



Emerging Countries, Globalization and Alter- Globalization

Documents & Analysis

J A N U A R Y 2 0 1 4

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Introduction

Pierre Beaudet and Gustave Massiah

For social and citizen's movements acting world-wide (what we define as the alterglobalist movement), the international dimension of the construction of another world is key. Around that concept, movements build convergent problematiques, articulating scales of local, national and international spaces throughout distinct temporalities.

Rise and fall of the New World Order

The World Social Forum was born from resistance of social movements against neoliberal globalization in the late seventies. It went further through struggles against hunger, debt and structural adjustment programs and moreover. It resisted the attempt to build a new "world (dis)order" around the G7 (later G8) that coalesced around the US-led Empire who thought for a short period (after the implosion of the Soviet Union) to "end history" around liberal "democracy", "free markets" and outright reconquest. By the 1990s, that neocolonial dream abruptly ended. Multitudes took the streets from Chiapas to Seattle via Genoa and Johannesburg. The flagships of the new "world order" such as the WTO, the IMF, the World Bank, NATO, G8 became hated symbols for masses of workers, peasants, women, shantytown dwellers, indigenous people, migrants and solidarity movements of all sorts. Throughout these intense struggles, old and new social movements created new identities. They refined their analyses, strategies and modes of operations. They were able to win the "battle of ideas" many times, especially through the series of crises that started in the 1990s until the 2008 Wall Street crash. They built new paradigms and concepts on sustainable development, taking account the necessity to preserve all life-forms that inhabit our planet, pachamama. Western imperialist hegemony became challenged by movements and their collective intellectuals as it was by cultural and educational activists from all over.

"Emerging" movements in "emerging" countries

As the world situation has evolved, many new processes came about. The relative equilibrium of forces around the G8 elites was shattered. States and nations from the global south were motivated by their own people to stand up and affirm anti-hegemonic policies. While not necessarily challenging capitalism, these "emerging countries" have modified the geopolitics and the geo-economics of our world and opened new spaces for social and citizen's movements. Confronted with these new realities, movements and intellectuals have started to desegregate the conflicting realities of the "emerging countries". The current narrative built by elite think-tanks is pressing together very different realities. The emphasis on growth rates and market-shares totally overwhelms the complexity and the conflictuality of social, political and environment pro-

cesses which all are sites of intense struggles.

Our initiative

This is where INTERCOLL wants to concentrate its efforts. Our starting questions are:

- From the point of view of social movements engaged in the battle of ideas, what are "emerging countries"? How to define them? Do they have common characteristics?
- What are the contours and fractures of the new geopolitical and geo-economic order? What roles can play new actors and networks such as the BRICS, the Shanghai Security Organization, the G20?
- More importantly, what are the places, strategies and agendas of social movements in "emerging countries", particularly Brazil, India and China? (We might extend that to other countries taking into account resources and expertise).
- How do social movements in these countries engage the state and political power?
- How do they work in international networks, particularly within the World Social Forum?
- What global platforms are emerging on social transformation, environmental sustainability, human rights, debt and trade, social protection?
- What are the demands and lines of confrontation of these movements in the context of global processes and policies promoted by the WTO, the IFM, the G8?

Seminar in Tunis

With the support of the Hao Ran Foundation, we have convened a seminar in Tunis on the occasion of the World Social Forum (May 2013) several researchers and activists from China, India, Brazil, South Africa, the USA, Senegal, Kenya, France, Tunisia, Morocco, Canada, basically to kick-start our research. Several debates took place on some key issues:

Some of our key findings were the following:

- Capitalism under its neoliberal mantle has entered a profound crisis engulfing financial and commercial flows and governance systems. “Reforms” put forward by the different dominant forces can only aggravate the assault on peoples’ lives and deteriorate further the natural environment, despite talks (with no actions) about “greening” capitalism.
- It is undoubtedly a “crisis of crises” comparable (without being identical) to the prolonged crisis of the 1920-30s. Ruling classes all over the world are destabilized, divided and uncertain, while pursuing the “reform” agenda by more repression, militarization and various “disciplinary” programs targeting workers, farmers, unemployed, migrants, indigenous, etc.
- The select club of the G7 is however worried for obvious reasons. One of the paths presently explored is about enlarging the responsibility of managing the corrupted system to other “emerging” nations, sometimes defined by the media as the BRICS (or the BICS) and more lately, as the “next eleven”. This discourse aims at convincing the world that the old powers need the support of “new” powers where growth rates are high and where there is relative stability so that the G7 becomes the G20. In reality, the G20 continues the same neoliberal policies; however, the process is shaken by the fact that there are many contradictions between the old core and the “emerging” countries over trade and financial policies, in particular.
- All of this leads to the semi paralysis of the WTO, the IMF and the World Bank. In the same time, this G20 ignores the plight of the vast majority of nations that are close to or even already fallen into cycles of conflicts including the dislocation of states, massive famines and violent conflicts, especially in the “arc of crisis” criss-crossing Asia and Africa.
- This attempt to repaint neoliberalism is confronted also to organized resistance by popular movements across the globe. Powerful movements, in G7 and G20 countries as well as in many other regions are blocking the « reforms » through popular insurrections and mass mobilizations of an unprecedented scale.
- Additionally, many popular movements are creating new “tools” and emancipatory projects. A new generation of “popular intellectuals” in the tradition of Gramsci, CLR James and Bourdieu is exploring new paths via new alliances, networks and organization and communicational forms.
- In the so-called “emerging” countries, this takes many shapes. In Brazil and in South America, peasants and indigenous movements are struggling against mega projects to transform the environment and reinforce the agro-industrial export “model”. In India, vast coalitions are bringing together the resistance of the Dalits and Adivasis against extractivist projects designed to serve the needs of the elite (“Shining” India). In China, vast multitudes are surging in urban and rural areas to fight the assaults against the environment and degrading working conditions. Same patterns are observed in Argentina, Mexico, Nigeria, South Africa, Vietnam and everywhere where neoliberalism increases exploitation and accumulation by integrating further the world “market” for the benefit of small elite, locally and internationally.

The following documents are in parts extracts from presentations at the Tunis workshop, and partially complementary analyses that were used in preparation of the workshop.

Globalizations

Pierre Beaudet

This essay focuses on the impact of globalization on development and developing countries. It aims to trigger new debates and reflections, especially for those who are working on and studying development. The development 'community', indeed, faces many questions:

How does globalization transform the architecture of the world we live in?

How can we understand the contradictory patterns of economic growth and massive poverty, as evidenced by growing social gaps in many parts of the world?

Are China and other 'emerging' developing countries about to surpass the rich countries of the 'global north' (North America, Western Europe, Japan, and Australia)?

Is the pattern of globalization forcing development scholars and practitioners to revise their perspectives and theories?

ONE GLOBALIZATION, MANY PATHS

Fernando Henrique Cardoso, one of the founders of the famous dependency school that had such great influence on thinking in development studies in the 1970s, has given this globalization-and-development debate a rather provocative spin. After becoming the president of Brazil in 1994, Cardoso (2007) argued that past development theories were dead and buried and that everything he himself had said about development was wrong! Development, he proposed, requires full integration into the world system, which implied, in turn, accepting the terms of current macroeconomic policies as formulated by the World Bank and the International Monetary Fund (IMF) and defined a decade ago in the 'Washington Consensus'.

The Washington Consensus

The 'Washington Consensus' was put on the agenda in 1989 by the economist and former World Bank official John Williamson. The term has been associated with neoliberal policies first adopted by the United States and Britain in the early 1980s, and later promoted by the World Bank and the IMF in the developing countries. The 'consensus' recommended the liberalization of capital flows and trade (through free trade agreements), the privatization of the public sector, and the abolition of market-restricting regulations. It became a central component of 'Structural Adjustment Programs' imposed by the Bank and the IMF on countries that required loans.

Under the presidency of Cardoso, the social and economic priorities of Brazil were refocused to adjust to the needs and requirements of international markets. Yet a few decades previously, Cardoso and many of his colleagues in development studies had been arguing that the only path to development was to 'delink' from international capitalism!

While Brazil and other developing countries were changing paths, most of the nations of the world sought to further integrate into the capitalist system. These broad policies were promoted by the G8, an informal association of the richest countries in the world (Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States).

'Success stories'?

For former president Cardoso, there is simply no alternative. His argument is fairly simple: the world has changed. Capitalism has triumphed worldwide with the end of the Cold War. Developing countries have to conform, and if they do not, they will be left out. The World Bank (2004a) in particular has produced an enormous volume of analysis, arguing that developing countries can and should prosper and progress through (and not against) fully 'globalizing' and integrating into the world economy. The Bank has specifically documented what it presents as the 'East Asian miracle'. The idea is that East Asia is *the* 'model' whereby developing countries that open their borders will find competitive niches and attract foreign capital, thereby triggering economic growth. For the Bank, the evidence for that thesis is fairly strong, as exemplified by countries such as China, South Korea, and smaller 'tigers'¹ that have indeed come out as 'big players' in the global economy and improved the lives of their citizens.

According to the UN Department of Economic and Social Affairs (2010), China and other East Asian countries account for 57 per cent of extremely poor people in the world. However, over a span of less than 25 years, the East Asian and Pacific region managed to reduce its global share of extremely poor people to about 23 per cent by 2005.

Parallel to these achievements, China's economy continues to grow, while North America and Western Europe are struggling to come out of the financial and economic slump of 2008, the most severe since 1929. Indeed, China has become the 'workshop' of the world, exporting a vast surplus of industrialized goods and increasingly also high-tech products. Between 1990 and 2008, China's share of total world exports rose from 1.8 percent to 9.1 percent. China is on pace to become the world's biggest exporter in the world, overtaking Germany.

Time and space contracting

Put simply, globalization translates into new sets of relations, and activities, mostly in the economic arena, that are taking place irrespective of the geographical location of participants. Globalization underpins a transformation in the organization of human affairs by linking together and expanding human activity across regions and continents. Territory as a geographic reality no longer constitutes the whole of the 'social space' in which human activity takes place. Because of these major changes, social geographer David Harvey (2005) believes that modern capitalism has integrated the world much more profoundly than ever before. Time and space are no longer insurmountable, as they were in the past, because with modern communication and transportation, everything moves everywhere, including goods, services, and human beings. Therefore, it appears that the geographic divide between the 'North' and the 'South' has become blurred (WTO, 2008). This is not to say that the gap has disappeared. Rather, globalization is generating a new pattern whereby poverty and wealth are redistributed through a reconstituted structure of exclusion. For Harvey, current patterns of development under globalization lead to 'shifts in the patterning of uneven development, both between sectors and between geographical regions' (1990, 147).

