements among nations, that is, 25- to 50-year agreements, in order to develop the

world.” If the United States President, supported by the American people, goes to governments, and says, “Let’s have, next week, an emergency meeting on the international financial crisis, questions of global security, questions of monetary authorities, questions of new forms of cooperation, to get out of this world depression,” those countries would come.

And the United States’ power, might—through trust in utilizing U.S. power—be just that: We say, “We have, as the United States, we have a great legacy, which was given to us partially by Europe, a legacy of influence, a legacy of historical honor, earned by the American Revolution, earned by Benjamin Franklin, earned by Abraham Lincoln, earned by Franklin Roosevelt—we have a great legacy, which people used to love, and used to hope for succor, in the past. Let us play again that role.” And there are solutions.

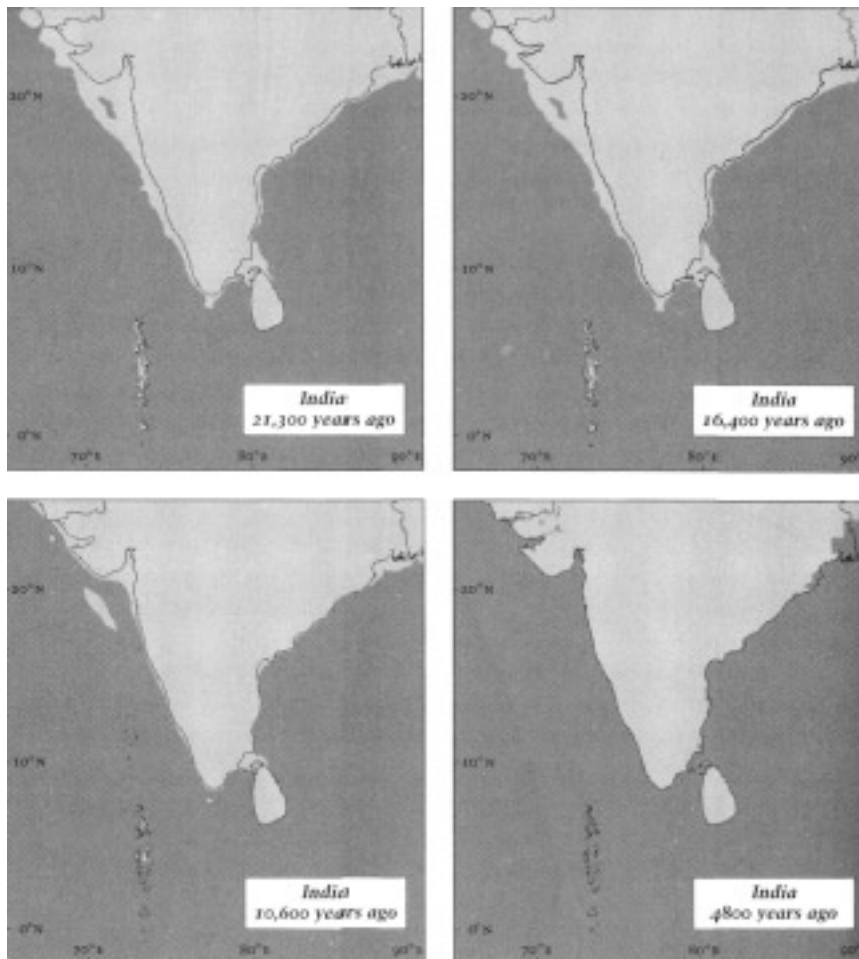
## Unmasking Globalization

Now, one of the things we have to get rid of, in this process, is globalization. We have to understand what it is.

Globalization is nothing more than imperialism, pure and simple. Now, you can look at this simply as imperialism, but you can also look at it from another standpoint. You can look at it from the standpoint of economy. How does globalization destroy economy? What does it do? What is the acid, the corrosive acid, of the very idea of globalization, which must inherently destroy national economies, and starve people?

