

Beijing embraces France's ailing economy, furthers 'globalization'

by Michael Billington

The government of Prime Minister Edouard Balladur in France has reestablished full relations with the government of the People's Republic of China, but only by pledging that there would be no more French arms sales to the Republic of China in Taiwan. In 1992, France's sale of 60 Mirage 2000-5 fighter aircraft and other military hardware to Taiwan led Beijing to freeze French firms out of the bidding for projects on the mainland. But now, although the Mirage deal with Taiwan will still be honored, France has promised that it will be the last such sale. This diplomatic slap in the face to Taiwan has been generally portrayed as both a diplomatic victory for Beijing, and as an economic victory for French industry. However, when considered in the light of the collapse of the western industrial economies and the disastrous policy of "globalization" of western industry, the deal may prove to be only another step toward the *collapse* of French industry and the further impoverishment of the Chinese population.

In the short term, several French producers of advanced technology expect to land desperately needed contracts in China as a result of the French kowtow to Beijing. The state-owned nuclear plant producer Framatome, which is close to completing the Daya Bay nuclear plants near Hongkong, has proposed a state-to-state joint venture for building more nuclear power facilities in China. Nuclear fuel producer Cogema, Electricité de France (EDF), and the telecommunications giant Alcatel Alsthom are also expecting potentially large contracts. A French-led consortium, GEC-Alsthom NV, is back in the bidding for the planned Beijing-Shanghai high-speed railway.

These are clearly necessary inputs for the development of any Third World nation, and China is in desperate need of such projects in transportation, communications, and energy. However, the Chinese economy as now designed by Beijing and its International Monetary Fund (IMF) advisers does not intend, and is not capable of sustaining, a long-term infrastructural development program. What is being proposed is the bare minimum of development in these areas to sustain the coolie labor sweatshops in the coastal trade zones, and the massive speculative bubble in real estate, stocks, and drugs, both in China proper and in Hongkong.

EIR has repeatedly demonstrated that this cheap labor policy is leading China toward yet another bloody disaster of the sort experienced repeatedly under Mao Zedong, as characterized by the death of 20-30 million souls by starvation following the "Great Leap Forward" in the late 1950s. The billions of dollars invested in low-skill process industries, and the even more billions in the speculative bubble that rests on top of these industries, depend entirely on the systematic looting of the population and the economy of the vast interior. Without the "blind flow" of (officially) 130 million unemployed peasants, recycled between the coastal zones and the countryside, willing to work for about 10¢ an hour under slave labor conditions, the export-led "boom" on the coast could not exist. Similarly, the resources which should have sustained and developed the agriculture, education, health, and infrastructural development in the interior, has been diverted to the "show-case" trade zones such as Shanghai.

In short, the trade zone policy, like the British creation of thriving cities in Shanghai and Hongkong in the 19th century, is predicated on a policy which is destroying the real economy and the population of China.

Nor can France benefit from its current policy direction. It is true that a policy for the rapid technological development of the Third World is the *only* course which can reverse the global depression, as *EIR* has consistently argued. But the Balladur government's policy toward China is more directed toward the "globalization" of European industry than the development of China. "Globalization" (see *EIR*, Dec. 3, 1993) refers to the increasing rate at which western industries are shutting down domestic production facilities and shipping them to cheap-labor zones in Asia, Ibero-America, and Africa. While this process only intensifies the rate of collapse in the advanced sector nations, it does not benefit the developing sector nations either, since it *depends on the desperation of masses of people left jobless by the IMF austerity demands* which have destroyed their existing economies.

Looting through devaluation

A demonstration that this is the policy outlook of the Balladur government came during the same week as the nor-

malization of relations with Beijing, as France forced the francophone nations in the African Financial Community (CFA) to accept a full 50% devaluation of their currency, the CFA franc, against the French franc. Since the time of President Charles de Gaulle, the Bank of France has maintained reserves of these 14 nations, and retains a significant degree of influence over their economies. These reserves were originally established in order to *protect* these nations from the potential ravages of the IMF, under de Gaulle's development-oriented policies.

