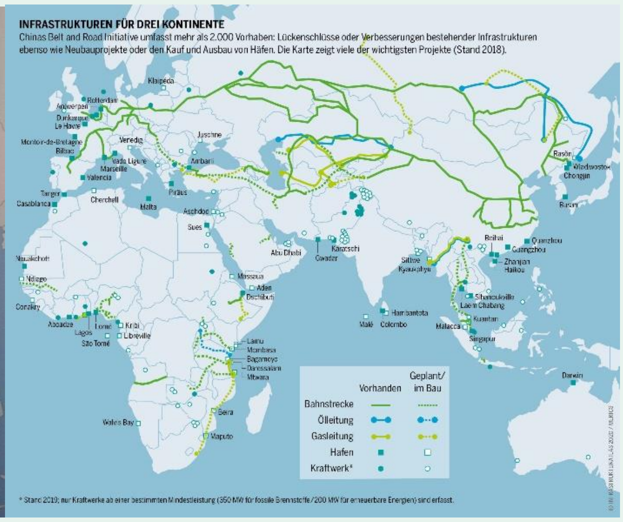
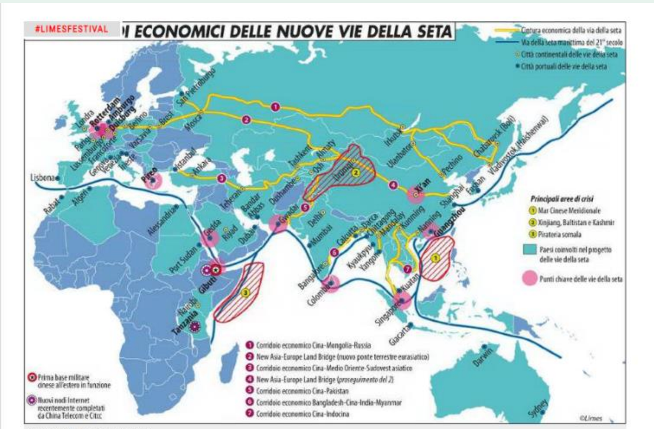
THE BELT & ROAD INITIATIVE





Carta di Laura Canali, 2019.

Articles from the *Australian Alert Service*

Published by Australian Citizens Party

December 2021

Australian Alert Service

The *Australian Alert Service* is the official newsletter for the federally registered political party Australian Citizens Party, formerly Citizens Electoral Council of Australia.
Website: citizensparty.org.au
Email: info@citizensparty.org.au
Tel: 03 9354 0544
Published and printed by:
Citizens Media Group Pty Ltd A.C.N. 010 904 757
PO Box 376 Coburg Vic 3058
595 Sydney Rd Coburg Vic 3058

BRI: reviving real economies for 8 years

By Elisa Barwick

Eight years ago, in September 2013, Chinese President Xi Jinping announced the Silk Road Economic Belt at Nazarbayev University, Kazakhstan; the 21st Century Maritime Silk Road was announced early the following month, in Xi's speech before the Parliament of Indonesia.

In Kazakhstan, Xi suggested the two nations "jointly build an 'economic belt along the Silk Road'". He elaborated: "Throughout the millennia, the people of various countries along the ancient Silk Road have jointly written a chapter of friendship that has been passed on to this very day. The over 2,000-year history of exchanges demonstrates that on the basis of solidarity, mutual trust, equality, inclusiveness, mutual learning and win-win cooperation, countries of different races, beliefs and cultural backgrounds are fully capable of sharing peace and development. This is the valuable inspiration we have drawn from the ancient Silk Road."

To mark the eighth anniversary Xi addressed the third symposium on what has become known as the Belt and Road Initiative (BRI), held in Beijing on 19 November. There are 140 countries and 32 international organisations which have signed up to BRI agreements, with an additional 30 nations participating in some capacity. China's trade with BRI partners (as of 2020) has exceeded US$9.2 trillion.

The Chinese President declared it necessary to find the broadest possible common ground among diverse nations, to further develop the initiative, according to Chinese television station CGTN. Dialogue, shared goals and cooperation have achieved concrete advancements, he said, and will continue to do so. Xi called for "heightened efforts to ensure stable industry and supply chains and promote the diversification of sources".

"The international environment of the Belt and Road Initiative is becoming increasingly complex", said Xi, demanding strategic coordination to overcome economic and security concerns, to "plan with a view of the whole as well as an eye on the details, actively respond to challenges, seek advantages and avoid disadvantages, and move forward courageously."

At the 21 September United Nations General Assembly general debate, Xi had proposed a Global Development Initiative, which, according to a Chinese foreign ministry spokesman, "embraces the core concept of putting the people at the centre of all endeavours"; "aims at meeting the aspirations of all nations for a better life"; and "focuses on development as the master key to addressing all problems, strives to break the bottlenecks and create more opportunities, and emphasises addressing imbalances between and within countries."

President of the Schiller Institute, Helga Zepp-LaRouche, known in China as the "Silk Road Lady" for her advocacy of the concept since the early 1990s, on 19 November gave three interviews with Chinese media. She demanded Western nations give up geopolitics and neo-colonialism, which have brought the world to the brink of nuclear war, worsening famine, poverty and persisting pandemic impacts.

On CGTN, Zepp-LaRouche was joined by Professor John Gong from the University of International Business and Economics, Beijing. He explained how the BRI was a natural extension of Chinese development. As Chinese companies expanded overseas, they quickly discovered that markets of developing countries were "handicapped by [lack of] basic infrastructure for things like railways, port facilities,

BRI projects underway, including ports, energy and transport. Photo: beltroad-initiative.com

electricity network, telecom network—all these things are lacking for the Chinese companies to operate properly in these markets. And there's a mutual benefit in developing these countries' basic infrastructure." China's foreign exchange reserves were at an all-time high, he added, so there was a "very natural evolution to using that money ... and using the capabilities of Chinese companies of building infrastructure to help those developing countries".

Initiation of the BRI assisted existing projects to come to fruition and sparked many more. A website compiled by Sebastian Ibold, a German urban planner and transport enthusiast living in China, beltroad-initiative.com, presents a list of projects, underway or proposed. There are numerous projects this author is aware of that do not appear on the list, and South American initiatives are not included. Nonetheless, it is an impressive list, including: **rail links** (various routes linking Europe and China, Thailand, Indonesia, Malaysia, Myanmar, Laos, India, Pakistan, Bangladesh, Uzbekistan, Saudi Arabia, Iran, Budapest-Belgrade, Kenya, Nigeria, Chad, Ethiopia, Djibouti, Angola, Sudan); **motorways and roads** (India, Pakistan, Tajikistan, Serbia, Georgia); **dams and hydropower** (Cambodia, Indonesia, Myanmar, Pakistan, Tajikistan, Georgia, Uganda); **gas pipelines and projects** (through multiple countries, Russia, Bangladesh, Azerbaijan); **power plants and energy** (Pakistan, Kazakhstan, UAE); **ports, dry ports and airports** (Myanmar, Indonesia, Sri Lanka, Pakistan, Kazakhstan, Israel, UAE, Greece, Turkey, Zimbabwe); **industrial parks and special economic zones** (Pakistan, Myanmar, Kazakhstan, Egypt).

Exemplifying the BRI's progress, on 3 December Laos opened the 414 kilometre Laos-China Railway, to be operated by the joint Lao-China Railway Company. Built by China in five years, its $6 billion cost was split 70-30 between China and Laos.

The north-south railroad, which connects Laos to its northern neighbour China, and Thailand to the south, crosses rugged terrain and includes 61 km of bridges and 198 km of tunnels, reducing the trip from the Lao capital, Vientiane (at the southern border with Thailand), to the Chinese border from 15 hours to just four. From Boten at the northern border the railway links to Kunming in China; to the south an extension is planned all the way to Singapore.

Witnessing the opening of the new railway by video link with Lao President Thongloun Sisoulith, Xi Jinping called for expanding "cooperation in new infrastructure projects", particularly in agriculture and development zones.

Who made China and Russia the enemy, and why?

By Elisa Barwick

In recent years China and Russia have been increasingly demonised by the Anglo-American political establishment to prevent the world looking to an alternative economic and strategic approach. A backdrop of key developments on both sides, highlighting a shift in 2016-17, is provided here.

Following the 2007-08 global financial crisis, China made a decisive intervention, demonstrating a pathway for reform of the financial and economic architecture. While the USA, UK and EU led the world into a rapid expansion of speculation fuelled by quantitative easing and driven to rescue banks by stealing private investments, put into motion at the 2009 London G20 summit, Chinese economic officials observed that a major contributor to the crisis was the decoupling of the financial sector from the productive economy. China therefore launched a dramatic infrastructure investment campaign and the Belt and Road Initiative (BRI) to upgrade and expand global trade infrastructure, along with financial reforms to discourage financial speculation.

British and American politicians and think-tanks responded with a campaign to marginalise China and supress its leadership in this field; they also targeted Russia, the other major power deemed a threat to Anglo-American geopolitical dominance.

In early 2016, US Secretary of Defence Ashton Carter and Director of National Intelligence Gen. James Clapper both named Russia and China as greater threats to America than the ISIS terrorist network. This was a truly shocking and insulting inference at the time. In January, Clapper told WTOP radio in Washington, DC, that among the greatest threats to the United States were Russian aggression and Chinese espionage. Addressing the Economic Club of Washington in February, Carter declared that Russia and China posed the two top challenges for American defence planners, followed by North Korea, Iran, and then Islamic State (ISIS).

In February 2016, the Australian government released its 2016 Defence White Paper, which explicitly subordinated Australia's defence policy to that of the United States, pledged open-ended and unconditional support to the US "strategic rebalance" (pivot) to Asia, and portrayed China as the single greatest threat (with Russia a close second) to the "rules-based global order".

The Belt and Road

A 31 July 2016 article for the *Sydney Morning Herald*, by economics editor Ross Gittins, is a reminder that most Australians at this time hadn't even heard of the Belt and Road project. He asked, "have you heard of One Belt, One Road? No, I thought not." That gradually changed, but the true motives were never conveyed by the mainstream press. The line peddled was that put out by geopolitical strategists—that the BRI was a Trojan horse for China to expand influence and control.

The USA, which had refused to join the Asian Infrastructure Investment Bank (AIIB) initiated by China in 2014 to increase development funding, made clear it would not be participating in the BRI. As geostrategic analyst from the Malaysia University of Technology, Mathew Maavak, told *Sputnik* in August 2016, "Playing second fiddle to Eurasia is not an option for Washington."

Significantly, China and Russia were boosting

Economist covers featuring Xi and Putin. The British magazine is considered to speak for the City of London imperial financial centre. Photos: Economist

cooperation in this period, both bilaterally and through the Brazil, Russia, India, China, South Africa (BRICS) bloc, and regional Eurasian forums including the Shanghai Cooperation Organisation (SCO), the Eurasian Economic Union (EEU) and Eastern Economic Forum (EEF). A *New York Times* editorial of 21 July 2019 warned that "Western interests" would be threatened if America's two major "adversaries"—Russia and China—were to unite.

In September 2016, China hosted the G20 Leaders' Summit at Hangzhou. Amid warnings of a new global financial crisis, Chinese President Xi Jinping called for international coordination to "build a strong bulwark against crises", and called for "a new path of economic development" by moving away from purely fiscal and monetary mechanisms. At the B20 forum for business leaders, Xi described the initiatives China had taken to lift over 700 million people out of poverty, saying "this is the course ... the world should take. For this purpose, we have introduced large-scale investment overseas." The BRI, he said, "is not China creating a sphere of influence, but rather a means of supporting the development of all countries".

From that time, *AAS* reported a sharp increase in anti-China rhetoric—which included lies about China being the biggest foreign investor in Australia and China hacking the online census (later disproven)—clearly intended to stymie increased economic cooperation with China. When Members and Senators elected in July 2016 arrived in Canberra at the end of August for their first parliamentary sitting, they were presented with the new issue of the Parliamentary Library's Briefing Book, which cast the BRI as a "profound challenge to the current global political and economic status quo". Written by ANU academic Dr Geoff Wade, a career anti-China propagandist who writes for the Australian Strategic Policy Institute's *The Strategist*, it warned MPs to "maintain a close watch" on the project and remain cautious about involvement. Nevertheless, the BRI was well received at the state level, especially in Victoria, the Northern Territory, Western Australia and Tasmania. Most states backed off significantly, however, in the face of the increasing China hysteria, with the exception of Victoria which with federal government approval signed an MOU to participate in BRI projects.

Enter Trump

Upon the November 2016 election of Donald Trump, there was immediate panic in the corridors of Whitehall in the UK over his intention to improve relations with Russia, do deals with China and end regime-change wars. Rupert Murdoch's 13 November *Sunday Times* in "Britain's plan to tame Trump" reported on the effort to shift Trump with "outside influence", i.e., from the UK. This was later described by British Ambassador to the United States Sir Kim Darroch as "Trump whispering", with efforts to "flood the zone" surrounding Trump with advisors who would redirect his policy. This followed the failure of plans to sink Trump's presidential ambitions ahead of November 2016 and to destroy his presidency with the "Russiagate" scandal.

One of Trump's early moves was to quit the Trans-Pacific Partnership (TPP), a trade agreement that conspicuously excluded China, and functioned as an economic adjunct to his predecessor Barack Obama's Pivot to Asia. In an infamous 2 May 2016 *Washington Post* column promoting the TPP, Obama asserted that "America should write the rules", not China.

Although he has not lived up to most of his promises, such decisions and Trump's "wild card" nature shook the very foundations of the Anglo-American "special relationship"—the essence of which has always been Britain preserving its imperial power via influence over a militarily powerful USA, or "British brains-American brawn". In December 2018, a House of Lords report, "UK Foreign Policy in a Shifting World Order", warned that the Trump Administration had taken "a number of high-profile unilateral foreign policy decisions that are contrary to the interests of the United Kingdom", and that, "Should President Trump win a second term … the damage to UK/US relations will be longer lasting." Notably, former Foreign Secretary William Hague is cited in the same report referring to Xi's October 2017 speech to the 19th National Congress of the Communist Party of China as "entirely different" from any by a Chinese leader in modern times and a declaration that China was determined to "take centre-stage in world affairs".

In May 2017 the first Belt and Road Forum for International Cooperation in Beijing polarised governments for and against the BRI, but attracted support from business and industry worldwide. China had rapidly expanded collaboration with Europe, Eastern Europe and Africa. Alongside increased slanders of the BRI, thoughtful articles began to appear about reviving the American System economic approach, starring similar national credit and industry policies as China was utilising. (This has culminated recently with the new American Compass project and explosion of support for a National Infrastructure Bank—p. 13.)

Foreshadowing a significant shift in the mass media portrayal of President Xi, the Australian Parliamentary Library issued another paper, ahead of the 2017 National Congress of the Communist Party, warning of Xi's "concentration of power" and "growing cult of personality". While in reality Xi must still be re-elected by the party and the changes at the congress amounted to the removal of term limits, the paper warned that the failure to promote a successor to Xi at the conference could indicate he was on the way to becoming dictator.

Defence and Security

By year end the earlier ruminations of Clapper and Carter had been formalised, with the release of the December 2017 US National Security Strategy and the January 2018 National Defence Strategy. At the conclusion of the Cold War, "America emerged as the lone superpower", said the new security strategy, but over time it let that advantage slide. The USA would need to expand its influence in order to maintain its "unmatched political, economic, military, and technological advantages".

China and Russia were listed alongside jihadist terrorists and transnational criminal organisations as challenges to "American power, influence, and interests, attempting to erode American security and prosperity". Engagement with such "revisionist powers" was no longer considered a viable strategy, the paper stated.

Two weeks earlier, State Department front group the National Endowment for Democracy (p. 9) had outlined the new conflict in a report titled "From 'Soft Power' to 'Sharp Power': Rising Authoritarian Influence in the Democratic World". It suggested that Russia and China were working together to exert their authoritarian influence through "'sharp power' that pierces, penetrates, or perforates the political and information environments in the targeted countries". Initiatives that "may appear to advance admirable goals" are merely a ruse to gain control.

The new defence strategy announced that "Inter-state strategic competition, not terrorism, is now the primary concern in US national security". It declared China and Russia "the principal priorities for the [Defence] Department … because of the magnitude of the threats they pose to US security and prosperity".

The strategy asserted that "China and Russia are now undermining the international order from within the system by exploiting its benefits while simultaneously undercutting its principles and 'rules of the road'." It called for building "a more lethal" defence force and was backed up by Nuclear Posture and Ballistic Missile Defence Reviews which mandated the integration of nuclear weapons into conventional weapons systems at the combat command level.