Capital: The period of 25 years, which is the time from birth, to producing a qualified university graduate, with professional qualification, it’s a capital cycle! Society must invest in the family. It must invest in the individual. Education, health care, and so forth, to produce an individual who is now an adult, or young adult, who can further develop, and contribute to the next generation after his or hers.

And the future of the nation depends upon what we do about this generation, the next 25 years, of the present generation. Well, that’s an investment. In order to increase productive powers of labor, you can not rely upon microeconomics. I could increase the productivity of any economy without any improvement in agriculture or industry, in terms of technology or in terms of productivity, in an apparent way. I could



*LaRouche asserted that “the great development of civilization came from the seaborne routes,” until only the last two centuries have made land-bridge development possible. Ancient civilization “began from the sea, at a time that the waters of the Indian Ocean were probably 400 feet below where they are today [here, the much greater extent of the subcontinent in that epoch is shown]. One could search the coast of India for 19,000, or 10-12,000 years ago. There must be some interesting things buried down there.”*

do it, economically. Why? If I now change anything inside the firm, the firm’s requirement; if I improve, or generally cheapen the quality of power; if I, in public efforts, public infrastructure projects, improve water; if I improve transportation, if I improve the organization of cities, like the mess we have in Delhi now, which I’ve just been looking at; if we develop the area, develop the people, and develop the infrastructure, that in itself, by itself, if nothing else, will cause a very significant improvement in productivity. It is from macroeconomics, in the physical sense, that sound economic policy unfolds.

When governments, in the name of being competitive for purposes of globalization, cut back on infrastructure development, liberalize power production, oppose state subsidies for power development, oppose state subsidies for developing water systems, oppose state subsidies for developing trans-

portation systems—do you want India developing highways, with a growing population, in the order of a billion? Where's the land area for all these kinds of streets, superhighways? You need efficient rail transport, public transport, which can move people cheaply and efficiently, and cleanly, and without hassle.

Save the land area. You don't want to haul oil from the Mideast into India; you need nuclear power. You need power by say, a high-temperature gas-cooled reactor, with 120 to 200 megawatt load. Because you don't want to haul fuel all over the country. You don't want to haul ashes of things from all over the country. You don't want to pollute the area by burning these fuels, which should be used as chemical feedstock for industry anyway. If you want, we can produce a high-temperature gas-cooled reactor; and equal—by using multiples—instead of a 1,200 megawatt operation, produce a number of high-temperature gas-cooled reactors in the 200-megawatt range.

We can produce synthetic fuels for water. We can burn these fuels as power, for automobiles, aircraft, and so forth. And the end waste product is water.

So, why do we want to do these kinds of things? Because we'll need to improve, to make these kinds of improvements. Health care. We have, for example, the case of HIV in India, which is one of the great national security threats to India. It's being spread, particularly because of a breakdown of employment in agriculture, which is infusing cities with a tremendous number of poor. These poor are living under terrible conditions. The cities are not prepared to absorb these masses of poor. And so we have built disease-breeding centers, which may go from 3-5% range of the entire population infected, and spread out from there. Infrastructure development can help that. We need the medication, medical treatment, the medical science, and so forth. But we can already limit this whole problem to a large degree simply by improving infrastructure.

### **A New Bretton Woods System . . .**

And this is what the United States did, faced with a problem; and we've always been faced with problems. We need to go back very quickly, therefore, to a system which is a fixed-exchange-rate system. This means a gold-reserve system, implicitly. We may be talking about a \$1,000-a-troy-ounce potential reserve today, or maybe more. It makes no difference. In a gold reserve system, it's not the price of the gold which is important, it's the function of gold that's important, as a reserve currency. We need a protectionist system. We need a system under which nations can cooperate, as I

indicated in the case of Asia: 25- to 50-year treaty agreements of cooperation. That means that each nation wants a strong national economy, because the basis of credit will not be central banking credit, will not be private credit. The private credit is not going to exist. The main thing, this economy is coming down. The system's coming down. The states, the state must intervene, put the credit system into bankruptcy, and generate state credit in two ways.