Trade and growth

No one could deny that in the past two decades, enormous changes have taken place in developing countries and at a broader level as well. World trade in particular has reached an unprecedented level. In 2008, exports and imports of goods and services exceeded \$27 trillion dollars, an increase of over 12 % from the previous year (WTO, 2008).

It should be noted that exports from developing countries are growing much faster in comparison with the rest of the world. In 2008, the share of developing economies in world merchandise trade set new records, with exports rising to 38% of the world total and imports increasing to 34% (World Trade Organization, World Trade

2008). From 1980 to 2001, the percentage of international exports coming from developing countries shot up from 25.8 per cent to 35.7 per cent, while the proportion coming from developed countries stagnated at around 20 per cent (UNCTAD 2004a).

A lot of this has to do with the fact that developing countries have been encouraged to open their economy, liberalize trade, and increase exports. Under the influence of the powerful agencies promoting globalization, trade is expanding faster than production. The theory is that under the soothing influence of the market (the 'invisible hand' of Adam Smith), every country will find its 'niche' selling and buying where its comparative advantage dominates. Everyone wins in the end, so the story goes. Most countries of the world are now members of the World Trade Organization (WTO), the champion of international globalization, liberalization, and economic integration.

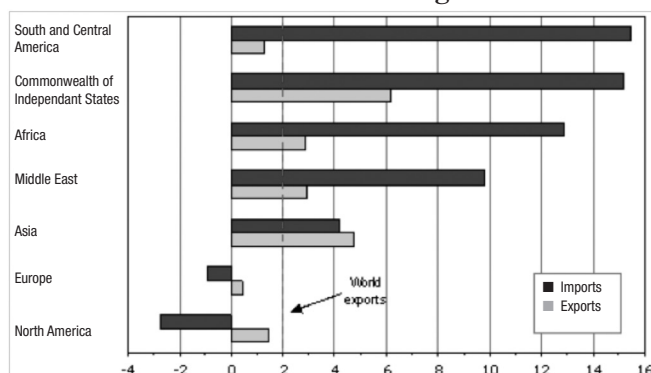
The World Bank remains convinced that globalization—i.e., integration into the world market—is 'working' for the poor and the developing world. For David Dollar, an economist working for the Bank (2004), the simple proof that globalization works is that poor-country growth rates are higher than rich-country growth rates for the first time in modern history. The result, he argues, is that the proportion of the developing world population living on less than \$1.50 per day is half what it was in 1981. These positive trends toward faster growth and poverty reduction are strongest in developing countries that have integrated most rapidly into the global economy. The World Bank is also encouraged by the fact that the growth of exports from developing countries is mostly in manufactured products.

In the meantime, foreign direct investment (FDI) in developing countries has increased from 4 percent of total FDIs in 1970 to 18 percent in 2005, reaching \$255 billion dollars. This flow still lags behind FDI going to developed countries (\$321 billion in 2004), but nevertheless the gap is narrowing.

Who is benefiting?

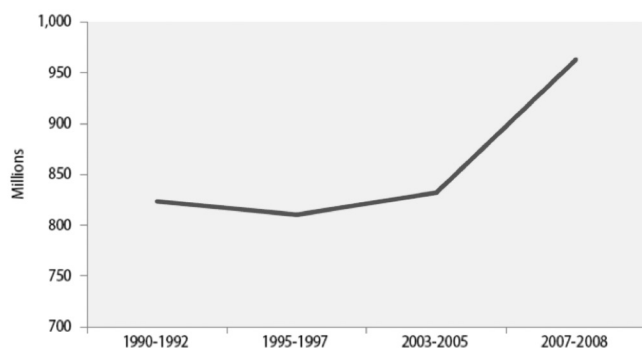
When we look at the details, however, the picture is more complex. Sub-Saharan Africa, for example, has a high ratio of exports to GDP (30 per cent), yet remains poor because its products are cheap. By contrast, rich and powerful countries concentrate their productive capacities and exports on high-value products. At the same time, only twelve developing countries are really participating in this expansion of trade, with one or two (such as China) taking most of the FDI flows. For the United Nations Conference on Trade and Development (UNCTAD 2006), the growth of exports in many poor countries does *not* necessarily lead to poverty reduction. Indeed, the incidence of poverty did not decline during the 1990s.

**Real merchandise trade growth by region,
2008 Annual % change**



Source: World Trade Organization, WORLD TRADE 2008, PROSPECTS FOR 2009, 21 March 2009.

Undernourished people in the developing world, 1990-2008



Source: Food and Agriculture Organization of the United Nations (2008; 2009).

According to Oxfam International, the contrasting experiences of Latin America and eastern Asia illustrate the fact that globalization-induced growth and poverty can coexist. Even when the market expands, 'poor people are often excluded from opportunities by a lack of productive assets, weak infrastructure, poor education and ill-health' (Oxfam International 2000). And in the meantime, the gap in income between rich countries and poor countries has widened considerable.

Amartya Sen (2002), a well-known economist originally from India who is critical of the World Bank and IMF policies, believes that the main issue is not globalization itself but inequity in the sharing of its benefits. According to the World Commission on the Social Dimension of Globalization set up by the International Labor Organization, 'Wealth is being created, but too many countries and people are not sharing in its benefits.'³ The poorest 40 per cent of the world's population account for only 5 per cent of global income. On the other hand, the richest 20 per cent account for 75 per cent of world income (United Nations Development Program, 2007).

Sub-Saharan Africa on the margins

Even the most ardent promoters of globalization will admit that Africa is facing a tough challenge. Exclusion of the poorest countries, defined by the UN as the 'least developed countries' (LDCs), from the benefits of globalization remains a dreadful reality. More than thirty percent of Africans live on less than a \$1.25 a day (UNDP 2010).

As explained by Paul Collier, a well-known development expert, 'On average over the period 1960-2000 Africa's population-weighted per capita annual growth of GDP was a mere 0.1%. It stagnated while other regions experienced accelerating growth'.

Currently, many African countries appear to be trapped in a vicious circle of interlocking handicaps, including poverty and illiteracy, civil strife, environmental pressures, poor governance, and inflexible economies largely dependent on a single commodity.

Recently, before the economic downturn of 2008, African social indicators were improving, partly because of the good economic performance of certain countries. The UNDP commented optimistically that before the

economic crisis hit Africa in 2008, the region boasted impressive growth rates. Many countries were able to capitalize on this trend to allocate considerable sums toward basic social services, making progress toward achievement of the Millennium Development Goals (MDGs)¹.

More critical views suggest, however, that economic growth did not lead to major social improvements and, moreover, was fragile, linked principally to the race for African natural resources between the USA, the European Union and China. The UN Department of Economic and Social Affairs writes, 'the recent global financial and economic crisis, which came on the heels of food and energy price hikes, is set to reverse recent gains (United Nations, 2009b). Moreover, Africa's recent growth surge was driven by commodity exports which did not induce much structural change. Instead, it reinforced Africa's narrow export base'². In the meantime, Africa accounts for less than 1 per cent of the world's GDP.

To add to the catastrophe, external debt has exploded—from \$89 billion (1980) to \$250 billion (2003). In 2002, while aid flows into Africa represented \$3.2 billion, financial outflows from Africa were almost \$10 billion (Bond 2005).

China: Exception or trend?

If African countries are generally in decline, other countries such as China seem to be profiting from globalization. Indeed, China has now surpassed Japan as the third biggest economy in the world. Most of the FDI to the Global South is absorbed by China, creating hundreds of thousands of jobs, mostly in coastal areas (Sung 2005). Vast masses of rural people have moved to the cities where they have better access to food, health, and education. The rate of extreme poverty at the national level declined from a high of 84 per cent in 1981 to a low of 16 per cent in 2005 (from 94 to 26 per cent in the rural areas and from 45 to 2 percent in the urban areas) According to mainstream institutions such as the World Bank, most of that success can be attributed to the integration of China into the world economy (China joined the WTO in 2001).

But not everyone agrees. Some analysts argue that changes in China (such as land reform and nationalization of productive assets), after the 1948 revolution but before globalization, have had more of a lasting impact on economic and social progress than recent changes related to globalization (see Epilogue).

Other China experts focus on the 'flipside' of the miracle in terms of class polarization, environmental degradation, and deteriorating governance. According to Wen and Li (2006), China's growth is not sustainable. It is triggering an immense energy crisis coupled with declining food and water resources. They predict that the current trend, if not reoriented, could create an uncontrollable public health crisis as well as many natural disasters.

1 2010, United Nations, Department of economic and social affairs, 2010, Report on the World social situation

2 Idem

For Robert I. Lerman (2002) on the other hand, globalization is benefiting the poor:

It has helped the poor countries that adopted sound policies and contributed to income convergence among the countries participating in the global system. In principle, allowing trade, investment and migration should reduce global poverty. Less clearly, it should also shrink the gap between rich and poor. As firms move from high to low-wage areas, the demand for workers should grow in low-wage areas and decrease in high-wage areas, again lowering inequality.³

What is new?

Given this global picture, we come to a simple question: what is new? Are we not seeing the same thing, under new conditions perhaps, that has restructured the world since the expansion of Western capitalism? Is it not the same pattern observed by Karl Marx 160 years ago?

The bourgeoisie has, through its exploitation of the world market, given a cosmopolitan character to production and consumption in every country. Instead of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, the universal interdependence of nations. National one-sidedness and narrow-mindedness become less and less possible, and from the numerous national and local literatures, there arises a world literature. (Marx and Engels 1967 [1848]).

What does appear to be new is the speed and intensity of interconnected entities across the world. Around the world, 24 hours per day, financial markets are imposing immediate economic decisions. New technologies have, at least partially, created another reality—namely the ‘world factory’, managed by the world firm, under a world label, where everything from production to marketing and design is integrated throughout continents and communities. For Lui Hebron and John F. Stack (Hebron and Stack 2009), globalization is powerful as it puts together politics, economics, law, social structures, media and information technologies.

Manuel Castells (2000), a sociologist from Spain, has suggested another term to define this process: informational capitalism. World economics are no longer led by production as much as they are by control of the flow of strategic information, processes, and patents.

Who makes the decisions?

Globalization has a profound impact on politics. The nation-state, at the centre of the political architecture of the modern world, is losing parts of its sovereignty as an economic actor as large multinational corporations and financial institutions move freely across border. Kenichi Ohmae, in a provocative book *The End of the Nation State* (1995), affirms that [a]s the workings of genuinely global capital markets dwarf their ability to control exchange rates or protect their currency, nation states have become in-

capably vulnerable to the discipline imposed by economic choices made elsewhere by people and institutions over which they have no practical control (1995, 12).