A 25 January 2018 "expert opinion" from British imperial bastion the Royal Institute of International Affairs (Chatham House), warned that the USA must manage the threat posed by the Kremlin without "striking a 'grand bargain'—which would implicitly accept that the current world order is no longer functional". The article gloated that Trump was isolated, as his "personal deference to Vladimir Putin" does not reflect the position of the "political and military establishment in Washington" which views Russia as a threat.

The UK Strategic Security Capability Review, released in March 2018, revealed the UK and US establishments were in lockstep, unveiling a new era of modern, "soft" warfare against challengers to Anglo-American power. This included the UK's new "Fusion doctrine" comprising greater orchestration of existing national security capabilities and integration with private and third sectors. This has been mimicked by the other Five Eyes intelligence alliance members, the USA, Canada, Australia and New Zealand.

The UK review placed "the resurgence of state-based threats" alongside terrorism as the UK's greatest security concern. The Global Britain campaign, a strategy to rebuild British trade and military domination using the Commonwealth and other "Anglosphere" networks, is listed as a key factor in "using our soft power to project our values and advance UK interests". The report stressed the battle for supremacy in the cyber realm, necessary due to the "democratisation of information" through social media.

China's July 2019 defence white paper, on the other hand, stated that its defence strategy is "never seeking hegemony, expansion or spheres of influence". It said the "pursuit of peace, stability and development has become a universal aspiration of the international community with forces for peace predominating over elements of war", but with revisions of the US national security and defence strategies, this ambition is "undermined by growing hegemonism, power politics, unilateralism and constant regional conflicts and wars".

More refutations of 'China debt-trap' allegations

By Elisa Barwick

At the Second Belt and Road Forum for International Cooperation, held 25-27 April in Beijing, China's Finance Ministry announced a new "Debt Sustainability Framework" outlining the criteria for Belt and Road Initiative (BRI) loans. It is based on standards similar to those used by the World Bank and IMF, but with "Chinese characteristics". Finance Minister Liu Kun said, "It should be noted that even if a country is assessed as being high risk, or even in debt distress, it does not automatically mean that its debt is unsustainable in the long term", nor that it should be denied credit. "Judgement" must always be used. Governor of the People's Bank of China, Yi Gang, said that long-term debt sustainability decisions must also assess the effects of improvements to infrastructure, of people's living standards, poverty reduction and greater productivity.

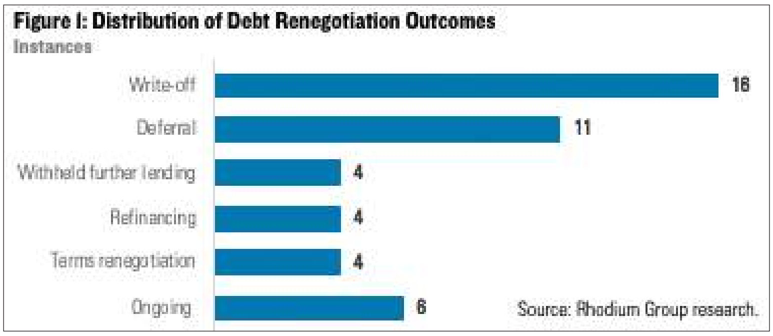


Figure I: Distribution of Debt Renegotiation Outcomes

Despite rampant attacks on the BRI since the first forum in 2017, the fruits of the initiative are becoming harder to deny and many outlets are beginning to defend the project from its detractors. A sample of such reports from around the time of the second forum appears here.

"China's Belt and Road partners aren't fools" – *Foreign Policy Magazine*, 1 May: A very significant perspective given the publication's US establishment credentials. Freelance writer Jacob Mardell who is currently travelling through Belt and Road countries opened, "Chinese finance is attractive for good, practical reasons", going on to say that "English-language coverage of Belt and Road largely targets the flaws of the initiative—principally that it lacks transparency, promotes poor standards, and deals in 'debt trap diplomacy'. The critical tone contrasts dramatically with the mood on the ground in many countries touched by the BRI. Critics of Belt and Road tend to see the initiative as a conscious exercise in power projection. They are not necessarily wrong, but this focus on Beijing overlooks the agency of local decision-makers and fails to comprehend their attitude toward Chinese funding."

BRI sceptics forget that partner countries have agreed to the projects, they are not "passive and unwitting recipients of Chinese designs". The article provides examples of successful projects that have transformed economies, and others which have failed—some for lack of local oversight. Many countries have been denied finance from all other sources. Poorer countries, Mardell says, prefer China's "self-interested development model" to "EU [or other] strings-attached finance".

"New Data on the 'Debt Trap' Question" – Rhodium Group, 29 April: This report by an independent researcher acknowledges that there is a high number of debt renegotiations, which may put a brake on BRI development; however asset seizures are extremely rare and China does not use its leverage against smaller nations. The study reviewed 40 cases of Chinese debt renegotiation, showing that they usually lead to a more balanced outcome for both lender and borrower, or in many cases are weighted in favour of the borrower, including the extension of terms, and often partial or even total debt forgiveness. **(See graph.)** Concludes the report, "despite China's size and growing international economic clout, its leverage in some of these cases remains quite limited, even in disputes with much smaller countries".

The *Sydney Morning Herald* reported this study on 2 May under the headline, "Data doesn't support Belt and Road debt trap claims". The article cites Australian National University senior lecturer Darren Lim suggesting the Trump administration had pushed the "debt trap diplomacy line" and that "It beggared belief that Beijing was deliberately setting up recipient countries to fail."

"America's False Narrative on China" – Project Syndicate, 26 April: Stephen S. Roach, former chairman of Morgan Stanley Asia and senior fellow at Yale University, took on misconceptions about America's trade deficit with the USA, refuting allegations of Chinese intellectual-property theft and currency manipulation, and showing that China's industrial policy is comparable to that of the USA or European nations.

What if "the China bashing is more an outgrowth of domestic problems than a response to a genuine external threat?" Roach asks. "In fact, there are strong grounds to believe that an insecure US—afflicted with macroeconomic imbalances of its own making and fearful of the consequences of its own retreat from global leadership—has embraced a false narrative on China."

Those US issues are reflected in the fact that the USA ran trade deficits with no fewer than 102 countries in 2018. The other distortion is that the US-China trade imbalance is overstated by some 35-40 per cent, because it includes goods that are assembled in China from components made in other countries.

Roach dissects the claim that China is stealing intellectual property from the USA, to the tune of hundreds of billions of dollars each year. Those figures are based on flimsy modelling and extrapolation from intercepted counterfeit and pirated goods, or illicit financial flows. Charges of "forced" technology transfer assume "that sophisticated US multinationals are dumb enough to turn over core proprietary technologies to their Chinese partners", and the US Trade Representative's March 2018 report admits that "there is no hard evidence to confirm these 'implicit practices'."

Roach concludes: "All in all, Washington has been loose with facts, analysis, and conclusions, and the American public has been far too gullible in its acceptance of this false narrative."

"Is China the world's loan shark?" – *New York Times*, 26 April: China-Africa relations expert at Johns Hopkins University Dr Deborah Bräutigam reports that a number of academics have searched for evidence of Chinese underhandedness and come up empty-handed. The university's figures tracking Chinese loans to Africa and South America over 17 and 12 years respectively show "the risks of BRI are often overstated or mischaracterised".

"China Debt Trap Worries Are Overblown, CIW's Golley Says" – Bloomberg interview, 30 April: Acting Director of the Australian Centre on China in the World at the Australian National University, Jane Golley, says that Belt and Road exposure is a small part of the global debt burden, and that "debt trap" concerns are overblown. The responsibility of local governments accepting loans must be taken into account. Countries like Australia can help by fostering good governance—if we cooperate with Beijing rather than try to compete, with offers that amount to "chicken feed".

Why more nations will defy orders and join Belt and Road

By Elisa Barwick

A new global financial crisis is coming—this time under conditions of greater global debt, bigger speculative bubbles, and larger too-big-to-fail banks; and the economies of developed nations are more run-down than ever. But the solution is right in front of us.

China is preparing its second Belt and Road Forum for International Cooperation to be held in Beijing in late April, and the record of what its Belt and Road Initiative (BRI)—an ambitious global project to connect all nations by opening up new trade routes by land and sea—has delivered in just over five years is stunning. Yet the USA likely won't send a delegation to the conference, and Italy has been slammed for signing up.

One hundred and twenty-four countries and 29 international organisations have agreed to cooperate with the BRI, Chinese Foreign Affairs Director Yang Jiechi told *China Daily* on 30 March, elaborating on the project's accomplishments. Yang pointed out that the project was a key part of China's response to the 2008 global financial crisis, creating "new growth drivers". World Bank studies, he said, show that as well as contributing to global growth, "BRI cooperation will cut the costs of global trade by 1.1 to 2.2 per cent and those of trade along the China-Central Asia-West Asia Economic Corridor by 10.2 per cent". It also contributes by bringing development to neglected areas, making globalisation "more open, inclusive and balanced so that its benefits can be shared by all".

Yang emphasised that "BRI cooperation is not a talk shop, but an action-oriented initiative that delivers real outcomes." And indeed it has. Presenting just a few examples, Yang reported that the world's largest landlocked country, Kazakhstan, has gained access to the Pacific Ocean through the Lianyungang port in China, and the China-Kazakhstan logistics terminal has opened up its trade with Central Asian countries. Regular China-Europe Railway Express freight services, Yang continued, have created more than 6,000 jobs in the German port city of Duisburg, in the logistics sector alone.

"Since it was leased to a Chinese company", said Yang, "the Piraeus port in Greece has become one of the fastest growing container ports in the world, soaring to 36th place in global container traffic rankings from 93rd in 2010. The port has about 10 Chinese staff but employs 3,000 Greeks, and it has also created more than 10,000 indirect local jobs.

"Chinese investment in Egypt has made the country the world's third-largest producer of fiberglass, and a large number of technical and managerial professionals have been trained. The 82 cooperation parks jointly built by China and other participating countries have created more than US$2 billion in tax revenue and about 300,000 jobs for host countries. The list of BRI success stories can go on and on."

This message is resounding in the countries impacted. Following an annual review of the performance of Duisburg port, on the confluence of the Rhine and Ruhr Rivers in western Germany, CEO Erich Staake told media that Europe's largest inland port now receives 35 freight trains from Chongqing, China, per week. The port is being enlarged and more workers hired. The Chinese, he said, treat their German partners with fairness and respect; there are no fears they are out to grab control.

Aboubaker Omar Hadi, chairman of the Djibouti Ports and Free Zone Authority (DPFZA) in Djibouti, east Africa,

The Khorgos Gateway (on the Chinese-Kazhakstan border) in April 2018. Today there is a dry port and train station handling some 65 trains per month, warehouses, and an entirely new city—in 2010 there was nothing but sand dunes. Photo: Twitter/Khorgos Gateway

told Chinese press outlet Xinhua on the sidelines of the 2019 Africa CEO Forum in Kigali, Rwanda that "developing proper infrastructure, such as sea ports and railway connections" with help from China had driven more than US$40 billion in exports and imports through Djibouti. He slammed talk of a Chinese "debt trap" as "complete nonsense, as benefits generated from infrastructure construction will far exceed the investment".

Yang reiterated that BRI is not a geopolitical tool or a debt trap. Such views, he said, "are simply a misunderstanding, misrepresentation and even biased view of the BRI". If a country is unable to service its debts, China "will never press them for debt payment", said Yang. It is through the BRI, he said, "that many countries have got out of the trap of 'no development'."

Reporting on the bank's infrastructure lending at the 26-29 March annual Boao Forum for Asia (BFA) at Hainan, China, China Development Bank President Zheng Zhijie reported it has successfully financed over 600 BRI projects since the initiative was launched in 2013. The projects are worth over US$190 billion.

At the Boao Forum, former Japanese Prime Minister Yasuo Fukuda said nations must join together to face global challenges, praising the BRI as being "about more than just the country's own interests, but … also an effort to build a community with a shared future for the whole of mankind." Former President of the Philippines and now Speaker of the Philippines Assembly Gloria Macapagal-Arroyo said: "China has given us the lesson that there is not just one path for development, because prior to China's experience, it was thought that the only way to development is the Western-style model". She called China a partner, not a threat, to the Philippines.

Yang made clear China does not mind in what form the cooperation comes. It utilises bilateral, trilateral and multilateral formats of cooperation, and will move to "strengthen the complementarity between the BRI and the development policies, plans and initiatives of all participating parties" at the coming forum.

Representatives from over 100 countries including leaders of 40 foreign governments have confirmed attendance. The last forum, held in May 2017, was attended by 29 heads of state and government. According to press reports, an unnamed State Department spokesman said the USA, which last time was represented by senior White House official for Asia Matt Pottinger, will not send high-level

Continued page 9

Why more nations will defy orders and join Belt and Road

From page 8

officials. New Zealand will send a high-level delegation; as for Australia, it looks like only members of the Australia-China business community and representatives from Victoria—the only state to have signed a BRI Memorandum of Understanding (MOU) with China—are likely to attend.

Rumblings in Europe

Since Italy faced down rabid attacks from the Anglo-American financial establishment and European Union to become the first G7 nation to join the BRI, and the world did not end, there are signs that other nations are wavering in their induced opposition to the proposal.

Immediately after Chinese President Xi Jinping's March visit to Italy, the EU had intended to present a united front in opposition to the BRI. The European Commission (EC) had drafted a document labelling China an "economic competitor" and "systemic rival", but when they sat down to talk with Xi in Paris on 26 March, both German Chancellor Angela Merkel and EC President Jean-Claude Juncker claimed "competition and rivalry" had "positive connotations". Merkel called the BRI a "very important" project in which Europeans want to play a role; Juncker said, "I think China and Europe can and must do great things together, not in the confrontation mode but in trusting cooperation"; and French President Emmanuel Macron called for "a renovated multilateral system, more just and balanced", which the BRI would contribute to. Xi and Macron signed a number of bilateral deals, and France agreed to cooperate on BRI projects in third nations, though it will not formally align with the BRI.

Calling for greater "reciprocity", i.e. China giving equal access to European companies as Europe does to China, Juncker added, "I think we Europeans must explain to our citizens that this is not a Chinese project directed against the interests of Europe".

Luxembourg has jumped on board, with Prime Minister Xavier Bettel signing a BRI cooperation agreement with China on 27 March while in China for the Boao Forum. Speaking at the same gathering, Italian economic Development Undersecretary of State Michele Geraci said that Italy's decision is making some other European nations "jealous", suggesting they will all ultimately join. "They will be encouraged when they see this is positive and there is no risk", he said. European Parliament member Marco Zanni, who was just appointed Foreign Policy Spokesman for Italian government coalition partner Lega Nord, has even told Italian press that Italy hopes to recruit the USA to the BRI, envisioning Italy as the European bridge between the USA and Asia.

Even prominent banker Folker Hellmeyer, former chief economist of Germany's Bremer Landesbank, told Sputnik that it would be absurd if Europe did not take part in the BRI. "The West could have built infrastructure in these countries in the past 50 years", he pointed out. "We have not done this. China is now filling this gap—and we are criticising that."

While journalists in the United Kingdom are beginning to argue in favour of Britain joining the BRI, especially in a post-Brexit world, the UK House of Commons Select Committee on Foreign Affairs on 4 April issued a report, "China and the Rules-Based International System", commending the UK government's decision not to sign an MOU supporting the BRI. The government should not "give what would be in effect a blanket endorsement of a key pillar of [China's] foreign policy" for risk of undermining international standards, leaving countries with unsustainable debt used as coercive leverage, or weakening current alliances. "China is a force for order—but not liberal order", the report stated. It called upon the Foreign and Commonwealth Office to control top-down any BRI cooperation, ensuring that "economic considerations do not crowd out questions of UK strategic interests, values and national security", including by providing "health warnings" to other government agencies that may be tempted by the "gains on offer". The committee called on the government "to publish a single, detailed, coherent cross-Government China strategy by the end of 2020".

Aus-NZ?

The permanent bureaucrats drawn from neo-liberal think tanks that advise governments usually have politicians firmly in their grip on issues like this, but in a time of crisis that can change. Such a situation may be developing in Australia. In 2018 new Chinese investment in Australia fell year-on-year by over 36 per cent, or about $8.2 billion. The *Australian Financial Review* reported 8 April that China is diverting capital into BRI projects instead, but this is mainly because of its policy to direct investment into productive development rather than speculative or non-productive schemes. The drop, reported in a new KPMG study, was more than double that between 2016 and 2017. This is serious, because thanks to decades of bad economic policy Australia is heavily dependent upon foreign capital.

Perhaps compelled by this reality, the Morrison government's 2019-20 budget includes $44 million to establish a non-government foundation—the National Foundation for Australia-China Relations—to improve bilateral ties with China. Former ambassador to China (2007-11) Geoff Raby said "it will not make up for the neglect of the relationship overnight", but is a symbol of "a change in direction in government thinking". As is the appointment of top Department of Foreign Affairs and Trade (DFAT) China specialist Graham Fletcher as the new ambassador to China.