The forced devaluation of the CFA currencies, however, is an entirely different matter. It is an act of genocide, intended to facilitate globalization of French industry. One well-informed European banker told *EIR*: "The drastic devaluation of the CFA 'franc zone' currencies against the French franc by an initial 50% will make the living conditions markedly worse for the peoples in those countries. . . . The French business community consensus has decided to meet the threat of cheap Asian production by using its base in French Africa to out-source French industrial production for the cheap labor, re-import into France for final assembly and thus compete with cheap labor Asian economies. . . . Already at a stroke, France has cut relative labor costs in these countries in Africa in half in terms of French franc values. France is willing to sacrifice some French industrial exports to Africa in return for this."

China, too, is threatened with devaluations. The unification of the "official" exchange rate with the "free market" rate at the end of September, under intense pressure from the IMF and the General Agreement on Tariffs and Trade (GATT), made official the de facto 33% devaluation of the yuan over the course of 1993. The yuan is now generally free to float, while inflation is still raging in the cities at about 20%, and the economy is increasingly "dollarized," with both U.S. and Hongkong dollars circulating as legal tender. The potential for a run on the yuan is thus enormous, which will cheapen even further the "out-sourcing" of western industry at the expense of the Chinese population.

As for the large infrastructure projects for French firms, even the short-term windfall may turn out to be a chimera. A Beijing representative of a European construction contractor told the *Far Eastern Economic Review* of Jan. 27: "The French could be in for a disappointment. These high-profile diplomatic coups don't always produce too much in the way of real corporate or national revenues." The *Review* pointed out that German Chancellor Helmut Kohl's trip to China in November purportedly generated about \$4 billion worth of contracts, but only about \$1 billion in solid deals ever materialized.

The new MacCartney Mission?

One irony of the French deal with Beijing emerged from the appointment of Alain Peyrefitte as special envoy to Beijing to prepare for a Balladur visit in March. Peyrefitte, a

minister in the de Gaulle government, is an old China hand. In 1971 he led the first official western mission allowed into the mainland following Henry Kissinger's secret diplomacy to "open up" the P.R.C.

Peyrefitte's most recent book on China, *The Immobile Empire* (see *EIR*, April 16, 1993, p. 50), is a lengthy study of the British "MacCartney Mission" of 1793, whose purpose was to persuade the Chinese to allow the British East India Company to set up diplomatic and business operations in China. Although the book, through the words of the members of the mission itself, exposed the perfidy of the British government and its emissaries, Peyrefitte nonetheless praises them for their "deep-seated humanism," even when MacCartney expresses his racist hatred for the Chinese, and plots military conquest (which was to follow 50 years later). An entry in MacCartney's journal reads: "Breaking up the power of China . . . would occasion a complete subversion of commerce, not only of Asia, but a very sensible change in the other quarters of the world. The industry of the Chinese could be checked and enfeebled, but they would not be annihilated. . . . For some time there would be much rivalry and disorder. Nevertheless . . . it is reasonable to think that [Great Britain] would prove the greatest gainer by such a revolution as I have alluded to, and rise superior over every competitor."

Peyrefitte argues that if the Chinese had only opened their arms to the British in 1793, then the British would not have been forced to fight the Opium Wars in the 19th century to force the "opening up" to the free trade of British drugs from India. He even argues that the treaties imposed on China following the Opium Wars, which reduced China to a virtual colony while institutionalizing the systematic drug addiction of the Chinese population, were a blessing for China: "The treaties replaced the inequality of forces with the rule of law, halting the destructive logic of unequal combat in favor of the peaceful logic of relations between equals . . . [the treaties] overturned their entire view of life, imposing rationality upon them and wrenching them away from magical thought."

Throughout his book, Peyrefitte draws parallels between the China which MacCartney confronted and the China under the Chinese Communist Party. As I reported in my review of his book, Peyrefitte "would appear to believe that he is a modern-day MacCartney, bringing the truth to China, which Chinese can ignore at their peril."

Peyrefitte now has the opportunity to do exactly that. Unfortunately, the current oppressive regime in Beijing is more than willing to sell the population on the "free market" of "globalization."

The true interest of France as a nation would be, instead, to create the international monetary and financial preconditions that would make the true physical development of China possible. Within such a framework, the French contributions in nuclear, rapid transport, fertilizer, and water management projects can be enormous. What France lacks to carry this out is simply political will.