Do it on the precedent of Alexander Hamilton, on his contribution to this. The state, the national state, creates the credit. Cooperation of the regional government in using that credit, for domestic purposes. Provide the credit for necessary projects, projects in national infrastructure.

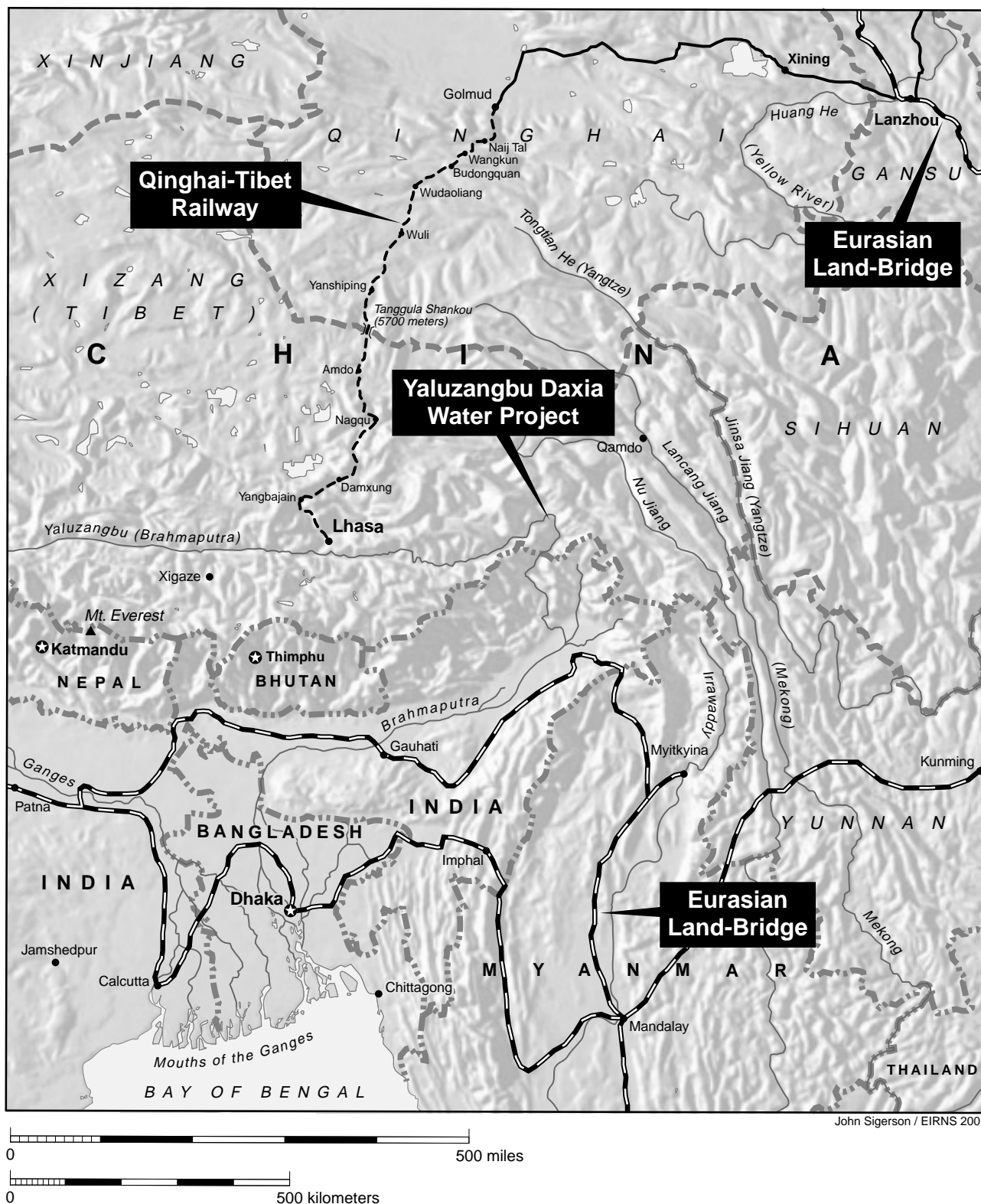
The second way is through treaty agreements among states. That is, two nations who agree to a project, can guarantee each other a relationship over, say, a 25-year period. That will create credit, without issuing money—it'll create credit. The major thing we have to do at this time, we have a bad lack of productive employment in the world. And therefore to deal with this problem, of unemployment and depression, we must increase the number of people employed productively. We must reduce unemployment, in that way. We must aim at productive gains; by increasing the number of people productively employed, you increase the tax revenue base. Therefore, you increase the income base. Therefore, you can go from bankruptcy, to a state of stability, simply by that means alone. The idea of austerity as a way of dealing with depression, is wrong. It's the wrong way. The state must intervene. The will of the state must intervene. And then you have large-scale projects, like these water projects, like China and India, and Bangladesh perhaps, in the case of this Brahmaputra water project.