The *Australian* newspaper pointed out the irony that Morrison's budget, including the new China foundation, hinges on expected revenue from China which is no longer a *fait accompli*, given tensions over Australia's ban on Chinese communications company Huawei providing equipment for the 5G network at the instigation of our US ally, new foreign interference laws, and what the director of the Australian Studies Centre at Shanghai's East China Normal University Chen Hong called "alarming anti-China rhetoric", as *AFR* reported 1 April. The suspicion that Chinese ports are deliberately slowing down Australian coal imports, despite official denials, is testimony to that concern.

New Zealand is yet to decide whether to allow the use of Huawei equipment in its 5G network. During a one-day visit to Beijing on 2 April, Prime Minister Jacinda Ardern said a November 2018 decision to prevent tech company Spark using Huawei equipment was made by NZ's signals intelligence agency the Government Communications Security Bureau, and is not the final word on the matter. Ardern is obviously keen to mend the since strained relationship, signing four deals with China during her trip. New Zealand is the only member of the global spying alliance, Five Eyes (USA, UK, Canada, Australia and NZ)—which is leading the global anti-Huawei campaign—to have signed an MOU with China on BRI cooperation.

Belt and Road, or bust!

By Elisa Barwick

China's Belt and Road Initiative (BRI) is one of the few mechanisms for peace currently available to the world. As we face down a new, much worse global financial crisis, the million dollar question is whether the West will embrace the project offered by the Chinese as a basis for countries to rise above their differences and work together, or get sucked into a new world war.

Many political leaders are yet too blind to see the approaching economic tempest, or are induced into misguided beliefs by geopolitical players who prefer to blame China for the world's woes. But the reality is that only China's reaction to the 2008 global crisis, initiating great infrastructure projects in combination with other nations, has kept our collective economic heads above water. Only its proposal to extend the policy approach which made this possible worldwide through the BRI, will get us through the next crisis, whether those geopolitical players and their political agents like it or not. The default option—historically always preceded by crushing economic conditions—is war.

With the momentum for a new global financial crisis more obvious by the day, there are signs that a framework for major power collaboration is emerging between China, Russia, India and Japan. If US President Donald Trump can break free of the straitjacket imposed on him by the anti-China (and Russia) pro-war cabal within his administration (p. 11), the process will be unstoppable. Major American firms including General Electric and Caterpillar are already participating in BRI projects in Africa, China and elsewhere; 180 US companies will attend the first China International Import Expo in Shanghai on 5-10 November. Arrangements are under way for a Trump meeting with Chinese President Xi Jinping on the sidelines of the G20 leaders' summit in Buenos Aires on 30 November - 1 December. Trump has expressed optimism that the two nations can reconcile their differences.

Japanese Prime Minister Shinzo Abe's visit to Beijing on 25-27 October resulted in the Japan-China relationship moving "from competition to cooperation" in the words of Abe. Chinese Premier Li Keqiang welcomed Japanese participation in BRI projects in third countries; Abe declared in talks with President Xi that "we want to work with China for the peace and stability of the world, and the region". In an interview with Chinese media, Abe said that China's economic development is a huge opportunity and shall be welcomed by both Japan and the world. Some 500 Japanese businessmen accompanied Abe on the trip and more than 50 Memorandums of Understanding were signed for joint projects.

Many regions are being transformed by a new surge of infrastructure development, BRI-linked or otherwise. In a project initiated in 2013 by Japan, Africa's fifth longest bridge, the 525 metre Source of the Nile (or New Jinja) bridge, was opened on 17 October. In a 2015 speech at the Forum on China-Africa Cooperation (FOCAC) summit in South Africa, Xi had described Africa as "the world's most promising region in terms of development potential", and at this year's FOCAC summit (3-4 September, Beijing) many new agreements were signed to develop Africa into an industrial and manufacturing powerhouse. China has also extended the BRI and Maritime Silk Road to South America, which is hungry for development.

China's just-completed bridge to Hong Kong (*AAS* 24 October) will open up a new high-tech economic region between Hong Kong, and Zhuhai and Macao on the Chinese Mainland. Comprising 55 kilometres of cable-stayed bridges, an undersea tunnel, access roads and two artificial islands, the US$20 billion infrastructure project used 400,000 tonnes of steel—enough to build 60 Eiffel Towers.

Xi and Abe in Beijing, 26 October. Photo: AFP-Japan pool-Jiji Press

According to data released by the Chinese Ministry of Commerce, for the first three-quarters of 2018 trade between China and the 61 other BRI nations grew by 13 per cent from the same period in 2017. Some 60 new "economic zones" and infrastructure corridors have been created, adding 245,000 new local jobs.

Freight routes now link 48 Chinese cities with 42 European cities. In August the Hamburg, Germany to Wuhan, China route marked 10,000 trips since March 2011. A new line was launched on 9 October, linking Delingha in northwest China's Qinghai Province with Russia. On 24 October the first cargo train departed Liège, Belgium for Zhengzhou, China. A vast motorway linking the eastern Chinese city of Lianyungang on the Yellow Sea to the Russian port of St. Petersburg has also opened to traffic.

India-China relations continue to improve under guidance of the consensus reached by Indian Prime Minister Narendra Modi and President Xi at their April meeting in Wuhan, China. In New Delhi on 23 October, China's State Councillor and Minister of Public Security Zhao Kezhi signed an agreement with Modi to enhance strategic mutual trust, promote all-round cooperation and deepen pragmatic cooperation on security. Pakistani financial daily the *Business Recorder* reported on 24 October that according to official sources, the National Bank of Pakistan signed a framework agreement for cooperation on the BRI with the Industrial and Commercial Bank of China.

Finally, movement in Australia

Australia's second most populous state, Victoria, signed a Memorandum of Understanding with China on 25 October to join the BRI, becoming the first state to do so. The Federal government has so far declined to sign up. Victorian Premier Daniel Andrews, who signed the deal with Chinese ambassador to Australia Cheng Jingye, had attended the historic Belt and Road Forum in Beijing on 14-15 May 2017.

Australian businessman Malcolm Broomhead, chairman of the Australia-China Belt and Road Initiative (ACBRI) which coordinates Australian interaction with the BRI, told the 26 October *Australian Financial Review* that he saw signs the Australia-China relationship was thawing. Rejecting claims that China's initiative was deliberately indebting nations, he said, "What is to stop us, for example, being banks of last resort for these countries and say if you can't afford these projects we will step in and fund it for you? There are plenty of ways of dealing with it other than standing in the corner and saying it is wrong."

Premiers of the Northern Territory, Western Australia, and a delegation from Tasmania have visited China in recent months. A federal government delegation led by Trade Minister Simon Birmingham is planned for next month. In a May 2017 paper, "Will Australia follow the Belt and Road?", Deputy Director of the Australia-China Relations Institute James Laurenceson suggested that "In the end, Australian participation in the BRI might be driven by pressure from state governments." Hopefully that is what is under way.

African nations applaud Chinese development assistance

By Elisa Barwick

Schiller Institute President Helga Zepp-LaRouche said of the Forum on China-Africa Cooperation (FOCAC) summit in Beijing on 3-4 September, that "history will see this conference as the official end of 500 years of colonialism". A process has been unleashed instead, by which "Africa will be a world economic powerhouse by 2063", she assured, as a leading proponent of the New Silk Road for some thirty years. Already, through China's engagement as the continent's main trading partner and development investor, poverty has been reduced by around 10 per cent.

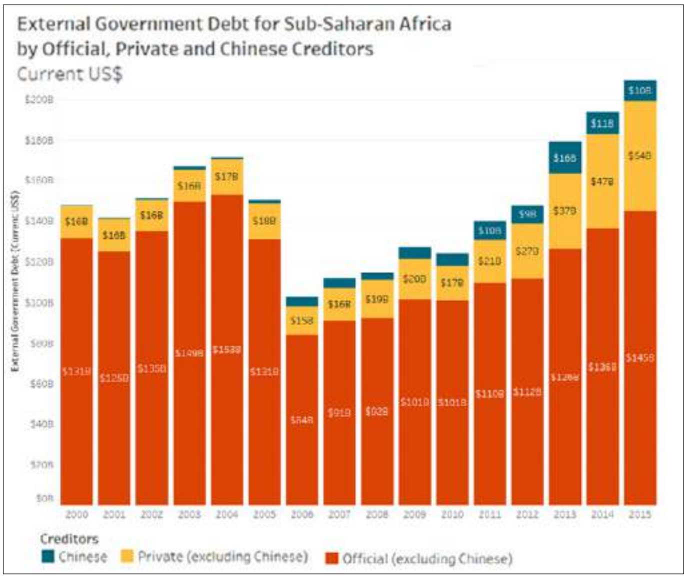
Fifty-three African nations were in attendance—all of them bar Swaziland—together with China representing some 2.6 billion people, nearly one-third of the world's population. China pledged US$60 billion of new investment over the next three years, including grants, interest-free loans and preferential credits; and it will all happen under the principle of non-interference in the nations' internal affairs or pursuit of desired development paths, and with a commitment to not impose China's will over African nations, nor to seek selfish political gain. On the sidelines, many bilateral economic agreements and Memorandums of Understanding were signed.

Debt-trap diplomacy?

In a 30 August *Time* magazine article headlined, "China Is Loaning Billions of Dollars to African Countries. Here's Why the US Should Be Worried", Grant Harris, a former senior director for African affairs in the Obama White House in 2011-15, claimed the USA could pay a steep cost as "African countries sink deeper and deeper into Beijing's carefully laid debt trap". Describing Chinese debt as "the methamphetamines of infrastructure finance: highly addictive, readily available, and with long-term negative effects that far outweigh any temporary high", Harris alleged without evidence that Chinese debt, especially in sub-Saharan Africa, will lead to economic stagnation and a "toxic brew of economic hopelessness and political disillusionment", driving youth towards violent extremism, and all the while shutting out opportunities for US business. "In Africa and around the world, much more needs to be done to confront Chinese debt diplomacy", Harris concluded. "If not, the US will pay a heavy price in its commercial and national security interests."

Former Minister of Works for Liberia W. Gyude Moore tweeted in response, "If 'confronting' the Chinese in Africa means better lending terms, more grants and increased financing for African infrastructure—then 'confront' away. I hope the Chinese 'confront' back. I am looking forward to an escalation in this sort of 'confrontation' in Africa." In a 31 August article on FOCAC for the Centre for Global Development, Moore presented a graph showing the portion of sub-Saharan debt held by China (image).

At a 4 September press conference during the FOCAC Summit, Xu Jinghu, China's Special Representative on African Affairs, was asked by Reuters if China was creating debt problems for Africa. She stressed the "gap in the funding" that African nations face, explaining that "The costs of financing for development on the international market has become very expensive and most of the African countries are still dependent on exporting their raw materials. And the price of these have fallen. That has increased the debt of African countries a great deal. And if you look at the African countries, you will see that China is not the creditor of those African countries with the biggest debt burden. Chinese help is aimed at advancing Africa's development, not its debt accumulation."



This graph shows that Chinese creditors are not the main source of external government debt held by countries in sub-Saharan Africa. Source: cgdev.org

Even more compelling are the testimonies of African leaders following the FOCAC summit.

In his speech to the gathering, South African President Cyril Ramaphosa spoke of the African Union's Agenda 2063 vision, of an "integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the international arena". Explaining how China's Belt and Road Initiative will boost this plan by developing Africa's infrastructure, he said, "FOCAC refutes the view that a new colonialism is taking hold in Africa, as our detractors would have us believe." Current chair of the African Union, Rwandan President Paul Kagame, stated unequivocally that "Africa wishes to be a full and integral part of the Belt and Road Initiative. The gains will be enjoyed by everyone."

An editorial in Zimbabwe's *Chronicle* newspaper refuted the debt-trap line: "However, contrary to this assertion, China's assistance to Africa is actually yielding tangible results, and instead of trapping African economies in debt, China-Africa cooperation under the framework of China's Belt and Road Initiative is intended to target the continent's major development bottlenecks so as to realise tangible benefits for both peoples. ... On a continent where more than 600 million people still have no access to electricity, 40 per cent of the Chinese loans go for power generation and transmission. Another 30 per cent seek to modernise Africa's transport infrastructure."

"It is rather ironic", the article continued, "that Western countries are cautioning Africa against Chinese 'neo-colonialism' when their own colonial past impoverished the continent by literally sucking it dry of its natural resources."

President Emmerson Mnangagwa of Zimbabwe said at the summit, "We are happy that [China] is a country that has never colonised anybody, who today is giving us a helping hand to grow. As a matter of fact, China is helping us to become a middle-income country [by 2030]. ... Left alone it will take us more years to develop with our domestic investment, but given the technology, given the assistance, the financial know-how, we leapfrog and become an important cog in the global economy."

The President of Somalia, Mohamed Abdullahi Mohamed, said the fact that China has lifted 700 million people out of poverty "holds lessons for Somalia". He stated: "Somalia's coastline has historically been key to facilitating trade between China, Africa and the Arabian Peninsula. Now, with the implementation of the Belt and Road Initiative, and our reserves of untapped resources, Somalia has the potential of becoming a driving force for regional connectivity and prosperity." The leaders of the Horn of Africa countries—Somalia, Ethiopia and Eritrea, once a region of poverty, terrorism and piracy—met for their first ever tripartite summit on 6-7 September following FOCAC, defusing decades of tensions.

Muhammadu Buhari, the President of Nigeria, Africa's most populous nation, said via Twitter on 4 September, "Let me use this opportunity to address and dispel insinuations about a so-called Chinese 'debt trap'. These vital infrastructure projects being funded are perfectly in line with Nigeria's Economic Recovery & Growth Plan. Some of the debts, it must be noted, are self-liquidating. Nigeria is fully able to repay all the loans as and when due, in keeping with our policy of fiscal prudence and sound housekeeping." He gave examples of the completed urban rail system in Abuja, the first in West Africa, and the 180 km rail line connecting Abuja and Kaduna, mentioning ongoing projects including the Lagos-Kano rail line and the Zungeru hydroelectric power project.

UN Secretary-General António Guterres concurred that the development plans discussed at FOCAC would contribute to building "a community of shared future for mankind", reiterating a concept expressed by Chinese President Xi Jinping. President of the African Development Bank (AfDB), Dr Akinwumi Adesina told press: "Let me be very clear that Africa has absolutely no debt crisis; African countries are desperate for infrastructure." Describing the "fiscal space" as very small, Adesina added, "They are taking on a lot more debt, but in the right way", Xinhua reported 5 September.

Africa's overall debt-to-GDP went up from 22 per cent in 2010 to 37 per cent last year, Adesina pointed out. He stressed that the ratio is markedly lower than the 100 per cent or 150 per cent of many higher-income countries, and over 50 per cent among emerging economies.

Writing for French daily *Le Monde* on 6 September, Frédéric Lemaître said China is even cancelling the debts of the poorest countries. "According to the China Africa Research Institute of the American Johns Hopkins University, there are only three African countries whose debt poses a problem in which China is the main creditor: the Republic of Congo, Zambia and Djibouti."

Even more of a threat to Western nations which oppose China's assistance to Africa, is the threat that Africa may copy China's methods, especially that of government-created and -directed credit. On the sidelines of FOCAC, the Egyptian state-owned Banque Misr signed a deal to establish a Chinese-African consortium of banks including the China Development Bank and 15 African financial institutions, which aims to foster China-Africa cooperation as well as trade and investment relations.

Also ridiculing the debt trap notion was undersecretary for the Italian Economic Development Ministry Michele Geraci, who was in China for the FOCAC summit and to advance Italy's new "Task Force China" (*AAS* 29 Aug.). He observed that "China has the capital for this initial input" into Africa. Why? Just as the policy of economic austerity has set up a vicious cycle engendering greater poverty and belt tightening, leading to more austerity, China's investment of credit into growing its economy has unleashed a virtuous cycle, eradicating poverty, encouraging more spending—and saving—while allowing an even greater output of credit.

–americansystemsnow.com

Canberra's plan to corrupt the BRI

By Richard Bardon

Canberra and its Anglo-American patrons continue to elaborate their plans to keep Asia-Pacific nations under the thumb of the City of London-Wall Street financial system. Having failed to convince several countries in the region, including Australia's next-door neighbours Timor-Leste and Papua New Guinea, from signing up to China's Belt and Road Initiative (BRI) for win-win cooperation on major infrastructure projects,[1] Canberra's Plan B is to try to hamstring the BRI with Western monetarist standards for project approval and financing.

The Joint Ministerial Statement issued 20 July upon conclusion of the 2018 Australia-UK Ministerial Consultations (AUKMIN) in Edinburgh, Scotland, which outlined London and Canberra's plans for military confrontation with China,[2] also feigned concern at the Asia-Pacific's enormous infrastructure deficit—of which London-styled economic policy, enforced by the International Monetary Fund (IMF) and other Western-dominated institutions, has been the principal cause. "Enhancing the pipeline of financially viable infrastructure projects and attracting private sector capital will be essential to meeting the region's infrastructure needs", the statement says. "Through our engagement in multilateral fora and with partner countries in the region we will work together to advance these goals."