For many experts, political structures inherited from the nation-state are becoming obsolete. Susan Strange (1996) explains that markets, not states, are calling the shots. Fundamental policies governing macroeconomics are discussed and determined by agencies far removed from the public arena. While the powerful have influence, most developing countries are left out of the process. For example, the IMF and the World Bank are directed by a small group of countries because these institutions, unlike the United Nations, are governed by large states that have larger shares, contrary to the UN system where all member-states, in principle at least, have an equal footing.

The governments of smaller or weaker states are therefore losing their influence in the international arena—but also at their own national level. At worst, this process ends up in a breakdown, as we have seen in several sub-Saharan countries (as well as in the Balkans and elsewhere). This disjuncture between the economic/ private and the political/ public spaces is creating a vacuum. It remains to be seen, for example, whether the United Nations will be able to recover from its current semi-marginalization, considering that the rich and powerful may not want it to do so.

Along with nation-states, the international institutions that were built in the aftermath of the Second World War are also becoming more fragile. The United Nations, for example, is frequently bypassed by multilateral and bilateral structures and economic and trade accords (such as NAFTA, the North American Free Trade Agreement) that make decisions over a wide range of matters, including the maintenance of world peace. Most countries have now joined the WTO and are negotiating their place on the ladder within a new institution that is proposing to set new rules. The G8, and now more and more the G20, regrouping the most powerful countries, is there to ‘set the agenda’, i.e. defining broader policies, norms, targets which will be later adopted by or forced on other nations and states.

ANOTHER GLOBALIZATION?

Clearly, globalization appears set to remain at the centre of hot debates. The Global South is ‘re-’ and ‘de-’ composing itself into a myriad of contradictory processes.

The new face of imperialism?

Some analysts believe that globalization is basically just ‘another face’ of imperialism, allowing the powerful, mostly in the Global North, to extend their reach and widen the net of international capitalism (Sklair 2002). The core, not to say the bulk, of key economic, commercial, and financial transactions remains concentrated in the ‘triad’, the traditional centre of power composed of Western Europe, Japan, and North America. Although representing less than 15 per cent of the world’s population, the triad accounts for 75 per cent of economic output.

³ Robert I. Lerman, *Globalization and the Fight Against Poverty*, <http://www.urban.org/publications/410612.html>, 5 Nov 2002

For Samir Amin, a well-known radical economist from Egypt, 'the collective imperialist Triad brings together the United States and its external provinces (Canada and Australia), Western and Central Europe, and Japan. There, the oligopolies occupy the whole scene in economic decision-making. Their domination is exercised directly on all the huge companies producing goods and services, like the financial institutions (banks and others) that stem from their power (Amin 2009). (These critics contend that even the 'success stories' of eastern Asia represent a set of 'arrangements' with the triad, delocalizing some of the labour-intensive activities to countries that remain dependent, peripheral, and under the dominating influence of the rich countries. This situation is compounded by the fact that in many respects, China and the East Asian 'tigers' are still dependent on the Global North in key sectors such as finance and high technology.

'Global South'?

Walden Bello, a political economist from the Philippines, reminds us that the income gap continues to grow between 'rich' and 'poor' countries even if within these countries, similar patterns are at play between social groups. According to the United Nations Development Program (UNDP), the ratio of incomes between poor and rich nations has gone from 30:1 in 1960 to a staggering 78:1 in the mid-1990s! During the period 1947 to 2000, average per capita incomes tripled as global GDP increased almost tenfold (from \$US3 trillion to \$US30 trillion).

Bello summarizes the process as the reconfiguration of a Global South (2006), which is no longer just a simple geographic definition but a reflection of new relations unfolding in the world, 'North' and 'South'. By this, Bello describes a 'restructured' world-wide capitalism where the traditional 'south' (the third world) is now split between 'emergent' countries and growing segments of their population enriching themselves, and where at the same time in the traditional 'north' (North America, Western Europe, Japan), the mix of economic decline and political/cultural fractures is producing growing pockets of poverty to an extent that was not known in the last 80 years.

Other scholars explain that this 'deterritorialization' is by no means confined to the delocalization of economic activities (for example, industrial plants moving from Europe, Canada or the United States to China or Mexico). It also implies the adoption of common policies on major issues governing the economy and society. Every country has to accept the rules established by the WTO and the IMF in order to maintain their 'macroeconomic stability', as it is usually worded. This implies cutting down on social expenditures such as education and health and providing more incentives to investors and financial institutions.

Pursuing that line of thinking, Samir Amin (2004) thinks that globalization is setting the stage for a new offensive from the United States to protect its imperial interests. The empire relies on unlimited military might and the overwhelming influence of transnational corporations (TNCs), compelling nations and states to submit.

Beyond the Triad

Clearly, globalization remains a process led by a few countries, mostly in the 'triad' (North America, Japan, and the European Union). It has been noted, however, that a small number of Southern countries are now important economic actors. According to the World Bank, three of these countries (China, Brazil, and India) are now among the 'top 10' economies of the world.

Until recently, China was very quiet if not invisible in international forums. But China's role is changing, as one can see in the United Nations concerning controversial matters implicating Sudan, Iran, and North Korea. In the latest round of the WTO (the 'Doha round'), China sided with countries such as Brazil and India to oppose an accord that excessively favored Northern countries on issues such as agricultural protectionism and liberalization of trade and services. Like previous Southern-led initiatives such as the 'Group of 77' and platforms such as UNCTAD where the call for a 'new economic order' was launched in the 1970s, these efforts are not intended as much to oppose globalization as to rebalance its impact. In addition to seeking the opening of Northern markets and protection of Southern assets, these countries are also critical of the liberalization of the financial sector. Despite many demands from the US and the international financial institutions (IFIs), China has, thus far, refused to change its exchange control system that keeps the Chinese currency outside speculative maneuvers of large (mostly western) financial institutions.

In this context, China is trying to promote an alternative integration process in Asia. It is working with a regional organization, the Association of Southeast Asian Nations (ASEAN) in order to use free trade agreements to link up the ten member-states in one of the most dynamic economic areas of the world. In addition, China is developing what is known as the Shanghai Cooperation Organization (SCO). The idea is to bring together China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan and eventually India, Iran, Pakistan, and Mongolia around a program of regional integration and security that would *not* be controlled by the triad. In reality, the SCO is very far from being anything but a discussion platform. But it might represent the beginning of an important process.

In terms of substance, China and the other 'BRICS' countries (Brazil, Russia, India, China, South Africa) want to renegotiate, not destroy, international economic integration and trade.

BRICS is an informal intergovernmental network where 'emerging' countries discuss how to improve their status in the world system. These countries feel entitled to more influence in global governance because they have 25% of the world's land coverage, 40% of the world's population and hold a combined GDP of 15.435 trillion dollars. BRICS want to reform organizations such as the WTO so that Southern interests are better integrated into the mainstream. The economic liberalization of these still underdeveloped economies, as BRICS see it, needs to be done gradually, protecting vulnerable and strategic sec-

tors, while improving access to Northern markets. In the meantime, China, India, Brazil, and other emerging countries want to further regionalize economic links, not necessarily against global integration but as a platform to gain strength and access to the global market on an equal footing. Through growing 'South-South' linkages, the idea is to diversify (or reduce dependency on northern markets and investments) and enlarge the economy.

American integration has risen in parallel with the decline of the Free Trade Agreement of the Americas (FTAA), which had been proposed by US President Bill Clinton in 1994. The United States and Canada saw the proposed FTAA as an extension of the North American Free Trade Agreement (NAFTA) between the US, Canada and Mexico. But to the surprise of everyone, a broad opposition movement to the FTAA developed, led by social groups, environmental organizations, trade unions and many other community movements. They protested the principles at the core of FTAA, particularly the fact that it was designed to facilitate the free flow of exports and investments, without taking into account labor or environmental standards. This protest from below was enough to stall the process, at least for a while. By 2003, a number of new left-leaning governments in Latin America had joined the opposition and effectively killed the project long cherished by the governments of the United States and Canada.

'Rebels' with a cause

Some countries such as Venezuela, Bolivia, and Ecuador want to go even further, demanding a reversal of the policies of trade liberalization and privatization and openly challenging the Washington Consensus. They sometimes clash with Brazil, which as an 'emerging' country seems to be willing to negotiate the terms of engagement with the powerful nations rather than disconnecting. They are even afraid that Brazil as an emerging giant will duplicate some of the dominating practices of the big powers and establish itself as a sub-imperial power in South America.

Faced with that prospect, the government of Venezuela is promoting a new Southern alliance called the Bolivarian Alternative for the Americas (ALBA) in which economic and even political integration are to be shaped around a different perspective based on social development, equality, and access for the poorest of the population. ALBA is still a work-in-progress, although Venezuela, Cuba, Bolivia, and Ecuador are engaged in several programs to support one another in such areas as health, education, oil, and the media. It remains to be seen whether these projects will last, given the vulnerabilities of the main actors.⁸

Movement from below

Beyond the recent phenomenon of states challenging neo-liberal globalization, of course, is the ascendancy of a global civil society expressing itself through a myriad of demands, demonstrations, movements, and networks. And beyond the image of 'anti-globalization' protests and riots, there is a 'movement of movements' which seems to

be in the process of becoming a significant factor in world politics. Radical authors such as Michael Hardt and Antonio Negri (2000) think that new alternative 'alter-globalist' movements and demands could eventually turn globalization 'upside down'. Thus, just as the empire appears to be expanding, an alternative political organization of global flows and exchanges is growing alongside it.

From Chiapas to Seattle

In 1994 in southern Mexico, indigenous communities represented by a group known as Zapatistas appeared on the world stage, apparently out of the blue, to express their rejection of NAFTA and the neo-liberal globalization policies attached to that process. The movement captured the imagination of media around the world, partly because of the symbolism attached to Emiliano Zapata (a leader of the Mexican revolution in the early twentieth century) and also, more substantially, because the revolt was led by farmers and indigenous people who had traditionally been left out of the political arena, even by anti-systemic movements. In a rather unique poetic language, Zapatistas were demanding the end of neo-liberal policies. They became widely known through their audacious use of modern communications at a time when use of the Internet was still embryonic for social movements and radical projects. Moreover, Zapatistas were capable of creating and deploying new codes and modes of social interaction and communication, different from the traditional leftist approaches. They clearly asserted, for example, that their rebellion was not about 'taking' power, but about 'changing' it. It might have been just a brilliant formula, but it has indeed changed the paradigm for many social movements.

In Seattle in 1999, that cry was taken up by a wide coalition of US and international NGOs and social movements that was later defined as the alliance of 'teamsters' (trade unions) and 'turtles' (environmentalists). The occasion was the ministerial meeting of the newly formed World Trade Organization. A large 'movement of movements' became visible after Seattle, with its adherents demonstrating in the streets of many cities in different parts of the world.

