years, and the ratio of trade dependency rose from 8.9% to 24.8%. Things were much more turbulent during the 1990s, which culminated in the Asian financial crisis. But since 2000, with China's accession to the WTO, dependence on trade shot up, from 43.8% in 2000, to 60% in 2003, and to 70% in 2004.

Another big problem is rating exports as more important to the economy than imports. Policies excluding high-grade imports, have actually discouraged Chinese manufacturers from upgrading production with imported equipment and technology, Guo said.

Meanwhile, an entire "foreign" economy has grown up, physically based in China, but in reality only one branch of the globalized system. "More than half of China's exports, and an overwhelming majority of high-tech manufacturing and trade, are generated by foreign companies," Guo said. This "separate" economy has far more transactions with other foreign companies—inside China and outside it—than with the domestic Chinese economy.

One result is the explosion of China's forex reserves and trade surplus. China's foreign reserves have shot up 300% since 2001, and such huge holdings can cause problems. After the Asian fiancial crisis, there was a national debate in China at the highest level, on whether foreign reserves were essential to protecting the financial system, or whether strong exchange and other financial controls—under the government's sovereign control—were the better guarantee. Now, with the huge reserves making China vulnerable to the financial crisis in the United States, the answer is becoming clear.

Guo emphasized that managing these vast holdings "reduces the independence of the country's monetary policy." The People's Bank of China has been spending excessive amounts of renminbi to buy the big foreign currency holdings of commercial banks, amassed due to the trade surplus and investment inflow. This has dominated PBOC policy, which had been to try to control money supply. The whole situation is becoming unbalanced, and "China needs a strategy for more of a balanced development," Guo said.

He put forward some beginning measures for balancing that development. Due to its rapid growth from a very poor level, China has an energy crunch; in its own interests, it should cut production of energy-consuming exports. It should also cut exporting the resources China needs. As of April 1, Beijing ended its 13% tax rebate on steel billet and ingot exports, which will considerably reduce these exports this year. Iron ore is urgently needed in China, the world's biggest steel producer, and it is facing 70% price hikes from the international cartels.

But of greatest importance in what Guo said, is that he stated that China—while restricting low-level, redundant, or speculative investments—must call on the industrial nations to relax restrictions on their technology exports to China. This is, at least in approximation—the basis for the "Eurasian Land-Bridge" approach of Lyndon LaRouche.

German Investments in Russia Reach New Phase

by Rainer Apel

The "Week of Russian Industry" at the Hanover Industrial Fair, which began on April 10 with speeches by German Chancellor Gerhard Schröder and Russian President Vladimir Putin, and ended on April 16, brought considerable progress in economic relations between Germany and Russia. Among the deals signed in Hanover, the joint ventures in the railway and natural gas sectors mark a new phase in cooperation: Whereas relations in the past were predominantly characterized by Russia being the raw materials supplier and Germany the supplier of machines and other industrial equipment, now German companies are beginning to make long-term investments in Russian industry.

Not only because Russian natural gas covers 40% of Germany's needs, is the partnership agreement between Germany's Wintershall firm and Russia's Gazprom important. The agreement, which gives Gazprom a 49% share in, and the respective revenue from, the 2,000-kilometer German pipeline grid owned by Wingas, a daughter company of Wintershall, is mirrored by the same share granted by Gazprom to Wingas in the Baltic underwater pipeline, which will be built between Vyborg and Greifswald during the next five years. An even more substantial aspect of the Gazprom-Wintershall agreement is that both firms will jointly explore the new giant Siberian gas field at Yuzhno Russkoye, which has enough reserves to cover all of Germany's natural gas needs for five or more years. Gas will also be exported from there to other European countries.

High-Speed Rail

The other outstanding German-Russian deal is the one between Siemens and RZD (Russian Railways) on the realization of the high-speed railway route between Moscow and St. Petersburg. The route will be completed by the Spring of 2008, and will be served by 60 trains, travelling at speeds of up to 300 kilometers an hour. The trains will be based on Siemens' Inter City Express (ICE) system, modified for the wider Russian track gauges and made of special materials that can resist the harsh Arctic climate in Russia's northern regions. Most of the components of the trains will be produced at Russian firms, which belong to a joint Siemens-RZD venture. According to RZD director Gennady Fadeyev, the joint venture will create up to 100,000 jobs in the Russian rail-tech sector, and enable Russia to build up a modern machine-building industry. This will lay the groundwork for future

Russian President Vladimir Putin (left) and German Chancellor Gerhard Schröder inspect the Russian exhibition at the Hanover fair on April 11.

expansion of the high-speed railway grid, from Moscow to Nizhny Novgorod, Rostov, and Kiev, as well as from Omsk to Novosibirsk, and from St. Petersburg to Helsinki, Finland. At least another 120 trains will be needed, for these routes.

Two important deals were signed between the German agri-tech producers Fendt and Claas, on joint ventures with Russia's Agromash, for the production of tractors and harvesting machines. President Putin made special mention of these deals, saying: "Already, a tractor is produced that Germany can be proud of. Fifty percent of its components are from Germany, 50% are from Russia, and a Russian bank finances the entire project. The more projects of this nature there are, the sooner we will achieve important results both for the Russian and for the German economy."

Another deal in the railway sector was signed between the German rail transport firm Railion and Russia's RZD, concerning the promotion of containerized freight transports on the Trans-Siberian rail route, to develop this as an alternative to sea routes for 25% of all Asian-European freight during the next decade.

The Need for a Grand Design

Although the scope of the deals in the railway sector still lags behind the potential of the Eurasian cooperation that the LaRouche movement is calling for, these German-Russian developments mark the first time in 14 years that Germans have begun to envisage in-depth industrial cooperation with Russia. In a political environment prepared by the LaRouche movement's campaign from 1989 on, for a continental Eurasian grand economic design after the fall of the Iron Curtain, Detlev Rohwedder, director of the Treuhand Agency that was to organize the modernization of the former Communist East Germany's industry, proposed to turn the core of eastern German industrial cooperation with the Soviet Union into the foundation of in-depth expanded cooperation between the reunified Germany and the Russian-Soviet economy. But Rohwedder, whose plans ran opposite to what the neo-liberal Anglo-Dutch bankers had in mind for Russia, was assassinated on April 1, 1991, and grand designs for German-Russian cooperation disappeared from the official agenda.

In Hanover, Putin hinted at a potential grand-design approach in German-Russian partnership, saying on April 11 that it "can be deepened by bilateral and multilateral contacts and cooperation, and also by the creation of joint plants, not just in our own countries, but on global markets as well." Putin added that he was "certain that in the future, we will be able to talk about the formation of a full technological and production alliance between Russia and Germany."

But for that to really occur, Russian and German leaders have to begin publicly associating with the political force represented by LaRouche. Had he and his movement in the United States not remoralized the opposition to the Bush team, by picking a fierce fight on the war, industrial investment, and Social Security issues, the President would not be the lame duck that he is right now. And if Bush were not boxed in, the Germans and Russians would not have the strategic maneuvering room that they have now, for building their mutual relationship.

Germany Must No Longer Neglect India

by Rainer Apel

During the 1950s and 1960s, even into the 1970s, German industry's engagement in India was one of its biggest in the world outside Europe. But since the 1980s, this engagement has been on a steady decline, and appeals by Indian politicians and businessmen to the Germans to get more involved, have mostly fallen upon deaf ears. Direct investment by Germany in India is ridiculously low, at about $125 million during the last few years. The Joint Indo-German Commission on Economic and Industrial Cooperation did not meet