Dr Jeffrey Wilson, head of research at the University of Western Australia's Perth USAsia Centre (USAC), spelled out this strategy in detail in a paper titled "Connecting the Asia-Pacific: Australian participation in China's regional infrastructure initiatives", prepared for a conference on the BRI held 17 July at the University of Technology Sydney's Australia-China Relations Institute (ACRI). Wilson argues that by refusing to take part in the BRI, Canberra is denying itself the opportunity to "shape" the initiative to its own ends. Noting the 2017 estimate by the Asian Development Bank (ADB) that Asia and the Pacific will need about US$1.5 trillion in infrastructure investment every year to 2030 (some US$22.5 trillion total), Wilson argues that whilst Asia is "awash with capital", it suffers from what he calls the "bankable projects problem … a dearth of well-designed projects that are ready for private investment". He therefore proposes "the reform of policy and regulatory systems to ensure there is a robust pipeline of finance-ready projects." Prominent among these reforms is that governments should abandon their reliance on public funding, and instead open the way to public-private partnerships (PPPs)—the looting mechanism pioneered in Australia by Macquarie Bank, which "incentivises" private investors with profit guarantees and/or the "right" to rip off the public via user-pays infrastructure such as toll roads.

'Leveraging' the AIIB

Wilson proposes that Australia use its seat on the board of the Asian Infrastructure Investment Bank (AIIB), first to ensure that the bank does not diverge from the "international best practice" developed by the World Bank and ADB—whose utter failure is what made the AIIB necessary—and then as a foot in the door to influence the BRI. (This may well be why Australia, and indeed the UK, joined the AIIB in the first place, despite heavy lobbying by the USA's Barack Obama administration.) First, "Australia should actively contribute to the development of the AIIB's institutional capabilities by taking a leading role in project preparation work. As a board member and major shareholder, Australia already plays a significant role in AIIB governance … [but] could carve out a more active role in assisting efforts to develop the AIIB's technical capacity and project pipeline." According to Wilson, Australia is entitled such a role because it is a "high-skill economy with extensive expertise in infrastructure development and financing"—never mind that China has done several times more of both in just the past five years than has Australia in two hundred.

Jeffrey Wilson addressing the ACRI forum. Photo: Twitter

Next, Wilson recommends Australia "use the AIIB to improve its economic relationships with key partners in Asia" such as Japan, India and Indonesia, and via the latter the Association of Southeast Asian Nations (ASEAN). "By working through the AIIB, and specialising in much-needed but under-supplied project preparation activities", he writes, "Australia can actively contribute to these partners' national development initiatives." And finally, having established this low-key but pervasive influence over other countries' policy settings, "Australia can leverage its role within the AIIB to shape the direction of the broader BRI program. … The BRI is itself an open template, which must be customised to meet the needs and preferences of the partners involved in a particular project. Importantly, this means that BRI governance will be shaped by the involvement of project partners. … Using the AIIB as a governance guarantee will not only allow Australia to participate in China-led [BRI] infrastructure projects, but also transform these projects in a direction more compatible with its principles, preferences and priorities."

Foreign influence

Wilson's USAC bills itself as an independent think tank, but this is hardly plausible given it is a spin-off of the United States Studies Centre (USSC) at the University of Sydney, and is supported financially by the American Australian Association (AAA)—a big-business influence-peddling operation founded 1948 in New York by Sir Keith Murdoch—and by multinational mining giant Rio Tinto, as well as by the Australian and WA governments. The USSC, in turn, counts among its sources of funds various state and federal governments, corporate donations, and grants from "international philanthropic foundations". According to its website, 9 per cent of the USSC's revenue over the past five years came from US-based foundations, companies and individuals, and just under 1 per cent from the US government. Strangely enough, Australia's mainstream media never mention this foreign influence when they cite USSC scholars on China's supposed ill intentions. The Australian government obviously appreciates their work in this regard, as on 22 July it announced a new grant of $12 million to the USSC and USAC over the next four years, to be administered by the AAA.

1. "Papua New Guinea joins the Belt and Road", *AAS* 27 June 2018.
2. "Brits, Canberra plot 'Empire 2.0' at AUKMIN summit", *AAS* 25 July 2018.

Sri Lanka port controversy raises question, what have Western countries done?

When China's grand Belt and Road vision first became known it caused great excitement—until the media began to unleash its black propaganda wave, as in the case of Hambantota Port in Sri Lanka. Photo: AFP/Lakruwan Wanniarachchi

China has offered infrastructure assistance to all nations which intersect its Belt and Road Initiative (BRI), including Sri Lanka, the island nation off the coast of India bridging the Bay of Bengal and the Indian Ocean. Chinese companies have built a sea port, airport, roads and are working on an industrial zone at Hambantota, in the nation's south. Major media outlets spied a scandal, however, when in late 2017 Sri Lanka arranged a 99 year lease granting 85 per cent control of the port to Hong Kong based conglomerate China Merchants Port, in order to close out Sri Lanka's debt on the project. The remaining 15 per cent interest is retained by the Sri Lankan government, and a joint management committee runs operations. Sri Lanka is responsible for security and the agreement forbids any military use of the port. The arrangement is very similar to the 99-year lease of the Darwin Port that Australia's Northern Territory government signed with Chinese company Landbridge in 2015. The NT government retains a 20 per cent stake.

While much has been made of the low usage of the new facilities until now, the projects must be viewed in the context of the overall BRI. As it comes to life the visionary initiative will increase trade across its maritime component, which Hambantota intersects, as well as across its various land legs, in which neighbouring India is central. The North-South Transport Corridor—a trade corridor linking the Indian Ocean and Persian Gulf to the Caspian Sea, connecting India, Russia and Iran, via the Caucuses and Central Asia with a terminus at Iran's Chabahar Port—will channel trade to Indian Ocean sea lanes, as will the China-Pakistan Economic Corridor which connects China with Pakistan, terminating at the port of Gwadar. Projects in South East Asia, especially the proposed Kra Canal, a canal across southern Thailand which shortcuts the highly-traversed shipping route through the Malacca Straits, will also increase the flow of traffic past Sri Lanka's doorstep.

Global Times on 2 July struck back at the *New York Times* for a lying and deceitful diatribe published on 25 June called "How China Got Sri Lanka To Cough Up a Port". The long, detailed article reviewed the history of the Hambantota Port, which has become the centrepiece of most of the growing opus of attacks on the BRI. The lease agreement is portrayed as China's model for taking over the world and putting military installations everywhere. The *New York Times* published a map of the 35 ports China has built around the world, as if they were all military bases, when in fact China has but one overseas naval base, at Djibouti on the horn of Africa. Meanwhile, the US maintains 800 military bases outside of its borders, in 70 countries.

The *New York Times* article was the basis for a 3 July *National Review* editorial board article, titled "Debt Trap Diplomacy", asserting, for example, that "the BRI in reality is a signifier of China's ongoing strategy to consolidate its power in the region and strengthen its geopolitical hand", and that corrupt officials in poor nations "wind up bargaining away their own countries in exchange for infrastructure that serves the interests of China more than those of local citizens."

Global Times responded that Sri Lanka's former President Mahinda Rajapaksa wrote a rebuttal to the *New York Times*, stating that its report that only 34 ships used the port in 2012 conveniently leaves out that "the number increased to 335 in 2014 and the port made an operating profit of Rs.900 million ($5.69 million) in 2014 and Rs.1,200 million in 2015."

Global Times further writes that at the end of Sri Lanka's 26-year civil war in 2009, it was "in desperate need for infrastructure construction to boost economic development and to improve people's living standards. But its request for assistance was turned down by others except China. The large amount of Chinese concessional loans and investment helped Sri Lanka start a slew of major infrastructure projects including a coal-fired power station, shipping container terminals, an airport highway and the Hambantota Port. These have brought huge economic and social benefits to Sri Lanka and its people.

"In the meantime, what have Western countries done? They play up the human rights issue to pressure the South Asian country that was plundered heavily by Portuguese, Dutch and British colonists during its nearly 450 years' colonisation.... As the world witnesses seriously imbalanced development, what is needed most now is not the blame game or a hands-off approach, but authentic investment and aid as well as cooperation. Unfortunately, when China offers such help, these countries do nothing but chime in quickly through biased lenses."

They conclude: "Instead of the *New York Times* demonising China's efforts, isn't it better if it explores how the US can participate in aiding impoverished countries?"

China's Glass-Steagall standard

The following article is based on a presentation delivered at the Western Australian and Northern Territory CEC state seminars on 30 June and 7 July 2018.

By Elisa Barwick

How has China been able to raise more than 700 million people out of poverty in the last few decades; build new housing for 80 million people in the last eight years; construct 20,000 km of high-speed rail (to reach 30,000 km by 2020); accomplish phenomenal canal development and water projects; massively grow its industry and agriculture; and at the same time invest trillions of dollars into the development of infrastructure overseas?

Here's a clue. Their banking system had something to do with it.

Today we are going to take a look at China's approach to see what made it work. After it was established on the eve of the founding of the People's Republic of China in 1948, China's banking system consisted solely of the People's Bank of China (PBC), for some time. Spin-offs were eventually created to specialise in certain areas, but for the most part the PBC acted as the central bank and the commercial bank for the entire country.

Following the Cultural Revolution (1966-76), which under Communist Party Chairman Mao Zedong and the so-called Gang of Four purged traditional Chinese and classical culture and sent the economy into a dire downward spiral, China underwent a moral and spiritual reawakening. After the death of Mao in 1976 and the arrests of the Gang of Four, Deng Xiaoping took the reins of leadership. He knew the destruction of the education system had to be reversed with a scientific revolution, and that by doing so China could re-emerge as a great nation within 30 years. Deng instigated China's "reform and opening up" in 1978.

As China opened up its markets to the world and reformed its banking system to conform to international standards, it soon ran into problems, particularly as banks increasingly engaged in speculation. Thus China was driven to discover a "third way"—an alternative to pure communism or capitalism. Such a system actually predated communism, having been developed in the period following the American Revolution, when it was known as the American System. It was created as an alternative to the British free trade system which was strangling the young American Republic, and was based on governments fostering the development of manufacturing and agriculture through tariffs and other protective mechanisms, along with infrastructure to support the population and the nation's industry, funded with a national credit system to make it all possible.

China had some knowledge of the American System as we will see; it also responded to an additional uniquely American measure, introduced by US President Franklin Delano Roosevelt in 1933—Glass-Steagall legislation, which prevents commercial banks from engaging in speculation, and investment banks from taking deposits. This understanding allowed China to create a hybrid system for itself. As Chinese President Xi Jinping often says, it is important every nation discover its own pathway rather than merely follow a model established by others.

The Shanghehang high-speed railway under construction in Huzhou in east China's Zhejiang Province, September 2017. Photo: AFP/Tan Jin/Xinhua

Xi expressed this third pathway at a Chinese Communist Party caucus meeting in May 2014: "We should make good use of both the market, the 'invisible hand', and the government, the 'visible hand', to promote sustained and sound social and economic development."

China adopted Glass-Steagall-style banking separation regulations in late 1993; following the 1997-98 Asian financial crisis, Chinese officials became acutely aware that the Glass-Steagall regulation had helped China immensely, compared with other nations without the same laws. In the years leading up to the 2007-08 global financial crisis, many Chinese leaders had been re-thinking Glass-Steagall. Fortunately, however, they were not quite ready to dispense with the banking rule, and the aftermath of the GFC convinced them of the necessity to stick with it. China was thus in a position to help bring the rest of the world through the crisis.

Following the GFC, Chinese officials conducted a study comparing the crisis with the Great Depression. They concluded that, along with neoliberal policies, the decoupling of the financial sector from the real economy was a major cause of both crises. ("To avoid a new financial crisis, look through China's eyes", *AAS* 14 Feb. 2018.) Extending Glass-Steagall internationally would play a vital role in reducing the sheer volume of global speculation and increasing the flow of credit to the productive economy, eradicating this decoupling.

Since the 2008 crisis China has pumped out more credit than the four central banks responsible for Quantitative Easing (QE), the US Federal Reserve, European Central Bank, Bank of England and Bank of Japan. China's state-owned banks channelled the equivalent of US$20 trillion into development projects and industry, producing some US$10 trillion worth of assets, growing at a rate of 40-50 per cent each year. By contrast, the US$15 trillion issued in QE has gone into speculation, producing bloated bank balance sheets and a myriad of new asset bubbles.

Historical context

There are a number of cultural tendencies in China that explain why it implemented Glass-Steagall banking regulation just as Western countries were dismantling it. International Schiller Institute founder and president Helga Zepp-LaRouche has often commented that China is more Confucian than Communist, due to the deep roots of Confucian philosophy within the population. Confucianism stresses unity, harmony, balance, and humanism, i.e., what is beneficial for the economic and social welfare of the people. As Chinese President Xi Jinping said at the Shanghai Cooperation Organisation summit in Qingdao, China, on 10 June, this mode of thinking transcends the "clash of civilisations, Cold War and zero-sum mentality".

Confucius
(551BC-479 BC)

Father of the Chinese republic Sun Yat-sen (1866-1925) was schooled in the American System of Economics in Hawaii in the 1870-80s, and brought the ideas of Alexander Hamilton (the first US Treasury Secretary under President George Washington) and Henry Carey (the leading economic advisor to President Abraham Lincoln) back to China. In opposition to the British free trade approach, Hamilton had defined a new pathway to economic wealth, based on a national credit bank to fund national infrastructure, and rapid industrial development. At the time of Lincoln, Carey revived this approach, which was picked up by America's Civil War ally, Russia; Germany under Chancellor Otto von Bismarck; and Japan following the 1868 Meiji Restoration which had set up a modern central government. Other Asian economies later adopted this approach.

Sun Yat-sen
(1866-1925)

In the last couple of years there have been quite a few references to the fact that China has adopted this unique American policy, in particular with its state credit creation. For example, an article from *Foreign Policy* magazine on 3 February 2018, under the headline, "How Trump can win with China", referenced this hybrid model: "Despite America's infatuation with the notion that free markets always win, the truth is that a combination of mercantilism, protectionism, industrial planning, and markets have built every successful national economy. … [O]ur first US Treasury Secretary Alexander Hamilton, in 1791 laid out some basic rules that foreshadow China's policies of the last couple of decades."

When Deng Xiaoping came to power in 1977 he immediately set to work revolutionising China's economy. Deng was a hero of the Revolutionary period; he was purged from power three times and suffered personal loss when his son was denied medical care, resulting in him being paralysed for life. Zhou Enlai, the first Premier of the People's Republic of China, from 1949 until his death in January 1976, had set the stage for this shift, outlining a policy of "four modernisations" to bring China's industry, agriculture, science and technology, and national defence out of the devastation of the Cultural Revolution.

Deng Xiaoping
(1904-1997)

At a Communist Party Central Committee meeting in 1978, Deng laid out the mission to transform China after the Cultural Revolution, launching a "new era of development". Current president Xi Jinping's father, who had held key posts earlier but was working in a factory during the Revolution, was called in to help with this. He ran the first "open economy" experiment, in the city of Guangzhou in the south of China. This was successful, allowing Deng to move towards reforms on a national scale.

Deng was the architect of China's modern banking laws. China looked to the West for models, accepting some and rejecting others. It decided, for instance, that "the stakes were too high for the government to relinquish its control and to have an independent banking system like the United States' Federal Reserve System".[1]

At a seminar in 1979 Deng told government officials: "Banks should focus on economics. Now they are only bookkeepers and accountants and fail to play the banking role". The same year, in a seminar for party officials he said: "Banks should become a lever for economic development and technological innovation. We should turn banks into real banks."[2]

China's banking system

China's banking system consists of a structure with the People's Bank of China at the top, acting as the central bank; the Big Four commercial banks, created from 1979 through the mid '80s, with the intention that they become fully commercial lending operations operating on a market model; the three policy banks, established in 1994, which provide government-directed credit into particular sectors; and in addition there are ten other commercial banks, and many nonbanking financial institutions, including more than 5,000 urban credit co-ops and some 60,000 rural credit co-ops.

The first reform was the creation of the commercial banks. The function of commercial lending was split away from the central bank, and moved into four specialised banks, the Industrial and Commercial Bank of China, the China Construction Bank, Agricultural Bank of China, and the Bank of China.

But while these banks would conduct banking for commercial purposes, the government still needed to be able to support industries and enterprises, and ask banks to carry out policy tasks such as agricultural product purchase, infrastructure development, facilitating imports/exports, et cetera. So policy banks were created to direct development critical for the nation. A Communist Party meeting in 1993 had established the objective of economic reform as allowing the market to play the fundamental role in resource allocation. This was, however, qualified under a "socialist market economic system", or as it's often referred to, "socialism with Chinese characteristics".