The Southeast Asian Mekong Basin development is in the vital interest of India. It may not touch directly the water of India, but certainly the improvement of the Mekong River area, in creating a multi-national corridor, among those states involved, creates an engineering capability among those states as a treaty agreement. Select a staff that can do the job. And approach that the way that Commander Wu in China approached the question of building the maglev railroad from Shanghai to Shanghai airport. This itself will create a great market for India, a great trading bloc, a natural trading bloc. And these are the kinds of things we have to do. We cannot do this with globalization.

Globalization means you destroy the savings, and the economy must save. It means you loot the populations of the world, as we are looting the population of Mexico, with the agreement, the NAFTA agreement. We're employing people in Mexico, we're paying them to work, at prices below what's required to support a family. What are we doing? It's genocide. It's economic genocide. And therefore, the idea of having wages to support a family, adequate capital to support production, to support expansion, to support basic economic infrastructure. Don't cut budgets! Don't cut government programs! Increase them! Put the bankrupt system into bank-

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FIGURE 2  
**“Rail and Water Projects”**



*Potential technology-sharing and development between China and India: The dam/hydroelectric project on the Brahmaputra River is located near where that river, called the Yarlung Zangbo where it originates in China's Tibet region, comes down into India.*



ruptcy, and create credit for socially significant, economically sound, long-term projects, manage them well on the objectives determined, agreements among nations made, and we can recover. We can do what makes sense.

### **. . . Or, the Nations Are Destroyed**

If we don't, what will happen? We had a situation analogous to this, which some of you may have studied, in the 14th Century in Europe. The King, Edward III of England, decided one day, to cancel his debts to the House of Bardi. The House of Bardi was the leading banker among the Lombard bankers of Europe. As a result of this, there was a chain reaction in the banking system of the entire Lombard banking system, and all Europe collapsed. Now under those conditions, the bankers moved in to foreclose. The result of allowing the bankers to foreclose—even though it didn't save those banks—the result of doing that, was a new Dark Age in Europe, which resulted, in a few decades, in a 30% decimation of the population of Europe, the elimination of 50% of the parishes within Europe, and hideous forms of religious dissent, such as those who ran around beating each other, beating themselves and others.

If we go with the IMF, if we go with the World Bank, if we go with globalization, if we go with what has been heretofore the recent policies of the United States, since President Nixon became President; if we go in that direction, at this stage, we will create, globally, a situation like that that existed in the 14th Century in Europe. We see the augury of this in the southern part of Africa, where deliberate genocide is the policy. Genocide against Africa has been the policy of the United States, since Henry Kissinger wrote NSSM 200, back in 1974. "We must not let nations, which have raw materials," said Kissinger, "we must not allow them to *consume* these raw materials, which we may want in the future. Therefore, we must reduce and control their populations, and deny them access to technology, which would enable them to use up these mineral and other resources." Genocide. That's what the basis of population control is, just exactly that.

What they're doing now will greatly destroy Argentina. Argentina is on the verge of becoming extinct as a nation. A slightly favorable adjustment was made in that, and especially by the United States, but not by the IMF or World Bank. They're threatening to do the same thing to Brazil. We are doing something similar—not yet to that point, but close to it—in Mexico. Venezuela, under a President who happens to be a madman, is also in the process of disintegrating. Colombia is being disintegrated by the support of the United States for the drug-traffickers. This is happening all over the place. We are already moving in that direction, and therefore, the time will come, when we have to make certain moral choices. I will present it in some detail in the broadcast which will be made a week from now, that's set to go on for about three hours, and will be available around the world.