Many anti- or alter-globalization movements are not caught up in the idea of replacing a 'system' with another, but in articulating a new perspective that proposes to break down the structures of domination and exclusion that marginalize the poor.

The spirit of Porto Alegre

The demand for 'another' globalization was captured by important national and international movements and social forces. In Brazil, a counter hegemonic project had been building from the bottom up since the 1980s. By the year 2000, that movement had established its capacities not only as an 'anti-globalist' process but also as a real contender in the political arena. Out of this came the idea to convene a world meeting of civil society groups, not so much to protest (as was in the case with so many

'counter' popular and anti-globalization summits) but to define alternatives to the current system. This idea grew to become the World Social Forum (WSF), initiated in 2001 in the city of Porto Alegre, where alternative social and political movements had been ruling municipal affairs quite successfully for more than 10 years. The WSF called for a fair trading system that guaranteed full employment, food security and local prosperity. Currently, more than 500,000 small and large social movements in the world participate in the WSF process, decentralized into a myriad of local, national, and thematic forums and widely using the most advanced information technologies to stage permanent and complex debates. In 2009, over 125,000 activists came to the seventh World Social Forum in Belém (Brazil), focusing on environmental and indigenous peoples' rights.

The economics of alter-globalization

Critics of the current model of globalization insist on the non-sustainability of the process. 'Hyper growth' and the unrestricted exploitation of the planet's resources are seen as challenges that social movements need to face and surmount. The International Forum on Globalization (IFG) (2002), an independent think-tank based in Washington whose mandate is to nourish social movements with alternative perspectives, argues that the economy should first and foremost be geared to 'meet human genuine needs in the present without compromising the ability of future generations to meet theirs, and without diminishing the natural diversity of life on Earth'.

These perspectives were highlighted during the Copenhagen climate summit attended by the heads of over 150 states in November 2009. Despite various attempts to reach a consensus, the United States and a number of other governments were unable to identify affirmative policies to face the climate challenge, for example, firm targets to limit emissions and legal recourse to enforce an agreement. It was then up to the vast spectrum of social movements and NGOs to take on the issue.

Critiques of the current model of globalization insist on the non-sustainability of the process. "Hyper growth" and the unrestricted exploitation of the planet's resources are seen as challenges that social movements need to face and surmount. The International Forum on Globalization (2002), an independent think-tank based in Washington whose mandate is to nourish social movements with alternative perspectives, argues that the economy should be first and foremost geared to "meet human genuine needs in the present without compromising the ability of future generations to meet theirs, and without diminishing the natural diversity of life on Earth." Alter-globalists promote slowing or diverting the homogenization process and especially the new rules imposed by neoliberal globalization to reduce (if not eliminate) the principle of the 'common good'. They propose to insulate the provision of basic goods such as education, health, clean water, and the like from the law of profit—which does not necessarily imply a state monopoly in these sectors.

CONCLUDING OBSERVATIONS

For more than 50 years, the development debate has been dominated by the issue of economic growth. As the US and the Soviet Union were competing to win allies, a limited number of states, mostly in Asia, were able to use these processes to their benefit. But the reality is that for most Southern countries, the development project ended in disaster. Some experts, such as Samuel Huntington (1993a), say that this failure reflects a 'civilization' issue. He argues that for a variety of reasons, a handful of mostly Northern countries can actually build the appropriate 'chemistry' of liberal democracy, market policies, and peace. Others oppose such arguments, maintaining that the Global South was unable to 'succeed' in globalization because of historical and contemporary barriers imposed by the Global North (Sklair 2002).

As this debate continues, macro and meta changes are taking place. In many countries, an astonishing number of social movements have indeed mobilized broad sectors of society. They are doing so (at least partially) by reinventing the language of protest while seeking more inclusionary politics. While political issues of power remain important, social movements increasingly do not focus exclusively on the state. The strengths of this vast alter-globalist movement are obviously impressive—such as the capacity to create immediate coalitions to resist policies and propose alternatives, sometimes to the extent of changing the political leadership, as happened recently in Argentina and Bolivia. At the same time, the weaknesses of these movements are apparent as mirror images of their assets—i.e., their dispersion, their fragmentation, their inability to propose coherent and long-term programs because such proposals could jeopardize the narrow limits of the alliances on which the movements are built.

Transnationalization of alternatives

As these experiments continue, it appears that another face of globalization is surfacing 'from below', based on vast networks operating at national and international levels. Many of these networks are 'glocal', meshing local issues with global perspectives. The old saying 'act locally, think globally' no longer applies, because alter-globalists are indeed acting globally.

A striking example of this phenomenon concerns the devastating HIV/AIDS epidemic. It was first addressed by gay communities in northern California, later afflicting poor communities (mostly women) in sub-Saharan Africa with terrible consequences, and then confronted by large-scale coalitions in such places as South Africa. That led to the creation of an extraordinary 'rainbow coalition' of movements intervening at the very heart of international processes: in the UN, with powerful agencies like the World Bank, as well as directly with large pharmaceutical corporations.

During the 2005 Doha Summit of the WTO, rich countries were formally forced to concede that the worst affected countries could have access to generic medication, bypassing the usual system of patents and protection for the giant TNCs to provide basic services to HIV/AIDS com-

munities and people. In practical terms, however, the struggle continues. The same countries that had indicated their willingness to concede later backtracked. But now, governments and agencies are being challenged by well-organized and structured movements operating across borders, able to share information and elaborate strategies across the planet.

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Current Debates about Emerging Countries



The Chinese Dilemma

Samir Amin

The debates concerning the present and future of China—an “emerging” power—always leave me unconvinced. Some argue that China has chosen, once and for all, the “capitalist road” and intends even to accelerate its integration into contemporary capitalist globalization. They are quite pleased with this and hope only that this “return to normality” (capitalism being the “end of history”) is accompanied by development towards Western-style democracy (multiple parties, elections, human rights). They believe—or need to believe—in the possibility that China shall by this means “catch up” in terms of per capita income to the opulent societies of the West, even if gradually, which I do not believe is possible. The Chinese right shares this point of view. Others deplore this in the name of the values of a “betrayed socialism.” Some associate themselves with the dominant expressions of the practice of China bashing in the West. Still others—those in power in Beijing—describe the chosen path as “Chinese-style socialism,” without being more precise. However, one can discern its characteristics by reading official texts closely, particularly the Five-Year Plans, which are precise and taken quite seriously. In fact the question, “Is China capitalist or socialist?” is badly posed, too general and abstract for any response to make sense in terms of this absolute alternative. In fact, China has actually been following an original path since 1950, and perhaps even since the Taiping Revolution in the nineteenth century.

Chinese State Capitalism

The first label that comes to mind to describe Chinese reality is state capitalism. Very well, but this label remains vague and superficial so long as the specific content is not analyzed. It is indeed capitalism in the sense that the relation to which the workers are subjected by the authorities who organize production is similar to the one that characterizes capitalism: submissive and alienated labor, extraction of surplus labor. Brutal forms of extreme exploitation of workers exist in China, e.g., in the coal mines or in the furious pace of the workshops that employ women. This is scandalous for a country that claims to want to move forward on the road to socialism. Nevertheless, the establishment of a state capitalist regime is unavoidable, and will remain so everywhere. The developed capitalist countries themselves will not be able to enter a socialist path (which is not on the visible agenda today) without passing through this first stage. It is the preliminary phase in the potential commitment of any society to liberating itself from historical capitalism on the long route to so-

cialism/communism. Socialization and reorganization of the economic system at all levels, from the firm (the elementary unit) to the nation and the world, require a lengthy struggle during an historical time period that cannot be foreshortened.

Chinese state capitalism was built to achieve three objectives:

- Construct an integrated and sovereign modern industrial system;
- Manage the relation of this system with rural petty production;
- Control China’s integration into the world system, dominated by the generalized monopolies of the imperialist triad (United States, Europe, Japan).

The pursuit of these three priority objectives is unavoidable. As a result it permits a possible advance on the long route to socialism, but at the same time it strengthens tendencies to abandon that possibility in favor of pursuing capitalist development pure and simple. It must be accepted that this conflict is both inevitable and always present. The question then is this: Do China’s concrete choices favor one of the two paths?

Chinese state capitalism required, in its first phase (1954–1980), the nationalization of all companies (combined with the nationalization of agricultural lands), both large and small alike. Then followed an opening to private enterprise, national and/or foreign, and liberalized rural and urban petty production (small companies, trade, services). However, large basic industries and the credit system established during the Maoist period were not denationalized, even if the organizational forms of their integration into a “market” economy were modified. This choice went hand in hand with the establishment of means of control over private initiative and potential partnership with foreign capital. It remains to be seen to what extent these means fulfill their assigned functions or, on the contrary, if they have not become empty shells, collusion with private capital (through “corruption” of management) having gained the upper hand.

Still, what Chinese state capitalism has achieved between 1950 and 2012 is quite simply amazing. It has, in fact, succeeded in building a sovereign and integrated modern productive system to the scale of this gigantic country, which can only be compared with that of the United States. It has succeeded in leaving behind the tight technological dependence of its origins (importation of Soviet, then Western models) through the development of its own capacity to produce technological inventions. However, it has not (yet?) begun the reorganization of labor from the perspective of socialization of economic management. The Plan—and not the “opening”—has remained the central means for implementing this systematic construction.

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In the Maoist phase of this development planning, the Plan remained imperative in all details: nature and location of new establishments, production objectives, and prices. At that stage, no reasonable alternative was possible. I will mention here, without pursuing it further, the interesting debate about the nature of the law of value that underpinned planning in this period. The very success—and not the failure—of this first phase required an alteration of the means for pursuing an accelerated development project. The “opening” to private initiative—beginning in 1980, but above all from 1990—was necessary in order to avoid the stagnation that was fatal to the USSR. Despite the fact that this opening coincided with the globalized triumph of neo-liberalism—with all the negative effects of this coincidence, to which I shall return—the choice of a “socialism of the market,” or better yet, a “socialism with the market,” as fundamental for this second phase of accelerated development is largely justified, in my opinion.

The results of this choice are, once again, simply amazing. In a few decades, China has built a productive, industrial urbanization that brings together 600 million human beings, two-thirds of whom were urbanized over the last two decades (almost equal to Europe’s population!). This is due to the Plan and not to the market. China now has a truly sovereign productive system. No other country in the South (except for Korea and Taiwan) has succeeded in doing this. In India and Brazil there are only a few disparate elements of a sovereign project of the same kind, nothing more.