The three policy banks are the Agricultural Development Bank of China (ADBC), the China Development Bank (CDB),

1. "Transforming China's Traditional Banking Systems under the New National Banking Laws", Andrew Xuefeng Qian, *Georgia Journal of International and Comparative Law*, Vol. 25. No. 3, 1996
2. "The Intrinsic Logic of China's Banking Industry Reform", Yi Gang, an essay in the book *Transforming the Chinese Economy*, edited by Fang Cai, 2010

and the Export-Import Bank of China (EXIM).

Glass-Steagall

After opening up to market forces, there were problems, particularly associated with banks beginning to engage in speculation. By the early 1990s some banks were treating the inter-bank lending market as an easy, low-cost place to raise funds and invest in real estate or speculate—something which is commonplace and unremarkable here.

Chinese scholar Yong Guo wrote in 2002, that "In 1993 Chinese commercial banks speculated stocks by moving savings deposit funds into the stock markets. By the summer of 1993, deposits in commercial banks were insufficient to cover development needs. To solve these problems, Chinese central banks learned from the US in separating commercial banking from investment banking business that is related to the securities market. ... The *Glass-Steagall Act* of 1933 forced a separation between these industries."[3]

Chinese economist Yi Gang, who worked at the People's Bank of China from 1997, and today is the Bank's governor (appointed March 2018), wrote in a 2010 essay on China's banking reform: "At the initial stage of reform and opening, China adopted the mixed operation model under which a commercial bank was allowed to operate brokerage and insurance businesses. In the midst of economic overheating and financial chaos at the end of June 1993 the Chinese government enacted 16 rectification measures, 13 of which were related to the financial sector. When re-examining the causes of the financial chaos, policymakers held mixed operation partly to blame and decided to draw on the US experience of separating commercial banking from investment banking."

As a result of this financial chaos the PBC was given the power to regulate the commercial banking system and conduct the monetary policy of the nation. The policy banks (independent of the PBC and directly under control of the State Council) were created to set a standard for banking and ensure economic growth, and bank separation regulation was introduced.

In **June 1993** the PBC issued a document, "Some Opinions Regarding the Current Economic Situation", announcing it would "separate state-owned commercial banks from their affiliated trust and investment firms" (**Figure 1**).

A "Memorandum of the CPC Central Committee, **14 November 1993**" was then issued, stating that "The banking business and the securities business shall be separated" (**Figure 2**).

In **1994** the policy banks were established.

Supporting legislation was finalised on **10 May 1995** to reinforce the "firewall" provisions, stipulating that "commercial banks cannot engage in trust and investment activity inside the borders of the People's Republic of China, and that they must not invest in real estate that is not occupied by the commercial banks itself." (There were other provisions such as banks could not play the stock market.)

Figure 1

Box 3.5 Some opinions regarding the current economic situation, June 1993

Due to the high inflation in 1993, the PBC has decided to increase interest rates. The PBC will focus on enforcing financial supervision; separating state-owned commercial banks from their affiliated trust and investment firms; requiring all specialized banks to call back loans made outside the credit plan immediately; restricting inter-regional lending; sending out working groups to the provinces to check the implementation of these measures. Four policy measures are being implemented: clearing up and withdrawing loans granted without authorization; raising interest rates on deposits and loans; restraining irregular capital-raising activities and restoring order among investments in real estate and development areas.

Source: People's Bank of China, *ACFB: Almanac of China's Finance and Banking*, 1994.

Figure 2

Box 3.6 Memorandum of the Chinese Communist Party Central Committee, 14 November **1993**

- As the central bank, the People's Bank of China shall conduct monetary policy independently.
- The People's Bank of China shall be under the leadership of the State Council.
- The People's Bank of China shall manage the money supply and stabilize the currency value, by changing from relying mainly on control over the credit quota to the reserve ratio control.
- The People's Bank of China shall supervise all other financial institutions.
- The People's Bank of China will not conduct business with non-financial institutions.
- The banking business and the securities business shall be separated.
- A committee shall be formed to conduct monetary policy.
- The commercial banks shall engage in the management of assets, liabilities and risks.
- According to the situation of money supply and demand, the central bank shall make timely adjustments of the benchmark rates.
- The interest rates of the deposits and loans in the commercial banks can be freely floated within a certain range given by the PBC.

Source: People's Bank of China, ACFB: *Almanac of China's Finance and Banking*, 1994.

Figure 3

The Commercial Banking Law

Article 43 No commercial banks may, within the territory of the People's Republic of China, engage in trust investment or securities business, or invest in immovable property which is not for private use, in non-banking financial institutions or in enterprises, except where otherwise provided for in the regulations of the State.

Article 62 The banking regulatory authority under the State Council shall have the right at any time to carry out inspection of and exercise supervision over the deposits, loans, settlements, doubtful accounts, etc. of commercial banks, in accordance with the provisions of Chapters III, IV and V of this Law.

This was formalised as the Commercial Banking Law (**Figure 3**) and was designed to keep the banks which were open to market forces, in line. I have included in the graphic Article 62 by way of providing an indication of the strictness of China's regulatory authorities—they can carry out inspections at any time and I bet they take advantage of it—a far cry from our Australian Prudential Regulation Authority (APRA). This law also contains a charter addressing the protection of the interests of depositors.

Various experts compare this law to Glass-Steagall, by name. We will look at a couple of examples.

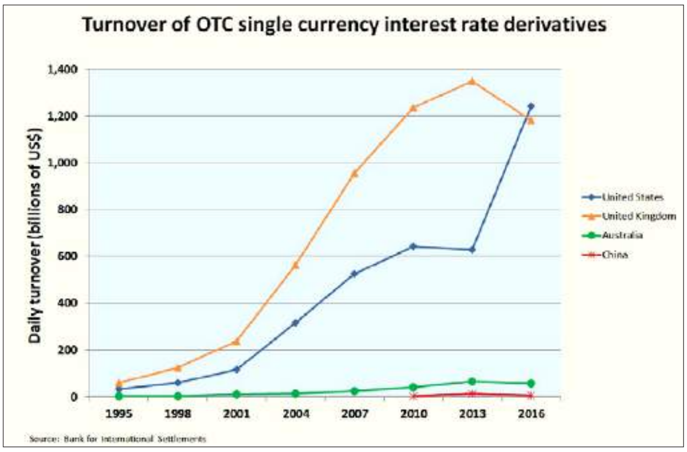
Yi Gang, now head of the PBC: "In the United States, the passage of the *Glass-Steagall Act* by Congress in 1933 separated commercial banking from investment banking. The principle of the *Glass-Steagall Act* was that mixed operations are exposed to excessive risks and therefore commercial banking and investment banking should be separated and regulated under different authorities. ... The *Glass-Steagall Act* drew upon the experiences and lessons from the 1929-33 Great Depression in the United States."

This author, Yi, did his graduate studies in the USA and researched Glass-Steagall in great depth, particularly because one of his professors spoke against the law vehemently: "I conducted increasingly focused research and comparison of this issue from an international perspective", said Yi.

But the USA and Europe had abandoned Glass-Steagall standards. "Before the US subprime crisis broke out, Chinese scholars had reached a consensus to gradually adopt the universal banking model", that is, a model without Glass-Steagall restrictions, recounted Yi. They drew back sharply though, once the GFC unfolded. The US crisis "cast doubt over the universal banking model". The impact of this realisation was "profound and forceful", said Yi.

3. *Banking Reforms & Monetary Policy in the People's Republic of China*, Yong Guo, 2002

Figure 4



Yong Guo, in his book on banking reforms, wrote that the policy protected China from the worst impact of the 1998 Asian crisis: "These reforms were patterned after the financial architecture of the United States and Europe, as codified in the *Glass-Steagall Act* of 1933 in the United States (US) ... These reforms may have placed the PRC on a sound financial footing in the post-reform era and may have helped to protect the Chinese economy from the effects of the recent financial crisis in Asia."

In his 1996 essay Andrew Qian referred to the Commercial Banking Law on bank separation, saying, "This provision is similar to the *Glass-Steagall Act*, which forbids American commercial banks from engaging in the securities underwriting business."

Anti-speculation

Because of its tight top-down regulation of commercial banks and Glass-Steagall separation, the volume of derivatives speculation (financial side bets) in China is very low. In 2012 a Bank for International Settlements report, "Development and Utilisation of Financial Derivatives in China", put China's share of the global derivatives market at only 0.33 per cent. If you compare their derivatives with Australia's the difference is stark. **Figure 4** compares interest rate swaps (the most common type of derivative): China's total is $4 billion; Australia's is $56 billion. Our derivatives turnover is 14 times that of China just in this category, with a much smaller economy. We have 1/60th the population of China, so the derivatives trade represents $2.80 per person in China; $2,300 per Aussie. This will make a big difference in a new financial crisis.

In 2016 China further tightened regulations on derivatives trading. The China Banking Regulatory Commission established more detailed guidelines on calculating financial exposure to counterparty risk on derivatives contracts. Banks' capital reserve requirements for derivatives positions have risen as a result. Restrictions and bans on overseas investment into speculation and non-productive investments were introduced; a new super agency for regulation was set up; and a crackdown on the shadow banking sector is under way.

Meanwhile...

The USA repealed Glass-Steagall in 1999, but JPMorgan had started the drive to repeal it in 1984, with the paper "Rethinking Glass-Steagall", put together by Alan Greenspan when he was a director of the bank, three years before he became chairman of the US Federal Reserve. From this position he hastened the process.

The UK's Big Bang financial reforms of 1986 ended a period of bank separation that existed by convention in the UK, rather than by a formal law. With the real economy growing, a natural divide had formed, where some banks did quite well lending into business and industry and others speculated, but the two functions didn't tend to mix. As the speculative marketplace grew, however, banks wanted to "get their hands on the deposits" to leverage them into big profits, as the Chancellor of the Exchequer at the time, Lord Nigel Lawson, later said.

Many European countries dismantled Glass-Steagall-styled laws following the fall of the Berlin Wall in 1989. British PM Margaret Thatcher and French President François Mitterrand acted to prevent the emergence of a strong, sovereign Germany and so moved towards a European Banking Union. Sovereign control over banking was abolished. A European Commission directive in December 1989 allowed any credit institution to engage in any kind of derivatives trading.

Japan also had Glass-Steagall laws since the US moved in after World War II. After the USA got rid of Glass-Steagall, Japan followed, largely dismantling their regulations by 2002.

Glass-Steagall for Australia!

Look at what Australia faces given the complete lack of regulation in our banking sector. Witness the housing bubble and the securitisation of mortgages (a form of derivatives); the laundry list of crimes of the banks as documented in our magazine, *Time for Glass-Steagall Banking Separation and a National Bank*; even concerns like too much foreign investment coming into Australia and foreign control of our national assets—not only from China—all stem from lack of regulation.

The fact that China has stuck with Glass-Steagall through a period in which the rest of the world was dismantling it—through the Asian crisis, through the global financial crisis, and since—and has demonstrated the superiority and efficiency of this regulatory model, gives us a platform today to rip up the economic model of neoliberalism, free-trade and deregulation—the proven lose-lose approach—and replace it with this win-win model.

Sources

• *The Next Financial Crash is Certain! End the BoE-BIS-APRA Bankers' Dictatorship: Time for Glass-Steagall Banking Separation and a National Bank!* CEC, 2018

• "The Truths Driving China's Banking System Today", by Brian Lantz, *Executive Intelligence Review*, 14 July 2017

• "The Secret to China's Rise—A Question of Leadership", by Jeffrey Steinberg and William Jones, *Executive Intelligence Review*, 4 Mar. 2016

• *Banking Reforms & Monetary Policy in the People's Republic of China*, Yong Guo, 2002

• "Transforming China's Traditional Banking Systems under the New National Banking Laws", Andrew Xuefeng Qian, *Georgia Journal of International and Comparative Law*, Vol. 25 No. 3, 1996

• "The Intrinsic Logic of China's Banking Industry Reform", Yi Gang, an essay from the book, *Transforming the Chinese Economy*, edited by Fang Cai, 2010

Don’t believe the whispers about China in Africa

By Elisa Barwick

Alongside the claim that China is buying up Australia, you might have heard the line that China is taking over Africa. Such assertions need only be suggested a few times before they take off, fuelled by the population’s pre-existing fears and prejudices. The notion that China is deliberately indebting African nations, attaching conditions to loans or leveraging influence to secure raw materials has been made by high-level political figures, such as former US Secretary of State Rex Tillerson, and by prominent media outlets. Facts on the ground disprove these claims, but even if they were true, China would be moving in on a racket historically run by the United Kingdom since the advent of British imperialism, in more recent decades in partnership with the USA.

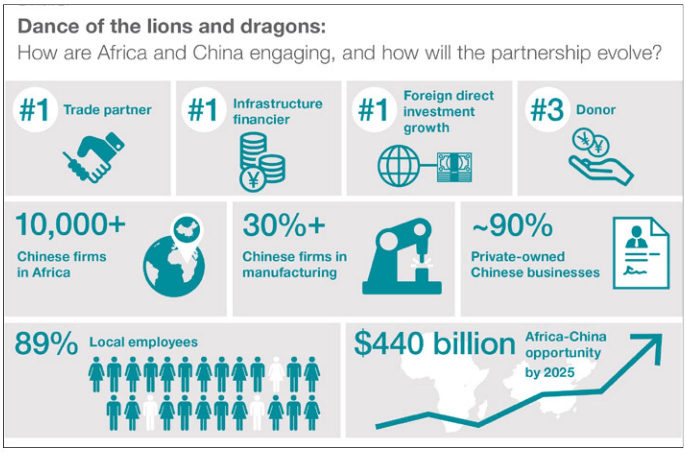
The *Australian Alert Service* has previously reported on: a 2017 study by Aid Data at the USA-based College of William & Mary which revealed the positive economic impact of Chinese lending in Africa (*AAS* 28 March, “China shatters the era of the Economic Hit Men”); a China Africa Research Initiative (Johns Hopkins School of Advanced International Studies) report, showing the USA and UK’s interests are primarily in raw materials and financial wealth while China’s lie primarily in infrastructure construction (*AAS* 25 April, “Who is out to control China’s mining sector?”); and interviews with numerous African leaders saying they do not see China’s interventions as interference but as assistance. In 2017 the UN’s Food and Agriculture Organisation (FAO) praised China’s role in developing Africa’s agriculture, citing the “high dividends” received by Africa.

A new report by International law firm White & Case, “‘Belt and Road’ in Africa”, published on 7 February, situates Chinese-African collaboration in its historical context. Since the visits of Admiral Zheng He during his exploratory expeditions to Africa’s east coast in the early 1400s, China has been interested in Africa’s development. China’s interaction with Africa was clearly defined when 29 countries at the African Bandung Conference in April 1955 signed onto China’s Five Principles of Peaceful Coexistence—mutual respect for territorial integrity and sovereignty; mutual non-aggression; mutual non-interference in internal affairs; equality and cooperation for mutual benefit; and peaceful coexistence. This was further developed during Chinese Premier Zhou Enlai’s tour of ten African countries in 1964. In 2000 the Forum on China-Africa Cooperation established a coordinated strategy for cooperation. This foundation could not be further from the imperial bluster of the UK. The report goes on to describe the healthy growth model China has subsequently introduced into Africa.

A survey conducted by McKinsey & Company in June 2017, “Dance of the lions and dragons: How are Africa and China engaging, and how will the partnership evolve?” provides data to back this up. The management consultancy surveyed 1,000 Chinese firms in Africa with some very interesting results.

China is Africa’s biggest economic partner. No other country has greater engagement with Africa across the areas of trade, investment, infrastructure and aid; China is among the top four players in each category.

China is the largest funder of infrastructure in Africa, and is seven times ahead of the next closest financier. (Surveys reveal this is a top reason for China’s positive image in Africa.) Stunningly, in 2015 China’s contribution to African infrastructure was greater than the combined commitment of the Infrastructure Consortium for Africa which includes the African Development Bank, the European Commission, the European Investment Bank, the International Finance Corporation, the World Bank and Group of Eight (G8) countries!



A graphic showing China’s input into Africa, from the McKinsey report.

Chinese companies routinely beat all other competitors, even for World Bank tenders, because of their cost effectiveness, efficiency and fast delivery *without any compromise on quality*. “Chinese projects can be agreed to in a matter of months”, the McKinsey study said, “whereas multilateral donor-funded projects take years.”

China is the second- or third-ranked aid contributor to Africa, mostly in the form of concessional loans and export credits.

Not China, Inc!

Both China and the African nations examined in the study accord a high degree of importance to the reciprocal relationship, which provides a framework under which collaboration can flourish; but the growth of Chinese investment in Africa cannot be simplified as an action of “China”.