But, I think my point is clear, and I would rather have discussion, and amplify what I've already said. Thank you.

## **Uncertain Leadership, An Unfocussed India**

by Ramtanu Maitra

During a stay of almost two weeks (Jan. 10-22) in India, Democratic Party Presidential pre-candidate Lyndon H. LaRouche, Jr. and his wife Helga Zepp-LaRouche met with Indian academics, politicians, economists, religious leaders, young professionals, and senior policymakers. During their meetings, many of which extended for hours, discussions often veered toward what ails India, or more precisely, what India must do at this period of international economic and security crisis.

What became evident from various discussions is that India, although it has attained over the years a GNP growth rate of 5.5-6.5% annually, has been able neither to reduce poverty significantly, nor to modernize its ramshackle infrastructure. India has a pool of extremely competent engineers and scientists. Therefore, the failure to modernize infrastructure is not due to lack of expertise, but lack of determination. In other words, it is a lack of leadership which has kept India moving along at a snail's pace, depriving the country of the benefit of hundreds of millions of people who are too poor, too uneducated, and too helpless to play a substantial role. In most sectors of the economy, the pace of progress is well below what is required to engage the young new job-seekers. As a result of this failure, India's poverty continues to grow—or at least, refuses to shrink.

### **Poverty to the Fore**

One observation that comes across is that the Indians in general have come to accept this as the norm. The usual explanation as to why the leadership does not show greater concern for important infrastructure requirements (such as power; retention and adequate distribution of water to domestic, industrial, agricultural and commercial facilities; modernization of the vast and decrepit railroads; education for all; and public health care), is that India is no longer governed by a single political party, but by a coalition government made up of 24 political groups. Political parties, which are entirely regional and with only a slight national outlook, have gotten together for the sake of convenience to administer the country, some pointed out. The push and pull in different directions, some analysts claim, hinders them from taking necessary and hard decisions.

The apology, as to why India does not show the expected urgency in putting adequate infrastructure into place and eradicating poverty, is good, as far it goes. The reality, however, is entirely different. People admit India is now financially

much less strained than it was during the 1950s and 1960s, when Prime Ministers Jawaharlal Nehru and Indira Gandhi took definite measures to pursue the objective of nation-building. At the time, India was badly strapped for foreign exchange and depended upon food imports. Now, India has almost \$72 billion of foreign exchange reserves, and growing. Now, India is a food-surplus nation, with a cadre of engineers and scientists, the like of which very few nations possess. And yet, large-scale infrastructural projects have been abandoned for lack of “adequate reserves,” and modernization of such vital elements as transportation, are left undone. LaRouche pointed out repeatedly that the issue is that of leadership, and that India, like so many other countries, badly suffers from its lack.

There is one exception, however. The Bharatiya Janata Party (BJP) leadership is now building a four-lane highway which would connect India’s easternmost point to the westernmost point, and the northern and southern extremities. This project is very much in progress. Another project, a much bigger one, has been promised, which entails connecting India’s water-short river basins to the water-surplus river basins for equitable distribution of water use. This 5.6 trillion-rupee project was first conceived in 1972, but was shelved. Now, the BJP administration is willing to take up the project, and has promised its completion in 12 years. It has yet to begin. and so far, no formal capital allocation has been made.

### **Lackadaisical BJP**

In more than one sense, the lack of leadership is perhaps the key that locks India into its never-ending poverty. The most dominant party in the government is the BJP, widely identified across the world as the pro-Hindu political grouping. It is not clear what that means, but certainly its most serious shortcoming is its lack of understanding of economics, and general lack of concern for the poor.