The methods for designing and implementing the Plan have been transformed in these new conditions. The Plan remains imperative for the huge infrastructure investments required by the project: to house 400 million new urban inhabitants in adequate conditions, and to build an unparalleled network of highways, roads, railways, dams, and electric power plants; to open up all or almost all of the Chinese countryside; and to transfer the center of gravity of development from the coastal regions to the continental west. The Plan also remains imperative—at least in part—for the objectives and financial resources of publicly owned enterprises (state, provinces, municipalities). As for the rest, it points to possible and probable objectives for the expansion of small urban commodity production as well as industrial and other private activities. These objectives are taken seriously and the political-economic resources required for their realization are specified. On the whole, the results are not too different from the “planned” predictions.

Chinese state capitalism has integrated into its development project visible social (I am not saying “socialist”) dimensions. These objectives were already present in the Maoist era: eradication of illiteracy, basic health care for everyone, etc. In the first part of the post-Maoist phase (the 1990s), the tendency was undoubtedly to neglect the pursuit of these efforts. However, it should be noted that the social dimension of the project has since won back its place and, in response to active and powerful social movements, is expected to make more headway. The new urbanization has no parallel in any other country of the South. There are certainly “chic” quarters and others that

are not at all opulent; but there are no slums, which have continued to expand everywhere else in the cities of the third world.

China and Capitalist Globalization

China entered globalization in the 1990s by the path of the accelerated development of manufactured exports possible for its productive system, giving first priority to exports whose rates of growth then surpassed those of the growth in GDP. The triumph of neoliberalism favored the success of this choice for fifteen years (from 1990 to 2005). The pursuit of this choice is questionable not only because of its political and social effects, but also because it is threatened by the implosion of neoliberal globalized capitalism, which began in 2007. The Chinese government appears to be aware of this and very early began to attempt a correction by giving greater importance to the internal market and to development of western China.

To say, as one hears ad nauseam, that China’s success should be attributed to the abandonment of Maoism (whose “failure” was obvious), the opening to the outside, and the entry of foreign capital is quite simply idiotic. The Maoist construction put in place the foundations without which the opening would not have achieved its well-known success. A comparison with India, which has not made a comparable revolution, demonstrates this. To say that China’s success is mainly (even “completely”) attributable to the initiatives of foreign capital is no less idiotic. It is not multinational capital that built the Chinese industrial system and achieved the objectives of urbanization and the construction of infrastructure. The success is 90 percent attributable to the sovereign Chinese project. Certainly, the opening to foreign capital has fulfilled useful functions: it has increased the import of modern technologies. However, because of its partnership methods, China absorbed these technologies and has now mastered their development. There is nothing similar elsewhere, even in India or Brazil, a fortiori in Thailand, Malaysia, South Africa, and other places.

China’s integration into globalization has remained, moreover, partial and controlled (or at least controllable, if one wants to put it that way). China has remained outside of financial globalization. Its banking system is completely national and focused on the country’s internal credit market. Management of the yuan is still a matter for China’s sovereign decision making. The yuan is not subject to the vagaries of the flexible exchanges that financial globalization imposes. Beijing can say to Washington, “the yuan is our money and your problem,” just like Washington said to the Europeans in 1971, “the dollar is our money and your problem.” Moreover, China retains a large reserve for deployment in its public credit system. The public debt is negligible compared with the rates of indebtedness (considered intolerable) in the United States, Europe, Japan, and many of the countries in the South. China can thus increase the expansion of its public expenditures without serious danger of inflation.

The attraction of foreign capital to China, from which it has benefitted, is not behind the success of its

project. On the contrary, it is the success of the project that has made investment in China attractive for Western transnationals. The countries of the South that opened their doors much wider than China and unconditionally accepted their submission to financial globalization have not become attractive to the same degree. Transnational capital is not attracted to China to pillage the natural resources of the country, nor, without any transfer of technology, to outsource and benefit from low wages for labor; nor to seize the benefits from training and integration of offshored units unrelated to nonexistent national productive systems, as in Morocco and Tunisia; nor even to carry out a financial raid and allow the imperialist banks to dispossess the national savings, as was the case in Mexico, Argentina, and Southeast Asia. In China, by contrast, foreign investments can certainly benefit from low wages and make good profits, on the condition that their plans fit into China's and allow technology transfer. In sum, these are "normal" profits, but more can be made if collusion with Chinese authorities permits!

Emerging Power

No one doubts that China is an emerging power. One current idea is that China is only attempting to recover the place it had occupied for centuries and lost only in the nineteenth century. However, this idea—certainly correct, and flattering, moreover—does not help us much in understanding the nature of this emergence and its real prospects in the contemporary world. Incidentally, those who propagate this general and vague idea have no interest in considering whether China will emerge by rallying to the general principles of capitalism (which they think is probably necessary) or whether it will take seriously its project of "socialism with Chinese characteristics." For my part, I argue that if China is indeed an emerging power, this is precisely because it has not chosen the capitalist path of development pure and simple; and that, as a consequence, if it decided to follow that capitalist path, the project of emergence itself would be in serious danger of failing.

The thesis that I support implies rejecting the idea that peoples cannot leap over the necessary sequence of stages and that China must go through a capitalist development before the question of its possible socialist future is considered. The debate on this question between the different currents of historical Marxism was never concluded. Marx remained hesitant on this question. We know that right after the first European attacks (the Opium Wars), he wrote: the next time that you send your armies to China they will be welcomed by a banner, "Attention, you are at the frontiers of the bourgeois Republic of China." This is a magnificent intuition and shows confidence in the capacity of the Chinese people to respond to the challenge, but at the same time an error because in fact the banner read: "You are at the frontiers of the People's Republic of China." Yet we know that, concerning Russia, Marx did not reject the idea of skipping the capitalist stage (see his correspondence with Vera Zasulich). Today, one might believe that the first Marx

was right and that China is indeed on the route to capitalist development.

But Mao understood—better than Lenin—that the capitalist path would lead to nothing and that the resurrection of China could only be the work of communists. The Qing Emperors at the end of the nineteenth century, followed by Sun Yat Sen and the Guomindang, had already planned a Chinese resurrection in response to the challenge from the West. However, they imagined no other way than that of capitalism and did not have the intellectual wherewithal to understand what capitalism really is and why this path was closed to China, and to all the peripheries of the world capitalist system for that matter. Mao, an independent Marxist spirit, understood this. More than that, Mao understood that this battle was not won in advance—by the 1949 victory—and that the conflict between commitment to the long route to socialism, the condition for China's renaissance, and return to the capitalist fold would occupy the entire visible future.

Personally, I have always shared Mao's analysis and I shall return to this subject in some of my thoughts concerning the role of the Taiping Revolution (which I consider to be the distant origin of Maoism), the 1911 revolution in China, and other revolutions in the South at the beginning of the twentieth century, the debates at the beginning of the Bandung period and the analysis of the impasses in which the so-called emergent countries of the South committed to the capitalist path are stuck. All these considerations are corollaries of my central thesis concerning the polarization (i.e., construction of the center/periphery contrast) immanent to the world development of historical capitalism. This polarization eliminates the possibility for a country from the periphery to "catch up" within the context of capitalism. We must draw the conclusion: if "catching up" with the opulent countries is impossible, something else must be done—it is called following the socialist path.

China has not followed a particular path just since 1980, but since 1950, although this path has passed through phases that are different in many respects. China has developed a coherent, sovereign project that is appropriate for its own needs. This is certainly not capitalism, whose logic requires that agricultural land be treated as a commodity. This project remains sovereign insofar as China remains outside of contemporary financial globalization.

The fact that the Chinese project is not capitalist does not mean that it "is" socialist, only that it makes it possible to advance on the long road to socialism. Nevertheless, it is also still threatened with a drift that moves it off that road and ends up with a return, pure and simple, to capitalism.

China's successful emergence is completely the result of this sovereign project. In this sense, China is the only authentically emergent country (along with Korea and Taiwan, about which we will say more later). None of the many other countries to which the World Bank has awarded a certificate of emergence is really emergent because none of these countries is persistently pursuing

a coherent sovereign project. All subscribe to the fundamental principles of capitalism pure and simple, even in potential sectors of their state capitalism. All have accepted submission to contemporary globalization in all its dimensions, including financial. Russia and India are partial exceptions to this last point, but not Brazil, South Africa, and others. Sometimes there are pieces of a “national industry policy,” but nothing comparable with the systematic Chinese project of constructing a complete, integrated, and sovereign industrial system (notably in the area of technological expertise).

For these reasons all these other countries, too quickly characterized as emergent, remain vulnerable in varying degrees, but always much more than China. For all these reasons, the appearances of emergence—respectable rates of growth, capacities to export manufactured products—are always linked with the processes of pauperization that impact the majority of their populations (particularly the peasantry), which is not the case with China. Certainly the growth of inequality is obvious everywhere, including China; but this observation remains superficial and deceptive. Inequality in the distribution of benefits from a model of growth that nevertheless excludes no one (and is even accompanied with a reduction in pockets of poverty—this is the case in China) is one thing; the inequality connected with a growth that benefits only a minority (from 5 percent to 30 percent of the population, depending on the case) while the fate of the others remains desperate is another thing. The practitioners of China bashing are unaware—or pretend to be unaware—of this decisive difference. The inequality that is apparent from the existence of quarters with luxurious villas, on the one hand, and quarters with comfortable housing for the middle and working classes, on the other, is not the same as the inequality apparent from the juxtaposition of wealthy quarters, middle-class housing, and slums for the majority. The Gini coefficients are valuable for measuring the changes from one year to another in a system with a fixed structure. However, in international comparisons between systems with different structures, they lose their meaning, like all other measures of macroeconomic magnitudes in national accounts. The emergent countries (other than China) are indeed “emergent markets,” open to penetration by the monopolies of the imperialist triad. These markets allow the latter to extract, to their benefit, a considerable part of the surplus value produced in the country in question. China is different: it is an emergent nation in which the system makes possible the retention of the majority of the surplus value produced there.

Korea and Taiwan are the only two successful examples of an authentic emergence in and through capitalism. These two countries owe this success to the geostrategic reasons that led the United States to allow them to achieve what Washington prohibited others from doing. The contrast between the support of the United States to the state capitalism of these two countries and the extremely violent opposition to state capitalism in Nasser's Egypt or Boumedienne's Algeria is, on this account, quite illuminating.

Great Successes, New Challenges

Where does the Chinese right come from? Certainly, the former comprador and bureaucratic bourgeoisies of the Guomindang were excluded from power. However, over the course of the war of liberation, entire segments of the middle classes, professionals, functionaries, and industrialists, disappointed by the ineffectiveness of the Guomindang in the face of Japanese aggression, drew closer to the Communist Party, even joining it. Many of them—but certainly not all—remained nationalists, and nothing more. Subsequently, beginning in 1990 with the opening to private initiative, a new, more powerful, right made its appearance. It should not be reduced simply to “businessmen” who have succeeded and made (sometimes colossal) fortunes, strengthened by their clientele—including state and party officials, who mix control with collusion, and even corruption.