The study estimates there are over 10,000 Chinese-owned firms in Africa, but some 90 per cent of them are privately owned. This “calls into question” the idea of a “monolithic, state-coordinated investment drive by ‘China, Inc.’”, the report says. Characterising the China-Africa relationship this way, “or even as a concerted, coordinated push dominated by a handful of state-owned enterprises”, would be a mistake. Chinese investment in Africa is “a more market-driven phenomenon than is commonly understood”.

“Much has been written about what essentially can be summed up as ‘China, Inc.’”, says the report, “a supposedly coordinated effort ... to buy up resources around the globe. But the China, Inc. stereotype was never accurate. China’s companies, government agencies, and financial institutions are a complex set that often reflects multiple interests and uncoordinated agendas.” (Take note, Australian politicians about to vote on foreign interference laws!)

The motivation of Chinese companies in Africa is made clear. Over the last decade Chinese entrepreneurs, “fresh from a three-decade run of building China in a similarly fast-paced and uncertain market environment with evolving institutions”, have moved into Africa with its risky but *high-return* environment. Chinese operators have developed the "risk tolerance, practical experience, and skill set to undertake such investments".

The report also showed the notion that "Chinese firms typically avoid employing locals" to be an outright "myth", documenting that 89 per cent of employees of the companies surveyed were African, representing some 300,000 jobs. (It is five times more expensive to bring workers in from China.) Furthermore, two-thirds of companies provided skills training and half of the construction and manufacturing companies offered apprenticeships. Chinese participation in the African market has also fostered transfers of new technologies and products and has brought down prices.

Chinese businesses are not using African labour and resources for production only to ship it back to China. In fact, 93 per cent of the revenues of manufacturers surveyed came from local and regional sales.

The McKinsey report indicates several issues that need to be addressed, including the need to locally source more inputs, protect African industries such as steel, reduce the payment of "tips" or bribes to obtain licences or get on with business, and address labour and environmental violations (not unique to Chinese firms). "On balance", however, the report states that, "we believe that China's growing involvement is a strong net positive for Africa's economies, governments, and workers".

Why all the fuss over Chinese interference? What are we afraid of?

5 Jun.—As the furore over Chinese interference in Australia rages, take a moment to consider exactly what we fear may be the result of alleged Chinese meddling in our pristine political system. What's the worst that China might influence us to do?

Here are some of the most significant policies China is pursuing which are distinctly different to that of Western nations, as documented in the CEC's weekly *Australian Alert Service* magazine:

• China has reduced poverty by more than 700 million people in the last 30 years or so. In 2017 it lifted 13 million more people out of poverty. China's success is based not merely on economic growth, but its emphasis on investment in infrastructure and productive enterprise, as well as its targeted poverty alleviation schemes. China's poverty measure is more strict than that of the World Bank.

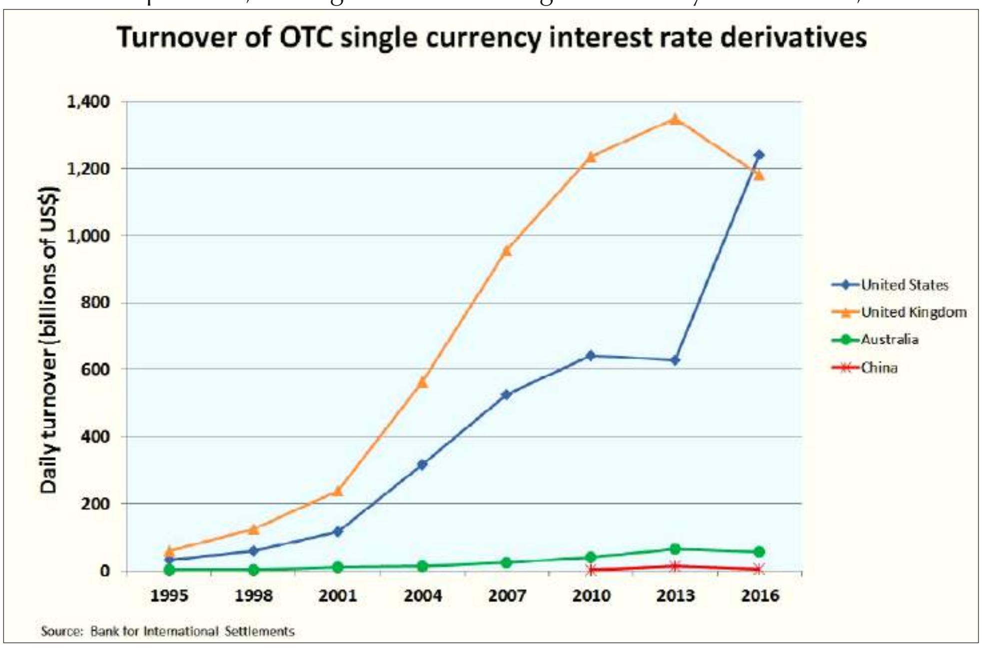
• China is fostering cooperation with and development of neighbouring countries, of Africa, and of many nations along the land and sea routes of its Belt and Road Initiative. Its investment is reshaping Africa as an industrial powerhouse; Ethiopia for instance, boosted by Chinese-built infrastructure, has achieved an annual GDP growth rate of 11 per cent. The notion that China is deliberately indebting nations to control them is a slur which numerous agencies have refuted ("China shatters the era of the 'economic hit men'", *Australian Alert Service* 28 March 2018).

• Since the 2008 global financial crisis China has issued credit to the tune of more than $20 trillion, but unlike the quantitative easing (QE) of the world's biggest central banks, it has directed it into expansion of physical economic activity and infrastructure at home and abroad. This is one of the few factors that has kept the world economy going in the face of the damaging consequences of QE, which has only served to fuel speculation over productive activity. Following the 2008 GFC, China initiated a study of its causes, in comparison with the Great Depression, concluding that a major factor in both crises was economic liberalisation and the decoupling of finance from the productive sector. ("To avoid a new financial crisis, look through China's eyes", *AAS* 14 February 2018)

• China has acted to reduce speculative investment activity in its banking system in preference to productive activity. In 1993 China adopted a Glass-Steagall-style separation of banking from other financial activities, to inoculate itself against rampant speculation as it opened up its economy. Shortly after the "reform and opening up" commenced in the late 1970s, Chinese leader Deng Xiaoping declared that "Banks should become a lever for economic development and technological innovation. We should turn banks into real banks." The strict separation of commercial from investment banking has protected China's banking system from the full impact of global financial headwinds. Recently China introduced new foreign investment laws and is increasing top-down regulation of its banking system ("China: Glass-Steagall Banking System and the Belt and Road Initiative", *Time for Glass-Steagall Banking Separation and a National Bank*).

Construction of the Shanghehang high-speed railway in east China's Zhejiang Province in Sepetember 2017. Photo: AFP/Tan Jin/Xinhua

China's promotion of production over speculation can be seen in the risky area of financial derivatives, which were at the centre of the 2008 crisis. Derivatives turnover in Australia is 14 times that of China, despite our much smaller economy and having just 1/60th of the population ("The only area China isn't competitive—derivatives", *AAS* 22 November 2017). The *Wall Street Journal* reported on 17 January that "China doesn't have the sort of risky financial products that crashed the American housing market and infected the global economy a decade ago." According to the Bank for International Settlements, China, the largest or second largest economy in the world, accounts



for only 0.33 per cent of the global derivatives trade (while just six banks in the USA account for 20 per cent).

So what is to be feared if we are influenced by this approach? Here are some of the concerns constantly cited by politicians and media:

• *China might replace the USA as the prevailing hegemon in the Asia-Pacific region*. We have been quite happy to accept the constant interference of our war-mongering (on faked evidence), regime change-initiating Anglo-American allies. Now, for some reason, we can't stomach "interference" from a country which has no history of imperial domination or conquest, and if anything will influence us to achieve all of the above benefits. Moreover, the hypocrisy is astounding: on 2 June 2018 the former US Director of National Intelligence James Clapper, who is leading the hysteria against Russia for allegedly interfering in the USA's election, admitted in a *Bloomberg* interview to at least 81 examples of the USA having interfered in other countries, but said it was different because "when we tried to manipulate or influence elections or even overturned governments, *it was done with the best interests of the people in that country in mind*…". (Emphasis added.)

The *Nimitz* Carrier Strike Group, one of a number of carrier strike groups that conduct "freedom of navigation" patrols through the South China Sea. These ships between them carry enough manpower, firepower (including submarine-borne nuclear weapons) and air support to blockade every shipping lane, board or sink every vessel, and invade, occupy, or bomb any island for hundreds of square miles. Their awesome lethal capacity dwarfs everything China has put on the islands it claims in the region, yet China is supposedly the threat to freedom of navigation? Photo: US Navy

• *China is militarising the South China Sea*. The reality is that the USA, with its massive carrier strike groups equipped with offensive nuclear weapons sailing through those waters, has a far greater military capacity in the region than has China ("Who is really militarising the South China Sea?", *AAS* 29 March 2017), which has installed some defensive missile systems and recently landed a bomber on an installation it has had since the 1950s. In addition, the British navy has repeatedly announced its intention to build a greater military presence in the region, despite its geographical distance, as part of its post-Brexit Global Britain program. ("Britain and the BRI: What is May's next move?", *AAS* 31 January 2018)

• *China may gain inside information from the Five Eyes intelligence alliance*. The exclusive Five Eyes spy club, comprising the USA, UK, Canada, Australia and New Zealand, is an apparatus for geopolitical operations against other nations, but also for control of its member nations; New Zealand, for instance, has been threatened with expulsion from the Five Eyes just because it maintains respectful relations with China. Although this is clearly in New Zealand's national economic interest, the Five Eyes interpret it as Chinese "infiltration". Australia has also been identified as being at risk for such infiltration, by former CIA analyst Peter Mattis at 5 April hearings of the US-China Economic and Security Review Commission. Such anti-China paranoia has led the Australian government to make wild and baseless accusations, such as falsely blaming Chinese hackers for the farcical failure of the 2016 online census, instead of the incompetence of the department and contractor. The Australian Security Intelligence Organisation (ASIO), which is whipping up the hysteria against China, is itself the conduit for foreign, i.e. Anglo-American, interference in Australia, via the Five Eyes arrangement.

The truth is that China *is* trying to influence Australia, for the same purpose it is trying to influence the entire world—to abandon the failed neoliberal policies that are sinking the world economy and destroying people's livelihoods. Chinese President Xi Jinping openly said so when he hosted the G20 summit in September 2016, calling for the world to forge a "new path of economic development", moving beyond "fiscal and monetary policy" in order to emerge from crisis. China has demonstrated its approach works, with the BRI and its poverty reduction, whereas Western economies continue to slide towards collapse, as evidenced in the ongoing political turmoil in the USA, Europe and Australia. China does not seek to change the political systems of other nations, and it insists that nations don't seek to change its political system, but it wants to cooperate with every nation, including the United States, on "win-win" economic development. This is clearly in Australia's independent national interest—will we take up the offer, or will we let Anglo-American interests continue to dictate our foreign policy?

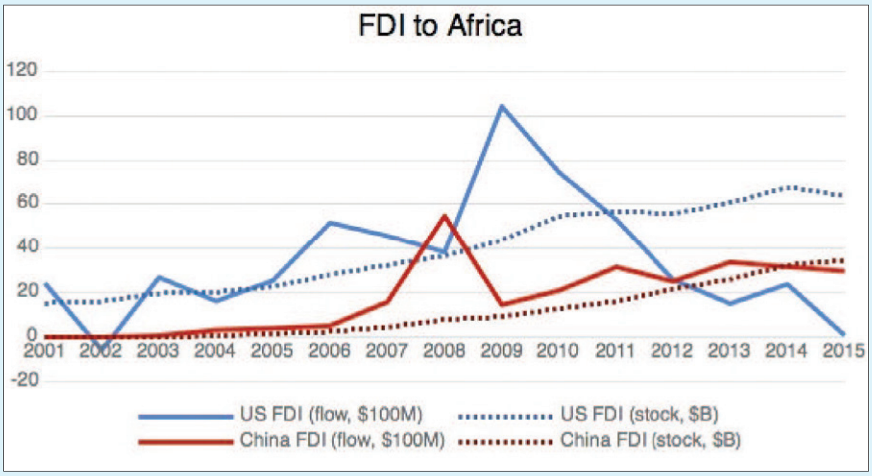
Who is out to control Africa's mining sector?

Contrary to what is generally believed, China is not the largest foreign investor in Africa. China ranks third, after the United States and the United Kingdom. In the ten years from 2005 to 2014, the total accumulated Chinese direct investment (FDI) in Africa was below $40 billion, while that of the USA was above $60 billion, and that of the UK over $50 billion. However, China is both the number one trade partner of Africa and leads in the rate of growth of direct investments in the recent years; this means it will soon surpass the United States and the UK. On the other hand, US investments in Africa have been collapsing at a rapid rate starting in 2009, when President Barack Obama was elected.

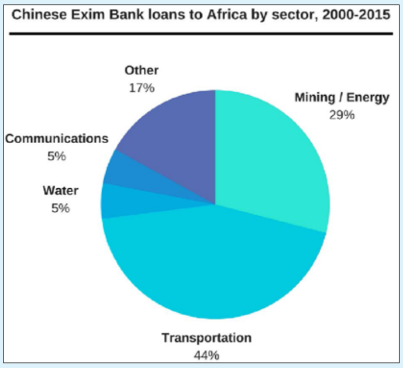
The statistics reveal that it is not China but rather the United States and the UK which are primarily interested in the raw materials and financial wealth of Africa. While China's investments are spread over several economic sectors in Africa, with infrastructure construction being the primary one, US and British investments are concentrated in raw materials and finance.

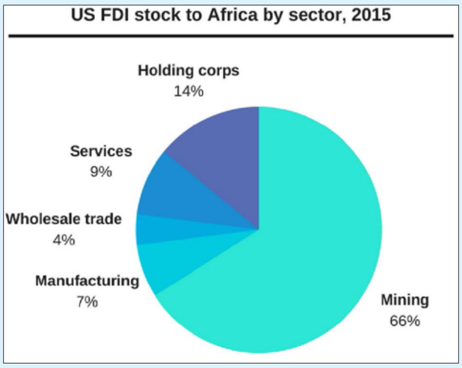
The Chinese Exim Bank is increasingly becoming the leading source of foreign loans to infrastructure and other projects in Africa, with more than $50 billion over the period from 2005 to 2014; during the same time, the US Exim Bank had invested less than one-tenth of that amount in Africa, and 70 per cent of those investments were directed to the mining sector.

A report issued by the China Africa Research Initiative, at the Johns Hopkins School of Advanced International Studies—along with other studies—provides a useful quantitative overview of US and Chinese investments into Africa.

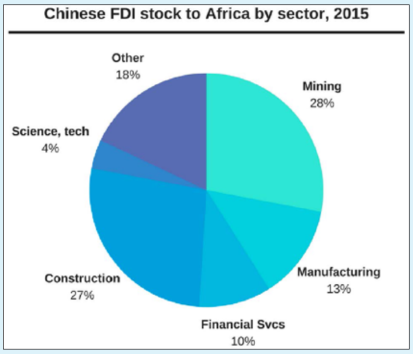


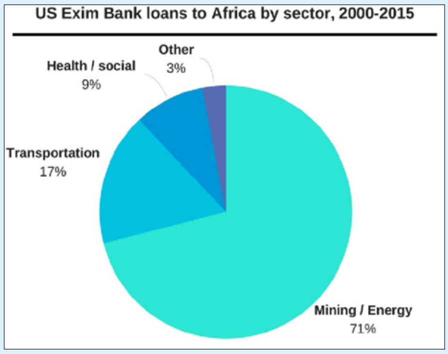
Source: SAIS-CARI analysis, based on data from: UNCTAD Bilateral FDI Statistics; China Statistical Yearbook; Statistical Bulletin of China's Outward Foreign Direct Investment; Bureau of Economic Analysis, US Department of Commerce.





Source: SAIS-CARI analysis, based on data from: UNCTAD Bilateral FDI Statistics; China Statistical Yearbook; Statistical Bulletin of China's Outward Foreign Direct Investment; Bureau of Economic Analysis, US Department of Commerce.





Source: SAIS-CARI, policy brief #18, based on data from CARI's Loan Database and the US Eximbank.

Australia the biggest miner in Africa

According to a report by Eryk Bagshaw in the 10 September 2017 *Sydney Morning Herald*, Australia was set to become the biggest international miner in Africa during 2017, having doubled its investment over the last decade to more than $40 billion.

The Australia-Africa Minerals & Energy Group's annual report for 2017 states: "There are currently more than 170 ASX-listed mining and other resource companies operating over 400 projects in 35 African countries. This Australian footprint involves current and future investment estimated to be worth more than $40 billion."