During the Cold War, the BJP, then with a small electoral base, was a party of the free-traders. It opposed, sometimes simply for the sake of opposing, the mixed economy (an acceptable balance of public- and private-sector participation in economic affairs) most heartily and promoted the free-trade distortions in the American economy as the way to salvation. This party never campaigned to lift the poor out of their misery. And now, during its almost three and half years of rule, since August 1999, it has done precious little for them. But if it is short on compassion, it is not on boasting. The BJP does not miss an opportunity to point out how the poverty level has gone down during its rule. Its statistics are obviously doctored—poverty and the unacceptable living conditions are out there for all to see.

Due to their failure to provide the poor a better life, India’s leaders act paralyzed. There is a visible dearth of interest among policymakers in discussing measures to get rid of the poverty. It also escapes Indian leaders altogether that the poverty, over a long period of time, has created a new dimension of national security threat. To begin with, hostile neighbors

surround India. While it would be simplistic to blame only those neighbors for the hostile attitude, it is nonetheless evident that India’s borders are still being threatened, and are often breached illegally.

Following independence in 1947, India spent most of its economic surplus, and cannibalized its agricultural sector, to build new industries, new power stations, new universities and colleges, and to develop such frontline technologies as the entire nuclear fission fuel cycle and space research. As a result of such widespread investment in multiple sectors of the economy, driven by frontline technologies, India’s military remained neglected.

The 1962 conflict along the Himalayan border with China, and the 1965 conflict with Pakistan along the borders at Punjab, Jammu and Kashmir, and Rajasthan, over the disputed territory of Jammu and Kashmir, made it amply evident that India was vulnerable to security breaches. In the years that followed—and even today, when India’s military capability is widely acknowledged as adequate—India’s borders remain unsecured and unstable. Most of India’s border states suffer from insurgency fuelled by outside elements in collusion with militants inside. The 1970s was described by some Western experts as the most “dangerous decade,” with the threat that India would break up.

### **Poverty, a Security Threat From Within**

But beside obvious security threats—most of which are posed by the Pakistan Inter-Services Intelligence (ISI), a military outfit committed to bleeding India; by a few insurgency groups, mostly of tribal origin, in India’s northeast; by murderous Maoists who operate along the Bihar-Nepal border and in Andhra Pradesh; and by the massive drug- and gun-smuggling that flourished in the area from the time of the Afghan war (1979-89) and during the instability in Southeast Asia, originating in the 1960s during the Vietnam War—India’s crippling poverty creates a serious threat from within. India’s poverty is created by low growth in the agricultural sector and the failure of India’s administrators to realize that basic infrastructure development throughout the country provides an opportunity to all for investment in profitable agro-industries and small- and medium-scale industries.

Instead of that approach, what happened is the following. India is a food-grain-surplus nation, but has not developed its agro-industries adequately. The food grain surplus has created an impediment to the productivity growth in the agricultural sector. Higher productivity would entail larger volume of grains, which, in return, might induce a rapid drop in price. Farmers are not convinced that the government would provide them with adequate price protection in those circumstances.

As a result, the farmers are not particularly keen to produce more wheat, rice, or other cereals from an acre of land. The outcome has been surplus agricultural labor. India’s population growth, which has declined over the years, is still providing more manpower than the slow, low-productivity agricultural sector can absorb. Lacking education, these ag-

ricultural laborers leave their homes and gather around cities to generate cash to keep their families alive, back in the rural areas.

The situation would not have been too bad if the cities, and the national economy, were geared up to deal with this influx. But they are not. As a natural consequence, many of these floating migrant workers, who from time to time get some construction work or other menial jobs, have engaged in acts of despair, such as drug consumption, prostitution, and all kinds of illegal activities. In other words, the government has indirectly conspired to make these migrant workers into anti-social criminals. It is also a fact that the Pakistani ISI has recruited from these criminalized groups, posing an immediate security threat to India's major urban areas. The criminalization of the desperate poor has brought in drug addiction and such deadly diseases as AIDS. It is evident from talks with the Indian leaders, that while the subject is altogether not unknown to them, they have not considered this a priority, and are secretly hoping that by taking simple damage-control measures, they can make these massive problems disappear.