This success, as always, encourages support for rightist ideas in the expanding educated middle classes. It is in this sense that the growing inequality—even if it has nothing in common with inequality characteristic of other countries in the South—is a major political danger, the vehicle for the spread of rightist ideas, depoliticization, and naive illusions.

Here I shall make an additional observation that I believe is important: petty production, particularly peasant, is not motivated by rightist ideas, like Lenin thought (that was accurate in Russian conditions). China's situation contrasts here with that of the ex-USSR. The Chinese peasantry, as a whole, is not reactionary because it is not defending the principle of private property, in contrast with the Soviet peasantry, whom the communists never succeeded in turning away from supporting the kulaks in defense of private property. On the contrary, the Chinese peasantry of petty producers (without being small property owners) is today a class that does not offer rightist solutions, but is part of the camp of forces agitating for the adoption of the most courageous social and ecological policies. The powerful movement of “renovating rural society” testifies to this. The Chinese peasantry largely stands in the leftist camp, with the working class. The left has its organic intellectuals and it exercises some influence on the state and party apparatuses.

The perpetual conflict between the right and left in China has always been reflected in the successive political lines implemented by the state and party leadership. In the Maoist era, the leftist line did not prevail without a fight. Assessing the progress of rightist ideas within the party and its leadership, a bit like the Soviet model, Mao unleashed the Cultural Revolution to fight it. “Bombard the Headquarters,” that is, the Party leadership, where the “new bourgeoisie” was forming. However, while the Cultural Revolution met Mao's expectations during the first two years of its existence, it subsequently deviated into anarchy, linked to the loss of control by Mao and the left in the party over the sequence of events. This deviation led to the state and party taking things in hand again, which gave the right its opportunity. Since then, the right has remained a strong part of all leadership bodies. Yet

the left is present on the ground, restricting the supreme leadership to compromises of the “center”—but is that center right or center left?

To understand the nature of challenges facing China today, it is essential to understand that the conflict between China’s sovereign project, such as it is, and North American imperialism and its subaltern European and Japanese allies will increase in intensity to the extent that China continues its success. There are several areas of conflict: China’s command of modern technologies, access to the planet’s resources, the strengthening of China’s military capacities, and pursuit of the objective of reconstructing international politics on the basis of the sovereign rights of peoples to choose their own political and economic system. Each of these objectives enters into direct conflict with the objectives pursued by the imperialist triad.

The objective of U.S. political strategy is military control of the planet, the only way that Washington can retain the advantages that give it hegemony. This objective is being pursued by means of the preventive wars in the Middle East, and in this sense these wars are the preliminary to the preventive (nuclear) war against China, cold-bloodedly envisaged by the North American establishment as possibly necessary “before it is too late.” Fomenting hostility to China is inseparable from this global strategy, which is manifest in the support shown for the slaveowners of Tibet and Sinkiang, the reinforcement of the U.S. naval presence in the China Sea, and the unflinching encouragement to Japan to build its military forces. The practitioners of China bashing contribute to keeping this hostility alive.

Simultaneously, Washington is devoted to manipulating the situation by appeasing the possible ambitions of China and the other so-called emergent countries through the creation of the G20, which is intended to give these countries the illusion that their adherence to liberal globalization would serve their interests. The G2 (United States/China) is—in this vein—a trap that, in making China the accomplice of the imperialist adventures of the United States, could cause Beijing’s peaceful foreign policy to lose all its credibility.

The only possible effective response to this strategy must proceed on two levels: (i) strengthen China’s military forces and equip them with the potential for a deterrent response, and (ii) tenaciously pursue the objective of reconstructing a polycentric international political system, respectful of all national sovereignties, and, to this effect, act to rehabilitate the United Nations, now marginalized by NATO. I emphasize the decisive importance of the latter objective, which entails the priority of reconstructing a “front of the South” (Bandung 2?) capable of supporting the independent initiatives of the peoples and states of the South. It implies, in turn, that China becomes aware that it does not have the means for the absurd possibility of aligning with the predatory practices of imperialism (pillaging the natural resources of the planet), since it lacks a military power similar to that of the United States, which in the last resort is the guarantee of success for imperialist projects. China, in contrast, has much to gain by developing its offer of support for the industrialization

of the countries of the South, which the club of imperialist “donors” is trying to make impossible.

The language used by Chinese authorities concerning international questions, restrained in the extreme (which is understandable), makes it difficult to know to what extent the leaders of the country are aware of the challenges analyzed above. More seriously, this choice of words reinforces naive illusions and depoliticization in public opinion.

The other part of the challenge concerns the question of democratizing the political and social management of the country.

Mao formulated and implemented a general principle for the political management of the new China that he summarized in these terms: rally the left, neutralize (I add: and not eliminate) the right, govern from the center left. In my opinion, this is the best way to conceive of an effective manner for moving through successive advances, understood and supported by the great majority. In this way, Mao gave a positive content to the concept of democratization of society combined with social progress on the long road to socialism. He formulated the method for implementing this: “the mass line” (go down into the masses, learn their struggles, go back to the summits of power). Lin Chun has analyzed with precision the method and the results that it makes possible.

The question of democratization connected with social progress—in contrast with a “democracy” disconnected from social progress (and even frequently connected with social regression)—does not concern China alone, but all the world’s peoples. The methods that should be implemented for success cannot be summarized in a single formula, valid in all times and places. In any case, the formula offered by Western media propaganda—multiple parties and elections—should quite simply be rejected. Moreover, this sort of “democracy” turns into farce, even in the West, more so elsewhere. The “mass line” was the means for producing consensus on successive, constantly progressing, strategic objectives. This is in contrast with the “consensus” obtained in Western countries through media manipulation and the electoral farce, which is nothing more than alignment with the requirements of capital.

Yet today, how should China begin to reconstruct the equivalent of a new mass line in new social conditions? It will not be easy because the power of the leadership, which has moved mostly to the right in the Communist Party, bases the stability of its management on depoliticization and the naive illusions that go along with that. The very success of the development policies strengthens the spontaneous tendency to move in this direction. It is widely believed in China, in the middle classes, that the royal road to catching up with the way of life in the opulent countries is now open, free of obstacles; it is believed that the states of the triad (United States, Europe, Japan) do not oppose that; U.S. methods are even uncritically admired; etc. This is particularly true for the urban middle classes, which are rapidly expanding and whose conditions of life are incredibly improved. The brainwashing to which Chinese students are subject in the United States, particularly in the social sciences, combined with a rejection

tion of the official unimaginative and tedious teaching of Marxism, have contributed to narrowing the spaces for radical critical debates.

The government in China is not insensitive to the social question, not only because of the tradition of a discourse founded on Marxism, but also because the Chinese people, who learned how to fight and continue to do so, force the government's hand. If, in the 1990s, this social dimension had declined before the immediate priorities of speeding up growth, today the tendency is reversed. At the very moment when the social-democratic conquests of social security are being eroded in the opulent West, poor China is implementing the expansion of social security in three dimensions—health, housing, and pensions. China's popular housing policy, vilified by the China bashing of the European right and left, would be envied, not only in India or Brazil, but equally in the distressed areas of Paris, London, or Chicago!

Social security and the pension system already cover 50 percent of the urban population (which has increased, recall, from 200 to 600 million inhabitants!) and the Plan (still carried out in China) anticipates increasing the covered population to 85 percent in the coming years. Let the journalists of China bashing give us comparable examples in the “countries embarked on the democratic path,” which they continually praise. Nevertheless, the debate remains open on the methods for implementing the system. The left advocates the French system of distribution based on the principle of solidarity between these workers and different generations—which prepares for the socialism to come—while the right, obviously, prefers the odious U.S. system of pension funds, which divides workers and transfers the risk from capital to labor.

However, the acquisition of social benefits is insufficient if it is not combined with democratization of the political management of society, with its re-politicization by methods that strengthen the creative invention of forms for the socialist/communist future.

Following the principles of a multi-party electoral system as advocated ad nauseam by Western media and the practitioners of China bashing, and defended by “dissidents” presented as authentic “democrats,” does not meet the challenge. On the contrary, the implementation of these principles could only produce in China, as all the experiences of the contemporary world demonstrate (in Russia, Eastern Europe, the Arab world), the self-destruction of the project of emergence and social renaissance, which is in fact the actual objective of advocating these principles, masked by an empty rhetoric (“there is no other solution than multi-party elections”!). Yet it is not sufficient to counter this bad solution with a fallback to the rigid position of defending the privilege of the “party,” itself sclerotic and transformed into an institution devoted to recruitment of officials for state administration. Something new must be invented.

The objectives of re-politicization and creation of conditions favorable to the invention of new responses cannot be obtained through “propaganda” campaigns. They can only be promoted through social, political, and ideological struggles. That implies the preliminary reco-

gnition of the legitimacy of these struggles and legislation based on the collective rights of organization, expression, and proposing legislative initiatives. That implies, in turn, that the party itself is involved in these struggles; in other words, reinvents the Maoist formula of the mass line. Re-politicization makes no sense if it is not combined with procedures that encourage the gradual conquest of responsibility by workers in the management of their society at all levels—company, local, and national. A program of this sort does not exclude recognition of the rights of the individual person. On the contrary, it supposes their institutionalization. Its implementation would make it possible to reinvent new ways of using elections to choose leaders.

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China's Rise Stalled?

Hung Ho-Fung¹

It was perhaps predictable that China's initial sharp rebound from the global financial crisis would serve to entrench widespread perceptions that the PRC represents an alternative and, on some readings, superior model of capitalist development². Desperate pleas by Hillary Clinton and Tim Geithner for Beijing to continue its purchase of US Treasuries in the immediate aftermath of the 2008 meltdown seemed to confirm that China was indeed displacing the US, the alleged culprit of the crisis, and becoming a new centre of the global economy. Yet the celebrations of China's rise at the expense of the US evoked more skeptical responses too. Michael Pettis's provocative and well-informed new book, *The Great Rebalancing*, presents a more critical view. It contends that countries that run a persistent trade surplus, like China, are at least as responsible for the global financial crisis as those running deficits, like the US. In his view, the outcome of the crisis will put an end to the 'economic miracles' of the surplus countries and may lead them into Japan-style lost decades. The only way out would require a profound rebalancing of the surplus countries' economies. I will argue that a third scenario could be derived from the book's analysis, beyond Pettis's alternatives of a prolonged, deepening crisis or smooth, coordinated rebalancing. But first let us examine *The Great Rebalancing's* account.

The Great Rebalancing

Pettis is a professor of finance at Peking University and a veteran Wall Street wheeler-dealer specializing in 'emerging markets', initially in Latin America. His first book, *The Volatility Machine: Emerging Economies and the Threat of Financial Collapse*, appeared in 2001, and since then his contrarian views have become well known through his widely cited blog, 'China Financial Markets'.