"Australia now outnumbers the US, Canada, China and the UK for the highest concentration of companies in Africa with 312 projects in 34 countries, 105 of those in gold, according to Publish What You Pay's Jessie Cato", reports Bagshaw.

China has become the largest investor of capital in Africa, mostly directed to infrastructure, and the biggest job creator. While Britain and the USA have often stated openly that their interest in Africa is about securing raw materials supply, China is now being tarred with this brush, despite overwhelming evidence to the contrary.

As for Australia, our mining sector has historically been dominated by British companies such as Rio-Tinto, in which the Queen is the largest individual shareholder, and British investors, who have large interests in companies such as BHP, Xstrata, and Anglo-American. A submission made by HSBC to an Australian parliamentary committee inquiring into Australia's trade and investment relationship with the UK in the wake of Brexit, matter of factly observed that "Some of Australia's largest companies, in sectors as diverse as mining, industrial services and media, proudly retain a strong Anglo-Australian identity."

China shatters the era of the ‘economic hit men’

By Elisa Barwick

With its defence of the “international rules-based order”, the Trans-Pacific Partnership, and promotion of Public-Private Partnerships, Australia is playing a seminal role in a desperate Anglo-American effort to prevent the failed economic system of neo-liberalism from disappearing into the dustbin of history. That economic system allowed the world’s most powerful banks, multilateral financiers and private corporations to direct the global economy to their own benefit, via what is known as the “Washington Consensus”(p. 9).

Those interests used “economic hit men”, recruited and trained by intelligence agencies such as the USA’s National Security Agency (NSA) but officially employed by private multinational corporations, who manipulated governments across the world into taking on massive debt for overpriced infrastructure, which forced them into handing over control of their raw materials and implementing economic austerity policies in order to pay it back. If they could not be “talked” into becoming a “puppet state” in this way, the “jackals” would be sent in, following which offending heads of state would be overthrown or die in violent “accidents”. In the unlikely event the jackals failed, an excuse to invade the country and effect regime change would be found.

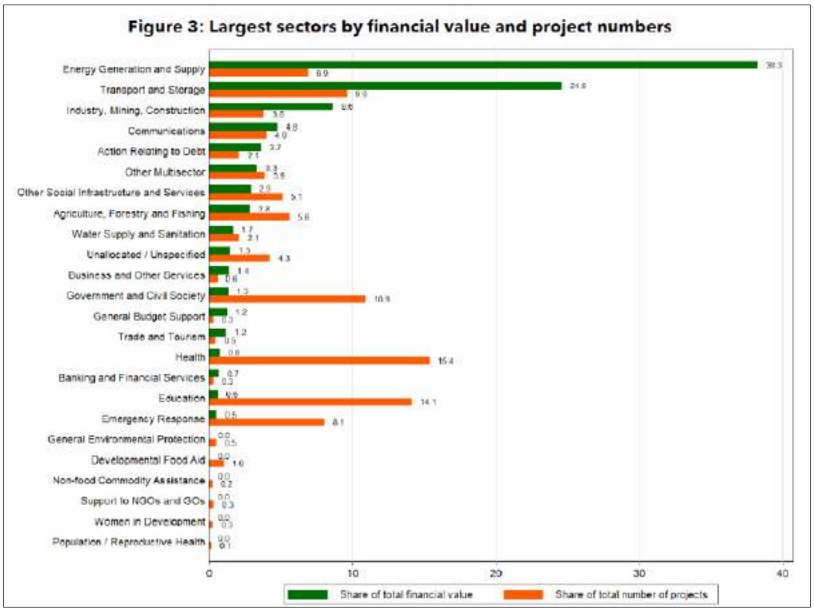
In 2004 a window into this shadowy world was opened with the publication of *Confessions of an Economic Hit Man*, by John Perkins. Here is Perkins’ opening salvo:

“Economic hit men (EHMs) are highly paid professionals who cheat countries around the globe out of trillions of dollars. They funnel money from the World Bank, the US Agency for International Development (USAID), and other foreign ‘aid’ organisations into the coffers of huge corporations and the pockets of a few wealthy families who control the planet’s natural resources. Their tools include fraudulent financial reports, rigged elections, payoffs, extortion, sex, and murder. They play a game as old as empire, but one that has taken on new and terrifying dimensions during this time of globalisation.

“I should know; I was an EHM.”

Readers will recognise that this is the model Western powers today attribute to China. As usual, the West is projecting its own *modus operandi* onto another country which it cannot fathom would have any intention less insidious than its own. In reality, China is pushing to overturn this existing framework to establish a fair and just economic architecture, as repeatedly stated by Chinese leaders conveying their vision of a win-win system for the mutual benefit of all, and as evidenced by their successful strategy to raise the Chinese population from poverty.

In late 2017 mainstream economists from Aid Data, a research lab at the Virginia, USA-based College of William & Mary, produced a new data set on Chinese foreign aid which disproves the Western allegations. Triangulating information from a number of sources, the study concludes that a single project funded by Chinese aid creates a 0.7 per cent increase in economic growth within two years of the project being committed. Projects sponsored by the USA and the OECD’s Development Assistance Committee members also showed positive impacts on growth, however there was “no robust evidence that World Bank aid promoted growth” at all. The research showed that the less concessional and more commercially oriented loans became, the less impact they had on economic growth. It is notable that the study examined Chinese foreign aid and state financing (concessional and non-concessional) of 4,304 development projects in 138 countries in 2000-14, so would not have included any significant impact from China’s Belt and Road Initiative which was only announced in late 2013.



Chinese investments overseas. Source: Aid Data

China’s aid may have a greater economic impact due to its emphasis on economic and social infrastructure, the analysis says, whereas Western creditors are scaling back investment in real infrastructure. China invests more in “hardware” such as energy and transport, rather than “software” such as education, health or governance, according to the report. Developing countries routinely report that China builds hard infrastructure more efficiently than Western countries.

China’s intention is also seen in its approach to steel production. While Western countries squeal about China fostering oversupply and interfering with market forces, the Aid Data study reports that the Chinese government deliberately maintains excess production capacity because it “considers steel to be a strategically important commodity”. When production is higher than required, it uses some of the excess steel for its aid projects around the world. Chinese aid increases in the years when steel production volumes are higher.

Strings attached

While Western nations accuse China of attaching conditions to its loans, alleging ulterior motives, the opposite is true. The Aid Data analysis reveals that this is actually the case with the West’s aid, and that the West believes increased Chinese spending is interfering with its objectives. If developing countries can get the money from somewhere else, without strings attached, why not? One of the West’s stated agendas is “democratisation”—something the economic hit men also claim as their goal.

“Scholars, journalists, and policymakers have previously argued that China’s disregard for good governance principles diminishes the effectiveness of aid from more ‘enlightened’ donors”, the report says. “By way of example, in 2007, the head of the UK’s Department for International Development (DFID), Hilary Benn, asserted that ‘China’s failure to match the conditions placed on aid by countries such as Britain—

including evidence of good governance, respect for human rights and spending directed to alleviate poverty—could set back progress toward democratic administrations'…. Similarly, in 2009, the Executive Vice President of the Asia Society relayed to the BBC a specific account from Southeast Asia where this dynamic seemed to be at work: 'Cambodia was considering a US$600m loan from the World Bank that had conditions about transparency and anti-corruption and accountability. The Cambodians basically told the World Bank to go to hell and the next day they received a US$601 [million] loan from the Chinese with no conditions' …

"Several recent studies suggest that anecdotes like this one may reflect a broader empirical pattern. Hernandez (2017) provides evidence that recipients of Chinese aid receive World Bank loans with fewer conditions. Likewise, Li (2017) finds that Chinese aid has blunted the democratising effects of DAC [OECD's Development Assistance Committee] aid to Sub-Saharan Africa. Kersting and Kilby (2014) similarly recover evidence that Chinese aid undermines democratic governance."

But the drumbeat continues…

The head of Xiamen University's Southeast Asian Studies Centre, Zhuang Guotu, told *Global Times* in early March that "Chinese loans are usually accompanied by repayment agreements, which use certain natural resources as collateral". China's Ministry of Foreign Affairs spokesman Geng Shuang sharply rejected the claim, saying, "China has never asked and will never ask relevant countries to use natural resources as collateral in loan agreements. In this vein, our assistance and support to the Philippines are provided with no strings attached."

In Papua New Guinea on 20-22 March, ostensibly to offer earthquake relief and an aid program for New Ireland, Australian Foreign Minister Julie Bishop promoted Australia and New Zealand as the "partners of choice" for countries in the region. Former PNG Prime Minister, now Governor of New Ireland Julius Chan, however, countered that the Australia-PNG relationship was losing its "lustre".

Australian Minister for International Development Concetta Fierravanti-Wells in January infamously charged China with saddling Pacific nations with debt for the sake of "white elephants". At the time, Samoan Prime Minister Tuilaepa Aiono Sailele Malielegaoi, and Papua New Guinea's Foreign Affairs Minister, Rimbink Pato, both defended China's projects and its intentions in the region.

Australia has reduced its overall aid budget to record lows, but even with the bulk of the remainder targeted into the Pacific, it is no match for increasing Chinese aid. In addition, Australia's aid has moved away from concrete projects to uplift the economy, in favour of investment in improving "governance" which includes training programs for public service. Bishop, who also visited Tonga, upheld the EHM line: "We want to ensure that we continue to see good governance, accountability and transparency in the relationship."

One only need compare the results of Western and Chinese policy over the last three decades to see the truth. While the liberal economic model has shifted public assets into the hands of a select few through privatisation, destroyed countless farms and industries through deregulation and reduction of bounties and tariffs, and exposed our national economy to the bloodthirsty corporations that manipulate the "free market", China has lifted nearly a billion of its own people from poverty by building a high-tech, agro-industrial economy, and made a good start on uplifting other developing countries by sharing its approach.

City of London muscles in

Declaring that "the UK's financial sector remains a beacon of creative energy and fiscal excellence", the Lord Mayor of the City of London Charles Bowman in the 21 March London *Telegraph* previewed his upcoming 9-day trip to China along with some of the City's leading lights of banking, legal services, insurance and accountancy (but not infrastructure). The City of London Corporation represents the UK's financial elite; Bowman himself worked in the finance sector for 33 years including as a PwC partner.

Echoing a phrase made famous by Bank of England Governor Mark Carney in an October 2013 speech entitled "The UK at the heart of a renewed globalisation", and also used by then Australian Treasurer Joe Hockey in a JPMorgan-sponsored speech in new York the same month, Bowman announced: "I will be delivering the message that London remains truly *open for business*, and that the City's position as an international financial centre will continue well into the future." (Emphasis added.)

Getting to the point, he continued, "It's no surprise therefore that we are well placed to help Chinese firms realise their international ambitions, and build the relationships and support the need to retain and expand their European operations." Expressing his hope that London will become the "natural Western hub" of China's Belt and Road Initiative, he said, "the City's engagement in projects like this will be crucial if we are to maintain our leading role on the international stage. After all, as a global financial centre, we have much to bring to the table, from infrastructure solutions and consultancy, to our expertise in legal services and green finance.…"

Bowman salivated as he described the City's point of entry into China. He reminded readers that China announced two weeks ago it would widen market access for foreign investors. This would be "a game changer" for the UK, he said. He pointed to the agreement signed between the Canary Wharf Group, Bank of China and the state-owned China Xiong'an Construction Investment Group when PM Theresa May visited China in January: "The agreement concerned the development of a huge new financial and technology district being built 60 miles south of Beijing, which could eventually grow to become three times the size of New York." Bowman said he would be travelling to the district to promote involvement of firms from the Square Mile, which have "much to offer" the project.

Bowman was in Australia in February, proposing a "fintech bridge" as part of its post-Brexit free trade arrangements with Australia which would connect the finance and related technology sectors of Australia and the UK. While emphasis was put on Australian citizens and companies working in the UK, it would also allow UK companies to work more easily in Australia, giving them closer access to Asia. Bowman also encouraged Australian superannuation funds to move beyond our shores, given we have $2.3 trillion to invest: "There are big opportunities in the UK for the industry both in terms of investment and our investment management services."

‘Washington Consensus’ indicted for genocide

By *Jeffrey Steinberg*

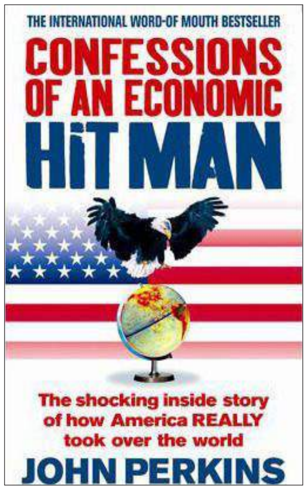
An excerpt of a book review of Confessions of an Economic Hit Man, *by John Perkins. San Francisco: Berrett-Koehler, 2004. Originally published in* Executive Intelligence Review, *10 December 2004.*

In ... *Confessions of an Economic Hit Man*, Perkins presented his own bird’s-eye view of the inner workings of what professional economists call “the Washington Consensus”, the post-Bretton Woods system of top-down arrangements among the International Monetary Fund, the World Bank, the world’s leading central banks, and an interlocking combine of several thousand multinational banks and industrial and raw material extraction corporations, that control upwards of 80 per cent of the world economy, including the lion’s share of the strategic raw material wealth of the planet. These forces have no allegiance to any particular nation-state. Indeed, they are above the law of nations, and seek a one-world “globalised” empire, under their top-down vice-grip control. They constitute what Perkins describes as the most sophisticated global imperial apparatus that the world has ever known. Their power rests in their ability to enslave entire nations through the mechanisms of the IMF, World Bank, private debt, and corruption.

As Perkins wrote, the global debt-masters employ “economic hit men”, like himself, to trap targeted nations in bankruptcy, and then force them to turn over their national patrimony of raw material wealth and labour power. When a particular nationalist head of state resists, the debt-masters next bring in the “jackals”, the professional assassins, to arrange an airplane crash “accident”, or some other convenient “tragedy” to eliminate the misguided leader and serve notice on his successors that such behaviour is not to be tolerated. In the exceedingly rare case in which the jackals fail in their mission, pretexts are arranged and imperial wars of conquest and occupation—like the 1989 invasion of Panama, and the 1991 and 2003 invasions of Iraq—take place. A thoroughly corrupt mass-media provides the soap opera rationalisation for the military punishment of resisting nations, as in the Cheney-Bush “Big Lies” about Saddam Hussein’s make-believe arsenal of weapons of mass destruction, and his fractured-fairy-tale links to Osama bin Laden.

Perkins’ autobiographical account of how he was spotted, profiled, recruited, and trained to be an “economic hit man”—and how he found the personal courage to escape from a very lucrative, seductive, but murderous life—is a gripping tale. It is told with a flair for the details, great and small, which make it a very convincing story. The archives of *EIR*, and the saga of Lyndon LaRouche’s lifetime quest for global economic justice, confirm that every basic feature of Perkins’ account is true to life. Perkins speaks, in personal terms, about his own dealings with Panama’s leader Omar Torrijos and Ecuador’s President Jaime Roldos. Both men resisted the bribes and threats of the “economic hit men”, and instead fought for programs that would benefit all of their people. They were both killed in 1981, and Perkins’ accounts leave no doubt that they were assassinated by the jackals because they dared to resist.

Among the “crimes” of Torrijos was his negotiations with the Japanese government to build a sea-level second canal through Panama. Indeed, Lyndon LaRouche was working in close concert with the Mitsubishi Global Infrastructure Fund (GIF) people on that effort, along with the proposed Kra Canal in Thailand. These were truly “Great Projects” that would have created the preconditions for a revolutionary transformation of the world economy and the world trading system, benefitting all of mankind.



Indeed, the list of leading political and economic figures who were given the jackal treatment during the period of Perkins’ tenure as an “economic hit man” extends far beyond the tragic cases of Torrijos and Roldos. Among the most notable, since the advent of the post-Bretton Woods System in August 1971: German bankers Jürgen Ponto and Hanns-Martin Schleyer, and, later, Alfred Herrhausen and Detlev Rohwedder; Italian Prime Minister Aldo Moro; Indian Prime Ministers Indira Ghandi and Rajiv Ghandi; Pakistani President Zulfikar Ali Bhutto; Mexican Presidential candidate Donaldo Colosio and Colombian Presidential candidate Luis Carlos Galán.

One of the most flagrant depictions of the relationships between the economic hit men and the jackals appeared in the Colombian media several years ago, and was subsequently circulated worldwide by *EIR*. The picture showed Richard Grasso, then the chairman of the New York Stock Exchange, deep in the Colombian jungles, in a friendly embrace with the financial chief of the FARC, the Colombian narco-terrorist organisation—affiliated with that country’s Communist Party—which is at the heart of the multi-billion narcotics trade, and which is behind many of the acts of political violence that have plagued Ibero-America in the recent several decades.