During discussions, it became evident that while the politicians, at least the senior ones, would like to push the development of basic infrastructure as a top priority, the Finance Ministry bureaucrats regularly get in their way. These bureaucrats, trained by the World Bank/International Monetary Fund and a part of the "Washington Consensus," have systematically sabotaged every attempt to generate fresh credit to revamp the infrastructure. The standard threat that emanates from the North Block, where the Finance Ministry bureaucrats are installed, is that unless India brings down its "fiscal deficit" and pushes for foreign-exchange-generating export devices, the Indian currency, the rupee, will go down the drain. Moody's and S&P, their argument goes, would downgrade India's rating so much that the foreign exchange reserves would flee in no time, and Western investors would abandon India as their place of choice for investment. The tragedy is that there does not seem to be anyone in New Delhi who has the stature to send these bureaucrats packing.

### A Phony Debate

Particularly striking is the fact that while the poor are all around, for everyone to see, most academics and political leaders are engaged deeply in the debate to resolve whether India should become a "Hindu Rashtra" (i.e., a state under Hindu religious law) or remain a secular nation. The Constitution proclaims that India will pursue the formation of a socialistic pattern of society. This itself is a clear pronouncement that India will not be a religious nation, and will remain a country where all faiths can practice their religions with complete freedom. The matter is settled—but then, why this debate?

To begin with, the participation in this debate itself shows how unfocussed the leadership is at present. The BJP triggered the debate in the 1980s, centering around its campaign

to build a temple at the Hindu holy site of Ayodhya, where a mosque had been built in the 19th Century. The BJP claims that *Hindutva* ("Hindu awareness") should be the soul of the nation. The so-called seculars claim that that itself would make the nation a Hindu nation—the very thing the Indian Constitution rejects. In fact, *Hindutva*, as elucidated by Veer Savarkar in the early 1920s, should not be considered egregious by the Hindus, or the Muslims, or the Sikhs, or, for that matter, the seculars. Savarkar said that *Hindutva* is a part of those who consider the geographical territory of India as their *pitrabhumi* (fatherland) and *punyabhumi* (sacred land). Of course, the Muslims claim only the *Darul Islam* (the Islamic world) as their *punyabhumi*.

The debate became a standard for India's talking heads and unfocussed politicians, particularly since the state assembly elections in Gujarat last December. In Gujarat, where a massive anti-Muslim riot had flared up, after some Muslims firebombed a rail coach full of Hindus returning from a pilgrimage to Ayodhya earlier last year, the BJP campaigned most stridently against the seculars and promoted an anti-Muslim *Hindutva*. BJP won big, throwing open the option to wage similar campaigns.

What the BJP did, which some consider the reason for its electoral success, is to label the anti-*Hindutva* proponents as pro-Pakistan, and not just pro-Muslim. Most Indians hate Pakistan, for the militant and subversive anti-India role it has played throughout its 56 years of existence as a country. While the seculars were on the run, most Hindus believed that it should not be difficult for the non-Hindus to accept the formulation of *Hindutva* presented by Veer Savarkar. It is evident that if the political leaders in India want to make this the issue in future, India's development will suffer a major setback.

### Military-Strategic Issues

Unlike the paralytic state of New Delhi when it comes to dealing with infrastructure shortcomings and massive and pervasive poverty, Indian analysts are much more focussed on military-strategic matters. It is encouraging to find that New Delhi has come to realize the mistake it made in believing that the Bush Administration's declared war against terrorism, following the events of Sept. 11, 2001, would help India to resolve the Kashmir issue. New Delhi's belief at the time, was that the United States, by clamping down on Pakistan hard, would extract a solution to the vexed Jammu and Kashmir issue. The corollary illusion that followed further consolidated New Delhi's other belief. It was provided mostly by the bureaucrats and peripheral adjuncts associated with the Ministry of External Affairs. Their argument was that since Washington requires New Delhi for its eventual confrontation with Beijing, India would be preferred over Pakistan. Subsequent experience is history. India brought in almost 700,000 troops and armaments along the India-Pakistan border and spent some \$250 million over a number of

months. Pakistan did not kowtow, the United States threw its hands in the air, and India lost face completely.