Drawing diverse theoretical insights from Keynes and, surprisingly, Hobson, Lenin and David Harvey, *The Great Rebalancing* is a systematic elaboration of Pettis's diagnosis of the origins of the financial crisis and suggestions for its remedy. He sees the global trade and capital-flow imbalances underlying the crisis as primarily a consequence of the consumption-repressing growth model adopted by the surplus countries, most notably China and Germany.

The Great Rebalancing sets out the principles at stake, in the form of 'accounting identities'. Where consumption is repressed relative to production, the result is a rise in saving. If domestic savings exceed domestic investment, then in an open economy the excess saving will flow abroad to other countries, in the form of net capital export. China's purchase of US Treasury bonds and Germany's lending to Spain and Greece are examples of such exports. Similarly, for a country that imports capital from abroad, investment will exceed saving. It follows that the amount of net capital outflow or inflow will be equal to the difference between savings and investment; the difference will also be equal to the country's trade balance. Therefore, an economy's trade surplus/deficit will be equal to that economy's net capital outflow/inflow, which in turn is equal to its saving less investment. As open economies are linked to one another through trade and investment, capital export and trade surplus originating from one country's under-consumption must be balanced by capital imports, trade deficit and over-consumption in another country. In other words, domestic imbalances of trading partners will mirror each other, generating global imbalances.

Examining how these principles have operated in the concrete case of China's domestic imbalance, Pettis, like many other authors, finds that the prc's model of repressed-consumption growth is not new, but is an extended replication of the Japanese model. As Pettis emphasizes throughout the book, a country's consumption levels and savings rate have nothing to do with its culture and the habits of its people: China's high saving and low consumption are consequences of explicit policies: wage repression, an undervalued currency and financial repression. Since the 1990s, the vast supply of rural migrant labor, whose rights and access to services where they worked were denied under the *hukou* system, in addition to what Pettis describes as 'government-sponsored unions that more often see things from the point of view of employers than from that of workers', ensured that wages grew much more slowly than productivity, hence repressing the growth of workers' income and consumption relative to the growth of production. At the same time, China's central bank intervened in the currency market to prevent the yuan from appreciating alongside the growth of the trade surplus. The undervalued currency benefited exporters, but made domestic consumption

1. Published in *New Left Review* 81, May-June 2013

2. Michael Pettis, *The Great Rebalancing: Trade, Conflict, and the Perilous Road Ahead for the World Economy*, Princeton University Press: Princeton 2013

more expensive; the policy has therefore operated as a hidden tax on household consumers, which is transferred to exporters. The low interest rates maintained by state banks for both depositors and borrowers have also constituted a hidden tax on households: while ordinary depositors have had to put up with meagre or even negative real interest rates, state enterprises and government units could borrow at give-away rates to fuel the orgies of real-estate and infrastructural construction. This again is tantamount to a subsidy to the state sector paid by financially repressed depositors.

The “Model”

This model of development brought about miraculous economic growth rates, rapidly improving infrastructure and an internationally competitive manufacturing sector. Paradoxically, though the growth rate has attracted high investment, the financial repression involved also pushes saving—here, mostly corporate and government rather than household saving—to an even higher level. As such, the excess saving of China has to be exported overseas in exchange for external demand for its manufactured products. Given the size of the US market and the high liquidity of US assets, Treasury securities in particular, most of China’s excess saving ends up heading to the US. To Pettis, the Chinese purchase of dollar assets is a trade policy, ‘aimed at generating trade surpluses and higher domestic employment’. For the American economy, such large-scale capital imports are ‘usually harmful’, as the US has ‘no choice but to respond to the growing net inflows [of capital] with higher investment, higher unemployment, or higher consumption’. With capital inflows pushing up the dollar, cheapening manufactured imports and penalizing US manufacturers, ‘there was little incentive for American businesses to borrow and expand production domestically’. Instead, the massive inflows of capital fuelled the expanding real-estate bubble and debt-financed consumption. Pettis concludes that the US consumption spree and trade deficit was caused by excessive foreign (Chinese) investment in dollar assets that ‘force Americans to consume beyond their means’.

In his analysis of the Eurozone crisis, Pettis sees the relation between Germany, a surplus country, and Spain and other ‘deficit countries’, as reminiscent of that between China and the US. In the 1990s, post-unification Germany put into place ‘a number of policies, agreed on by trade unions, businesses and the government, aimed at constraining wages and consumption and expanding production, in order to regain competitiveness and generate jobs.’ These consumption-repressing policies worked well. But excess saving has to be exported, in exchange for ‘importing’ external demand. In this instance, the context included the launch of the euro and increasing European integration. German capital was exported to peripheral Europe principally in the form of bank lending, but its harmful effects resembled China’s capital exports to the US in the form of buying Treasury bonds. Taking Spain as his example, Pettis contends that German’s anti-consumption policies eroded the profitability of Spanish

manufacturing and discouraged private investment in the tradable goods sector there, while at the same time Germany’s excess saving was being exported to Spain on a massive scale. The result was the expansion of a gigantic real-estate bubble in Spain.

Pettis reminds us that global imbalances caused by under-consuming countries which export surplus capital to other economies are not novel in the development of capitalism. Drawing from the insights of Hobson and Lenin, he notes that in the late nineteenth and early twentieth century, under-consumption in industrialized economies—where workers’ demand was repressed since wealth and income were concentrated in the hands of the rich—created pressures for those countries to export capital to their formal or informal colonies, which in turn started to run trade deficits and be indebted to the colonizing countries. The main difference between then and now is that, in the early 1900s, capital-exporting colonizers ‘managed the colonial economies and their tax systems, and so they could ensure that all debts were repaid’. Global imbalances could therefore last longer in the age of imperialism, as ‘large current-account imbalances could persist for as long as the colony had assets to trade [or to be expropriated]’.

What Pettis does not mention is that a century ago, when colonized importers of capital were invariably underdeveloped economies, the imported capital mostly flowed into extractive industries instead of financial markets. This kind of investment did not generate the type of volatility that financial investment in today’s deficit countries entails. On the other hand, this highly territorial form of capital export drove the imperial powers to vie aggressively with one another for colonial possessions, intensifying inter-imperial rivalry and triggering the First World War. Capital exporters today, like China and Germany, do not enjoy that sort of colonial control over importers of their capital, like the US and Spain, and much of it flows into financial and real-estate activities. Imbalances under these conditions are less sustainable. Once the bubbles burst, or borrowing capabilities run out in the increasingly indebted deficit countries, consumption there will collapse. This is what has been happening in the US, Greece and Spain since 2008. When this happens, trade-deficit countries are forced to undergo painful rebalancing, which can be achieved through tax hikes on the rich and/or policies that restrain consumption and boost saving. Such rebalancing efforts will be futile, however, if the surplus countries continue to repress consumption, export surplus savings and maintain trade surpluses with the deficit countries.

“Rebalancing”

It is mathematically impossible for the US and peripheral Europe to attain trade surpluses and repress consumption if no other countries are shrinking their surpluses and boosting consumption. In the global economy, someone’s surplus must be accompanied by another’s deficit. A true rebalancing of the global economy is possible only when the deficit countries and surplus countries rebalance

their domestic economies simultaneously through mirroring policies. America's and Spain's policies to restrain consumption and boost saving have to be accompanied by policies in China and Germany that boost consumption, reduce saving and reverse their trade balance. Pettis suggests that Germany should cut taxes and increase government spending to deflate its savings and move towards a trade deficit, generating demand for the tradable goods sector in Spain and Greece. In that case, the latter's rebalancing policies, which restrain consumption and investment, would cause less unemployment. If Germany is reluctant to rebalance, then Spain's and Greece's adjustment may be so painful that they will be forced to default on their debt or devalue their currency by leaving the euro. Likewise, American rebalancing has to be accompanied by China's shifting in the opposite direction, if it is to be effective. The prc needs to boost domestic consumption and reduce its saving. As China's under-consumption is mainly attributable to the squeezing of household income to subsidize export manufacturers and the state sector, boosting consumption will have to involve a 'distributional struggle' in favour of the household sector.

China's rebalancing is not only crucial to the rebalancing of the US and global economy, Pettis argues. It is also essential in order to prevent a serious economic crisis within the prc itself. The two engines of the Chinese miracle—investment and exports—are starting to crumble. China's infrastructure is becoming excessive, relative to its stage of development, and falling returns on newly constructed infrastructure are exhausting the lending capability of the state sector, which is already overloaded with pre-existing loans. In the meantime, US consumption is declining and the concomitant political pressure on Beijing to shrink its trade surplus mounts. With the investment and export engines faltering at the same time, an increase in Chinese household income and consumption becomes all the more important.

Gaps

The Great Rebalancing should be celebrated for its clarity and concision. It mounts a convincing challenge to mainstream moralizing about the origins of the global crisis, demonstrating that the global imbalances which underlie it unfold through a process of uneven and combined capitalist development, in which the US, China, Germany and peripheral Europe are interlinked parts. These merits notwithstanding, the analysis has two major gaps. The first of these centres on the origins of the imbalances themselves. If capital inflows from surplus countries are so harmful to deficit countries, fuelling financial and real-estate bubbles, then why do the latter keep letting the surplus capital in? Do the deficit countries really have no choice but to accept passively whatever the surplus countries are exporting to them?

Recall that the whole edifice of Pettis's argument is grounded on the accounting identity that a country's trade surplus equals its net capital export, as well as its saving less investment; yet as he states, this premise only applies to an 'open' economy. It follows that the analysis

of the mirroring imbalances between surplus and deficit countries would not have been valid had it not been for the completion of global-market integration—the removal of numerous national controls. Such integration is far from the natural state of global capitalism. It is a result of the neoliberal project that Reagan and Thatcher started in the 1980s as a remedy for the crisis of falling profit rates across advanced capitalist countries in the 1970s. The creation of the WTO in 1994, China's accession to it in 2001 and the launch of the euro in 2002, deepening the integration of the European market, are major milestones of this project. The rise of a global integrated market makes the flow of goods and money feasible on a much vaster scale. Deregulation of financial markets in the US and Europe helped to ready these countries for the massive absorption of foreign capital as fuel for speculative activities. Viewed in this light, though high saving and the export-oriented model of growth in surplus countries is directly responsible for the imbalances in the deficit countries and the global imbalances at large, it was the neoliberal turn of the US and Europe in the 1980s that set the stage, enabling such growth models to work at all.