McNamara and Shultz

Perkins’ book is an effective blend of his own personal experiences in his several-decade career as an economic hit man, and a lively account of larger strategic events in the countries he visited. He struck a bull’s-eye, when, in his analytical account, he identified George Shultz, former president of Bechtel, former Treasury Secretary (under Richard Nixon), and Secretary of State (under Ronald Reagan), as the heir to Robert Strange McNamara as one of the top figures in the new imperial pyramid of power.

As *EIR* has reported over the past 30 years ... George Shultz is truly one of the most nefarious figures in political life in our time. It was Shultz who took personal responsibility for the final destruction of Franklin Roosevelt’s Bretton Woods System of fixed exchange rates, first in his infamous diktat to Nixon’s Treasury Secretary John Connally, whom he soon replaced; next, at the Azores international monetary conference; and finally at the 1975 Rambouillet conference, where European nations attempted, unsuccessfully, to reconstitute a stable monetary system to also include the integration of the Soviet bloc. Shultz later orchestrated the Plaza Accords of 1985, between the United States and Japan, which, in effect, ended Japan’s efforts, over the prior decade, to play the role of sponsor and creditor of a series of great economic development projects. He later would, in effect, “create” the present George W. Bush Administration, through his sponsorship of the “Vulcan” team of top policy aides, who became key Cabinet officials. ...

Don’t miss the bigger agenda behind China’s BRI

By Elisa Barwick

Amid concern that China’s drive to recruit nations to the Belt and Road Initiative (BRI) is motivated by a hidden, geopolitical agenda to dominate the Asia-Pacific region, if not the world, there is an actual ulterior motive that most Australians are missing. There is increasing support from Australian parliamentarians (past and present), academics and businesspeople to see Australia integrate with the BRI; however, it must be understood that in addition to its global reconstruction effort, China intends to catalyse the building of an entirely new financial order.

After the 2007-08 global financial crisis, China launched a conscious effort to lift the world economy from the doldrums, first on its own through massive investment in infrastructure, both domestic and foreign, and then, from July 2013 when it announced its first proposal of the One Belt, One Road perspective, through international collaboration. The following month, in Indonesia, Chinese President Xi Jinping proposed the Asian Infrastructure Investment Bank (AIIB) which was inaugurated in October 2014, to “open a new financing channel for developing countries” according to AIIB President Jin Liqun. In July 2014, the BRICS grouping (Brazil, Russia, India, China and South Africa) met in Brazil and released the Fortaleza Declaration which included the kernel of a new financial architecture. Agreed to were the creation of the New Development Bank (NDB) with an initial capitalisation of US$50 billion, and a Currency Reserve Agreement (CRA) with initial capacity of US$100 billion to defend participating nations from capital flight and other forms of financial warfare.

So while the Western-dominated G20 forum was establishing the Financial Stability Board in 2009, and beginning to formulate the “bail-in” policy to commandeer savings and bonds to shore up the failing Too-Big-To-Fail banks of the City of London-Wall Street system, China was engaged in efforts to grow the real economy, with a new monetary system to ensure its continued success. China used its government-owned banks to start the process (Australian Almanac, “The truths driving China’s banking system today”, *AAS* 2 Aug. 2017), then initiated the NDB and AIIB to challenge international lending institutions to spread the process globally. As chair of the 2016 G20 Summit, China made its goal explicit, with President Xi at the September Hangzhou meeting laying the framework for a new financial architecture based on a “new path of economic development”, moving beyond “fiscal and monetary policy alone”.

China’s approach stems from a historic grounding in the so-called American System of political economy—of industrial protection, national banking, and infrastructure development—which in the 19th century had overturned the prevailing British Imperial free-trade doctrine. The American System also existed in Australia, fostered by “old Labor” and typified by the original Commonwealth Bank. American-Australian Labor MP King O’Malley modelled the government credit bank on US Treasury Secretary Alexander Hamilton’s First Bank of the United States. Chinese statesman Sun Yat-sen had studied the American System in Hawaii, where he spent many years, and took back its prescriptions and methods to revolutionise China.

China successfully applied the policies that had developed the USA, Australia et al. into powerful economies, just as Western nations were abandoning those policies under the crazed ideology of neoliberalism. For instance, while Europe and the USA in the 1990s were dismantling Glass-Steagall banking regulations, which kept bank deposits and commercial banking functions separate from speculative investment activity, in 1993 China introduced the equivalent of the 1933 depression-era banking law. And, at the same time, while Australia tragically privatised the Commonwealth Bank, China launched its state-directed financial system to make credit available for productive purposes and direct the development of the nation. China’s recent financial reforms are aimed at reining in speculative and non-productive activity, both domestically and in terms of foreign investment, strengthening the existing features of its financial system.

Australia to advise Chinese reform?

In a 6 September interview with Chinese news agency Xinhua, Australian economist Peter Drysdale called for a Chinese-Australian study of the opportunities offered by the BRI. Drysdale is head of the East Asia Bureau of Economic Research at the Australian National University (ANU) and co-author of an August 2016 Australia-China Joint Economic Report which was discussed at a forum in Beijing this August.

That report called for a high-level Australia-China Commission to advance trade and economic relations. Drysdale

Another ALP veteren speaks for BRI engagement

Another ALP identity has spoken in support of Australian collaboration with China on the Belt and Road Initiative (BRI) following Shadow Treasurer Chris Bowen’s “Future Asia” policy announcement covered in last week’s *AAS*. On 4 October former Australian Foreign Minister Gareth Evans weighed in on the subject, speaking at the National Press Club in Canberra to launch his political memoir, *Incorrigible Optimist*.

Asked in the discussion period about the proposal delivered by Bowen on 29 September in support of Australian collaboration with the BRI, Evans endorsed Bowen’s articulation of the “economic dimension” of the Australia-China relationship, speaking of “the need, in particular, to embrace without too much neurosis, the Belt and Road Initiative and infrastructure opportunities that flow from that”.

Describing China’s projects in the region as “the main game”, Evans said China is a “huge economic engine in the region and the world, and if we are not part of that action we are going to be left behind”.

While referencing the “need to keep a very beady eye on some of the security implications of these infrastructure projects”, Evans also admitted “there has been excessive nervousness about having anything to do with the Chinese”.

Labor party elders including Bob Hawke (who introduced Evans at the book launch), Paul Keating and former Foreign Minister Bob Carr have variously spoken in favour of Australian participation in China’s initiatives, a more independent foreign policy and engagement with Asia, and against anti-Chinese hysteria.

In early October the Department of Foreign Affairs and Trade indicated it would establish a working group with the Chinese National Development and Reform Commission to look at ways Australia can participate in the BRI. The idea is still in the planning stage, following a meeting between the NDRC and Australian embassy.

proposes that such a commission prepare a study to investigate "how Australia and China can best cooperate in major bilateral and third country infrastructure projects", according to Xinhua. In Drysdale's opinion, the study would take "at a minimum two to three years".

When viewed against the backdrop of the impending global financial crash, however, and China's intention to crash-proof or replace that system, it is clear that Australia must move now. We urgently need to invest in major new development initiatives, launch a reindustrialisation effort given how much of our industry has been shut down, and rebuild our collapsing energy, water and transport infrastructure.

The Joint Economic Report, "Partnership for Change", a project of teams working at ANU's Crawford School of Public Policy and the China Centre for International Economic Exchanges, is an important document advocating for close Australian-Chinese collaboration and harnessing the opportunities provided by the BRI. Its weakness, ironically, is that it is characterised by the monetarist axioms of the old economic system China is overturning.

The report effectively calls for China to abandon the state-directed investment policies that have made it a success, and adopt the neoliberal free market policies that have de-industrialised Western economies. It recommends China effect financial reform, capital account liberalisation, deregulation and state-owned enterprise reform, and promises that Australia, as "an advanced regional services-based economy", can assist in the transformation: "Australia's experience in building a highly developed financial system can also be of value to China, where a sophisticated financial system will be crucial for allocating capital to the most innovative and efficient firms."

Out of sheer ideological blindness, the report disparages the Chinese approach that to date has uplifted hundreds of millions of people from poverty, and urges China to expose itself to the perils of the free-market economy, as if Australia is a great success story: "Market reforms and market-determined interest rates and exchange rates will correct *the misallocation of capital* that has until now favoured particular regions, state-owned enterprises and the state banking sector, and crowded out financing and investment from the more dynamic private sector." (Emphasis added.)

That said, this report has a genuine goal which will be realised if this monetarist myopia is rectified and put in line with China's vision. It states: "Australia's role as an historical ally of the United States, combined with its geographical position in Asia and its deep interest in its economic relationship with China, opens a space for its leaders to play a vital role as an interlocutor with a compelling and sincere interest in the peaceful accommodation of China as a new power within the regional and global order."

In that sense, Australia's historical affinity with the American System is a true bridge to China, which shares that affinity, and is now the standard bearer of that system of national credit, fostering industry, and grand infrastructure development.

Monetarism vs. public credit

Adapted from "The Hamiltonian Revolution and FDR's Glass-Steagall" speech by Robert Barwick to the March 2015 CEC conference "The World Land-Bridge: Peace on Earth, Good Will towards All Men".

Alexander Hamilton's American System of Political Economy was an evolutionary leap forward from a monetary system to a credit system. Hitherto I've used the term "money", but now we must think rigorously, so that we understand the concept of "credit". The LaRouche Political Action Committee's 2013 "Draft Legislation To Restore the Original Bank of the United States" provides the following contrasting definitions of monetary and credit systems:

"Monetarism constantly looks backward to the past, with the aim of monetising the results of past production, rather than the creation of new wealth. The credit system operates on the intention of, and confidence in, the future. Rather than depending on past production, or stores of wealth, it creates wealth by tying the future completion of projects, and production of goods and manufactures, to the original promise. The currency of monetarism is formed by the liquidation of present goods into money. In the credit system, rather than the products of growth, growth itself is the currency."

When Hamilton's First Bank of the United States commenced operations it loaned heavily to the Treasury to fund US government operations, and to private borrowers in industry. In so doing, it didn't leave industry at the mercy of "the market" to meet its need for credit; the bank enabled the government to harness and direct credit into those areas.

In his 1795 report to Congress, Hamilton attacked the claims being made that the national bank's issuance of public credit was taking business away from the private banks—one of the arguments against national banking today—by pointing out that public credit complements private credit:

"If the individual capital of this country has become more adequate to the exigencies than formerly, it is because individuals have found new resources in the public credit—in the funds to which that has given value and activity. Let public credit be prostrated, and the deficiency will be greater than before. Public and private credit are closely allied, if not inseparable. There is, perhaps, no example of the one being in a flourishing, where the other was in a bad state. A shock to public credit would, therefore, not only take away the additional means which it has furnished, but by the derangements, disorders, distrusts, and false principles which it would engender and disseminate, would diminish the antecedent resources of private credit." (*Report on the Public Credit*, Jan. 1795.)

This, then, was the public credit system that Alexander Hamilton invented. A government which thinks money is wealth, and that such money is in finite supply, will always be subservient to those who control the supplies of money. But a government which understands that true wealth is the human creativity and technology and production that ensures the future growth of the economy, is not bound to the existing supplies of money. It is not limited to obtaining existing funds of money—whether through taxes or borrowings—to fund infrastructure. The government can, through the agency of a national bank, issue credit against the future growth that the infrastructure will generate.

Defence Department: China's Belt and Road a 'strategic threat' to Australia

By Richard Bardon

The new era of civilisation rung in on 14-15 May at the Belt and Road Forum for International Cooperation in Beijing, China, is one the Australian powers-that-be are determined not to join. Even our "security guarantor" the United States is positioning itself to benefit from China's Silk Road Economic Belt—thousands of kilometres of development corridors, centred on high-speed rail, stretching from East Asia to Western Europe and North Africa—and the associated network of high-tech ports and shipping throughout Southeast Asia and all the way to sub-Saharan Africa, called the 21st Century Maritime Silk Road. Yet where most of the world sees a source of material prosperity for the next hundred years, Australia's military-intelligence apparatus, mired in the zero-sum ideology of British Empire-style geopolitics, sees only a dire threat to the old Colonial establishment of which it is part.

A background level of anti-China rhetoric has been part of Australia's political climate for over a century, but the establishment's propaganda war against the Belt and Road Initiative (BRI; also known as "One Belt, One Road", OBOR) kicked off in earnest in August 2016, via the Parliamentary Library's *Briefing Book* presented to MPs and Senators arriving in Canberra for the resumption of Parliament after the July election. As *AAS* reported at the time (7 Sept. 2016), the four-page analysis of OBOR was written by Australian National University academic and career anti-China propagandist Dr Geoff Wade, who labelled OBOR a geopolitical ploy "aimed at creating a Eurasia-wide, China-led bloc" to "counter" the United States. More recently, as freelance journalist Michael Sainsbury revealed in a 15 May column for news website Crikey, in late March during Chinese Premier Li Keqiang's five-day visit to Australia at the head of a sizeable trade delegation, "Australian defence officials presented the BRI *as a strategic threat to Australia*" (emphasis added) to what was presumably a high-level audience at a secretive "closed-door" meeting in Brisbane.

An 18 May column in *The Australian* by former Deputy Defence Secretary and unreconstructed Cold Warrior Paul Dibb, emeritus professor of strategy at Australian National University, provides a flavour of the establishment's objections to the BRI, and China in general. Under the headline "Beware of China's One Belt binding us to its designs", Dibb writes that "naïve" Western BRI enthusiasts "fail to explore the geopolitical imperatives suffusing this idea hatched in Beijing, as well as the incredible assertion by [Chinese President] Xi [Jinping] in his keynote address last Sunday that we all share common values with China."

For the record, the values Dibb professes not to share include the "Five Principles of Peaceful Coexistence", as enshrined in the 1954 treaty between China and India. They are: 1) Mutual respect for each other's territorial integrity and sovereignty; 2) Mutual non-aggression; 3) Mutual non-interference in each other's internal affairs; 4) Equality and cooperation for mutual benefit; leading to 5) "Peaceful coexistence" in the Leninist sense of the term, denoting the belief that socialist and capitalist states can live side by side in peace, rather than each attempting to impose its ideology upon the other. The explicit rejection of those principles says volumes about Dibb and those for whom he speaks.

According to Dibb, BRI admits of only one possible explanation: "There can be no doubt China is looking to expand decisively its sphere of influence as the US is being diverted by [President] Donald Trump's isolationist and protectionist tendencies." There are two problems with that assertion. First, Xi announced the Belt and Road in 2013, two years before Trump even announced his intention to run for President; and the New Silk Road policy (as it was previously known) has been in development for over 20 years. Secondly, Xi has repeatedly *invited the United States* to participate, an invitation he reiterated to Trump in person when they met in Florida this April—and one Trump is showing signs of taking up (p. 6). No wonder the Anglo-Australian establishment is panicked.


China's 'One Belt, One Road' initiative
Geoff Wade, Foreign Affairs, Defence and Security

Key Issue

The 'One Belt, One Road' (OBOR) initiative is a Chinese economic and strategic agenda by which the two ends of Eurasia, as well as Africa and Oceania, are being more closely tied along two routes– one overland and one maritime. Supporters suggest that the initiative permits new infrastructure and economic aid to be provided to needy economies. Critics claim that it facilitates Chinese economic and strategic domination of the countries along these routes. OBOR provides

This grab from last year's *Briefing Book* for MPs reveals prevailing Australian bias against China's intentions. Photo: Parliamentary Library Briefing Book, 2016

Colonialism vs mutual benefit

A common argument against the BRI is that China is using it to establish client states around the world, by exporting spare industrial capacity to cheap labour markets while permanently indebting developing countries with loans they can never repay, IMF-style. Sourabh Gupta, a senior fellow at the Institute for China-America Studies, Washington, DC, handily debunks this notion in an 18 May piece for the ANU Crawford School's East Asia Forum. "China's hard currency reserves are better put towards infrastructure projects in developing countries than deposited passively in New York's financial market", Gupta points out. "…Moreover, the bilateral RMB [renminbi, China's currency] swap lines and dedicated trade payments and securities settlement infrastructure that Beijing is establishing will enable recipient countries to denominate their borrowings in local currency and thereby limit costs and exposures.

"Transferring industrial capacity, improving infrastructure and reducing transaction costs will enable developing countries to jump-start a dynamic upward spiral of growth and development in sectors where they enjoy latent comparative advantages—similar to China's own earlier industrial jump-start. Besides, a comparison of Chinese and US Eximbank [export-import bank] loans to Africa belie the oft-repeated claim that the former is solely natural resources-seeking. China Eximbank has contributed to almost all 54 countries in Africa—be they rich or poor in resources—and displays no perceptible pattern of favoured client state lending. US Eximbank loans, by contrast, are concentrated in energy and mining and confined to a favoured few."