Now, it seems that New Delhi's thinking has changed on the Pakistan issue. It is recognized that whether the United States were capable of helping, things will not improve vis-à-vis Pakistan through external intervention. India will have to deal with Pakistan, and if it cannot, it must accept the way things are.

The second development has to do with understanding China. Most Indian experts and politicians accept that China is a power to reckon with. No matter what India does or does not do, China will continue to consolidate its peripheral security beyond its geographical perimeter. China is highly security-conscious and will remain so, even if India doesn't like it.

But the disillusionment with Washington has allowed the Indians to find their feet once more. They realize that China, which will not drop its military guard against anyone, is not keen to weaken India right now. In fact, New Delhi can discuss security matters with Beijing which may lead to the securing of India's borders. It was widely acknowledged that the terrorists and secessionists who have kept India's borders unsettled, expect help from China, in case India comes down heavily on them. A lot of that is illusion, but in the case of Pakistan-led terrorism, reality and illusion blur.

What caused this change? It came in part when Chinese Prime Minister Zhu Rongji, who visited India last year, made it clear at a banquet speech that India and China, the two major nations of Asia, share the responsibility of providing security (military and economic) to the vast continent. That was the first official recognition by any Chinese leader that India has a large role to play in Asian affairs.

### **Acceptable China**

Things have decidedly changed since then. One senior Indian academic pointed out that in Southeast Asia, where India has launched the Mekong-Ganga Development project as a way to extend its foreign and economic relations eastward, China has another, similar project. Zhu specified that there is no conflict between the two projects, and that China welcomes India's participation in the area.

In recent days, one of the top anti-China hard-liners, Defense Minister George Fernandes, announced that although India will continue to develop its military defense, he does not foresee China as being a threat. Going further, he even endorsed economic and strategic collaboration with China for mutual benefits.

Most senior Indian policymakers are now veering toward developing a closer relationship with both China and Russia, but not for the purpose of forming a bloc. The objective, which they elucidated on a number of occasions, is that in the long term, India, China, and Russia must combine to resolve some of the major technological, economic, and infrastructural problems that haunt these nations, and must develop the vast Eurasian land-mass.

It seems much easier for the Indian analysts to comprehend the threat the impending war against Iraq poses. They readily understood that such a war will wholly destabilize the Asian continent and create a vicious environment, which will affect all the major nations of Asia, and set back developmental plans for years. In analyzing this issue, the Indians showed clearheadedness, although they also made it abundantly plain that India, not being a permanent member of the UN Security Council, as China is, cannot stop the war from breaking out.

What was also acceptable to those who are keen to consolidate bilateral relations with China, is that India and China should put their heads together, to work to construct major international infrastructure projects, such as taming the Brahmaputra River and the augmenting of the Ganga, using water from the Brahmaputra.

In addition, on the infrastructure front, China now possesses the most advanced railroad technology in the world, in the form of the Transrapid maglev system. China is also building the largest water project and is in the process of transferring water from the water-laden Yangtze River basin to the water-starved northern river basins. India's plan includes bringing in water from the rivers with surplus in the north to help the water-short river basins in the south. Both India and China have excellent hydrologists and construction engineers.

A similar collaboration is particularly necessary in the use of nuclear fission power for commercial use. Both India and China need far more electrical power. Both have developed nuclear reactors. India probably has much greater expertise in this area with its heavy-water, natural-uranium-fuelled 235 MW nuclear reactors. China is in the process of developing high-temperature reactors which would provide the surplus heat for various chemical processes and water desalination. India is not a signer of the Nuclear Non-Proliferation Treaty (NPT). Hence, it cannot export reactors, but can import reactors only under International Atomic Energy Agency safeguards. China is a signer of the NPT. However, the two can bilaterally develop, and exchange, not only the necessary ingredients required to build reactors, but also the complete reactors. This is an area of great promise and would definitely break the stranglehold the Western-driven NPT has over major non-signatory nations.

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