authorities. "While it is true that most issues on the international-security agenda will still be dealt with on the national level—for example, arms control or U.N. peacekeeping—it is possible that efforts undertaken at the provincial level to reinforce messages delivered in Beijing may well be worth considering," Segal states.

Dangerous miscalculations

But the IISS is making dangerous miscalculations. Its smug assertions that Britain has conquered again in its dispute with China over Hongkong, must be considered in the context of the "global mudslide" of the financial system. Segal cites as proof of victory that "investment from southern China into the Hongkong stock market in early 1993 buoyed up confidence in the colony and undermined Beijing." It must be remembered that in the October 1987 global crash, shaky Hongkong was the first to give way. This time, as the derivatives center of Asia, it is headed toward playing a similar role.

The IISS is also miscalculating on the Chinese People's Liberation Army. While acknowledging that the PLA could hold the key to the leadership succession after the deaths of the last communist revolutionary leaders, "as power is decentralized within China, it is also decentralized within the PLA," Segal writes.

There is no question that the economic and political upheavals of the reform period have had enormous—and deleterious—effects on the PLA. However, the IISS makes the same dangerous and stupid mistake that western policymakers are making about Russia and the Russian military. If there are no strong national political leaders, "the PLA . . . is more likely to sit on the sidelines," Segal writes. The PLA could, he claims, repeat what he asserts has happened to the Soviet military, which he calls "an increasing irrelevance in the struggle for power."

Such a dismissal of the Russian military is dangerous disinformation; the West should take warning that it is the same dangerous disinformation for the Chinese case.

Allais hits 'perversion' of British free trade

The Paris daily *Le Figaro* on April 26 published the first of a three-part series by Nobel Prize economist Maurice Allais on how to reverse the "perversion" of Europe that is occurring because of the rampant "free trade" ideology that has defined the way in which the European Union has been constructed over the past years. Europe, he warns, is being increasingly undermined by a "blind and centralizing ideological sectarianism," which threatens to destroy the freedom of the nations of the continent.

Under a subtitle "Free Trade Perversions," Allais asserts that the problems in the European construction process began in 1973 with the admission of Great Britain and a couple of other countries into the European Community. Since then, the EC had moved in a direction of "global free trade, under the influence, notably, of Great Britain, the United States, and GATT [the General Agreement on Tariffs and Trade]."

Allais then blasts the whole ideology of "the theory of comparative costs," or "comparative cost advantage," which is obviously, from his description, just a variant on Adam Smith's "buy cheap sell dear" philosophy. In great detail, Allais shows how this "comparative costs" fixation undermines national economies. He gives particular emphasis to agriculture and food self-sufficiency, warning that "global free trade" could lead to the disappearance of "almost all the agriculture of the European Community," since, under such a system, other countries like the United States, New Zealand, Argentina, and Australia have great relative advantages. "Such a disappearance must certainly be regarded as not desirable from the social and political point of view, and it is, in any case, a way of compromising the security of the EC on the food front." Similarly, he attacks the insanity of insisting that Japan give up its national production of rice.

Another argument punctures the logic of "globalization" (analyzed in *EIR's* cover story of Dec. 3, 1993), showing how sending out industry to areas of "cheaper labor" destroys the economies that do this, both by undermining investment at home, and by increasing unemployment. The effect of this is clear: When workers are laid off, they don't have the money to buy the products that are produced in the areas of cheaper labor. So who benefits from this? Neither party to the arrangement.

Finally, under subtitles like "Monetary Perversions" and "Giant Speculation," Allais blasts the system of "floating exchange rates," saying that the entire argumentation of the advocates of this is blasted apart by the fact that there is so much "movement of short-term capital that is, essentially, speculative. . . . The magnitude of financial flows can never be stressed too much. The financial flows monitored by the Bank for International Settlements amounts, on average, to more than $1,100 billion per day, that is, around 40 times the level of corresponding transfers in international commercial transactions throughout the world." It is this "giant speculation" which is responsible for the instability of the global currency markets, Allais affirms.—*Mark Burdman*