The second gap relates to the potential outcomes of the current global crisis, seen here as entailing either prolonged stagnation and 'lost decades', or coordinated rebalancing. Pettis is certainly right to assert that rebalancing within China, the biggest surplus country in the world today, would be very difficult, given the adamant resistance of the bureaucratic-capitalist elite, who are the major beneficiaries of the current model. What remains to be seen is whether China, faced with the limits to its model of exporting surplus capital to the US, yet resisting rebalancing, might choose to shift to a more 'classical' strategy of capital export—that is, to export capital to underdeveloped countries and invest mostly in extractive industries and infrastructure there. Though the stock of China's outward fdi flow so far amounts to less than 30 per cent of its holding of US Treasuries (or 10 per cent, if we exclude flows into Hong Kong), according to the prc Ministry of Commerce it increased dramatically between 2002 and 2010, from \$29.9bn to \$317bn, or \$118bn excluding Hong Kong. China's outward fdi comprises a lot of investment in mining and infrastructure in the global South. The recipients of Chinese capital—and that from other emerging surplus countries, like Brazil and South Africa—also constitute expanding markets for Chinese



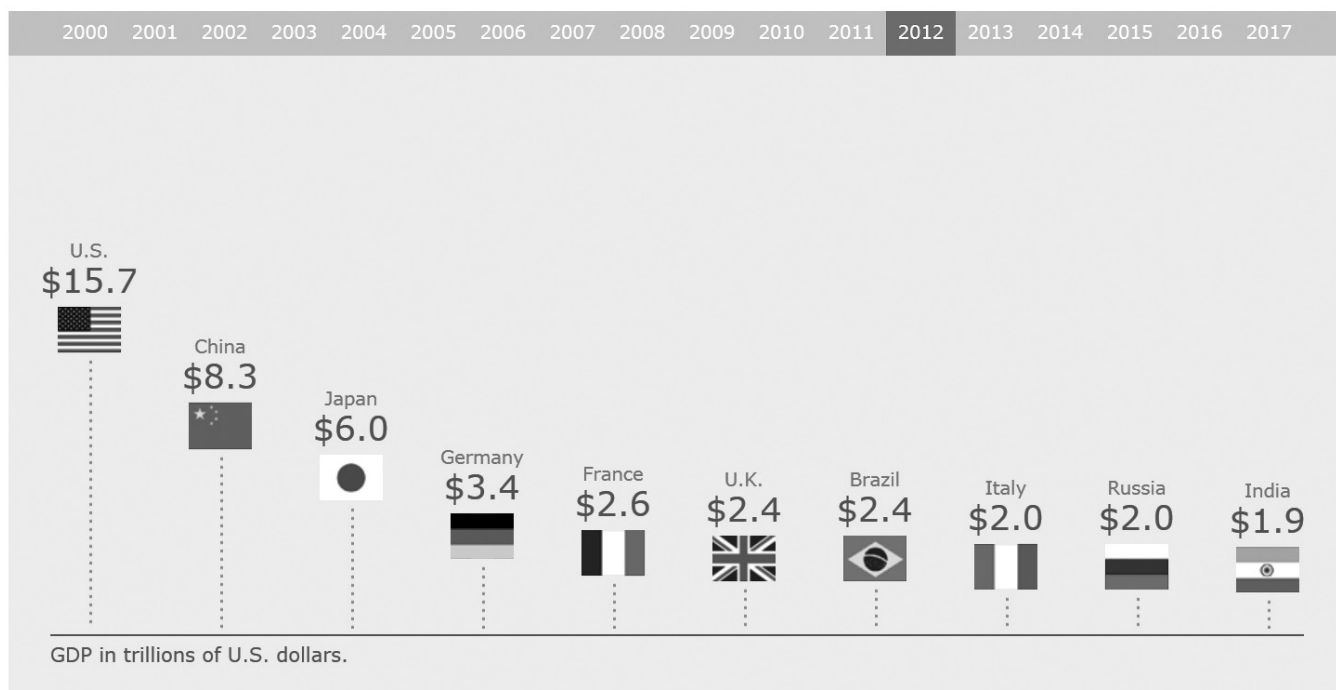
manufactured exports. China's increasingly proactive economic expansion in the developing world, Africa in particular, has provoked heated debate. For example, on the eve of the brics Durban Summit in March 2013 Lamido Sanusi, Governor of Nigeria's Central Bank, wrote in the *Financial Times* that China is just another colonial power in Africa.

China Reaching Out

To be sure, China's relations with the other developing countries that absorb its exports of capital and manufactured goods are far from the classical colonial model of the early twentieth century. China has so far lacked the will and muscle to assert military and political influence over the destinations of its capital exports. But this seems to be starting to change, as China's latest National Defence White Paper, 'The Diversified Employment of China's Armed Forces', stated explicitly that protecting overseas economic interests is now a core goal. With the gradual integration of China's economy into the world economic system, overseas interests have become an integral

component of China's national interests. Security issues are increasingly prominent, involving overseas energy and resources, strategic sea lines of communication, and Chinese nationals and legal persons overseas. Should China manage to develop its geopolitical prevalence in select parts of the global South, then Beijing might well be able to delay rebalancing and sustain its high-saving, high-export model of development by shifting from the US to the developing world as the major destination of its surplus capital and manufactured exports. Of course, China's rise as a new imperial power is at most incipient. The two alternative scenarios that Pettis contemplates—a smooth, coordinated rebalancing of the surplus and deficit countries or a long, rocky landing of China and Germany, following in the footsteps of Japan's lost decades—are still much more plausible in the short run. In any event, the global crisis starting in 2008 is a turning point in the development of global capitalism. In the long run, whether it will lead to a more balanced and sustainable world economic order, a perpetual global crisis, or a renewed partition of the world by old and new imperial powers remains to be seen.

World Largest Economies



Source : IMF, World Economic Outlook

Emerging South America Constraints and Perspectives¹

Pierre Salama²

The crisis that began in 2008 is different in its causes from the crisis of the thirties. Financialisation, this time, appears to take precedence over other causes. The consequences of financialisation on sluggish labour incomes and household debt in some developed countries are now known. However, we cannot classify the 2008 crisis as a realisation crisis on the grounds that wages do not rise much in developed countries over a long period, because the taking on of debt kept up demand, which would otherwise have been sluggish. Nor can we classify it as a crisis of over-accumulation, because the rate of investment remains generally poor in all developed countries and idle production capacity is low. The effects of the globalisation of trade and finance on wages and productive investment were instrumental in precipitating the 2008 crisis. The globalisation of trade and external constraints from low wage countries in Asia led to dissociation between productivity growth and wage increase, causing the latter to stall, not only in developed countries but also in the emerging economies of Latin America.

Structural Crisis

Financial globalisation led to a new organisation of business firms to raise their immediate profitability. If we ignore the soaring incomes of managers, the share between profit and salary has tended to be at the expense of the latter, and, within profits, the share of financial profits (or costs) has increased. This means a twofold effect on earnings: an external constraint, the financial constraint in the distribution of value added, and the temporary positive impact of the « construction » of securitised financial products (shares) that have become very attractive.

If the present crisis is structural, as we believe, a cyclical upswing will not overcome the causes that produced it. Only a thorough reform of the international financial architecture and the imposition of new rules governing international trade – that take into account the ethical and environmental conditions of production – can overcome the crisis of 2008. In light of what happened during the Great Depression of the thirties, with the emergence of a new model of industrialisation and the resumption of growth in major Latin American countries, we can consider that the crisis of 2008 may allow for new growth opportunities in the emerging countries of Latin America. We must be cautious, however, as to the duration and meaning of the recovery in these Latin American economies. Is this a cyclical upswing in a downward trend? Or is it the beginning of a sustainable decoupling: the continuation of a structural crisis in industrialised countries and the beginning of sus-

tainable growth, the premise of a new pattern of growth in emerging Latin American economies. It is difficult to answer these questions because the answer depends, as in the thirties, on the political responses given to conflicts of interest, especially to distributive conflicts, that arise.

The more or less pronounced openness of Latin American economies to trade and financial flows has created « transmission channels », promoting the effects of contagion between developed countries, and between them and developing countries (WTO / OECD, 2009; OECD, 2009; IMF, 2009). The 2008 crisis was severe, causing growth rates to drop between five and ten points in emerging Latin American economies (Salama, 2009 and 2010). This was followed by a fairly rapid recovery, dependent mainly on a boom in the domestic market of these countries and their continuous supply of exports to Asian economies (China and, to a lesser extent, India). However, should a crisis occur again in developed countries, such as the one now threatening the sovereign debt of some European nations, the recovery of Latin American economies could be problematic. The effects of such a crisis would be more or less devastating for emerging economies, depending on their degree of trade openness, the type of goods exported, the intensity of financial globalisation, the stock-flow structure of foreign capital (bonds, equities, direct investments), and the magnitude of their actual net reserves. This is not only because there would be a drop in external demand, a depletion of liquid assets and a scarcity of international credits for export, but also because the possible consolidation of market dynamics in some emerging economies depends on the length of time between crises. The longer this interval, the stronger the opportunities to resist an external crisis. The scope of this article does not allow us to concern ourselves with this eventuality, which seems unlikely to occur in the near future. Our hypothesis is that developed countries will continue to experience low growth so long as structural reforms have not been undertaken. Within this context of weak recovery in industrial countries and potential financial turmoil, we analyse the possible emergence, in the major Latin American economies, of new growth plans focused on boosting their domestic market.

Sustainable growth

The contribution of foreign trade to growth can be analysed from two perspectives: one a strictly accounting perspective, the other emphasising economic mechanisms and snowball effects. In the accounting perspective, the assessment of the contribution of trade to GDP is concerned with the growth of exports and imports, i.e. exports net of imports. The former are positively involved in the growth rate, the latter, negatively. External trade may not contribute positively to a country's growth when

1.Extract from Pierre Salama, *Cadernos FLACSO* - Número 3

2.Professor, University of Paris XIII

its trade balance is negative, even if it is open to the global economy. Conversely, a positive trade balance of exports over imports will have a positive effect on growth. The case of Asian countries, and especially of China, is interesting because it is often given as an example to highlight the beneficial effects of export development on growth. If we consider the period between 2000-2008, the average contribution of net exports to the growth rate in China was 10,2%. This means that for a 10,2% average GDP growth rate, this contribution is only 1.1 points, while the contribution of investment is 5 points and total consumption represents 4.1 points. Nonetheless, with China's increasing trade surpluses during this period, the proportion has grown: The contribution of net exports rose by about 5% between 2001 and 2004 to more than 20% between 2005 and 2007, according to Goldstein and Xie (2009).

Contribution in the accounting perspective is not entirely the same as economic contribution, which can sometimes be significant even in situations where, from an accounting perspective, the contribution of net exports to growth is weak or negative. In this way, exports can play a coherent role in growth or, conversely, have little or no effect on it, even if the rate of trade openness is high. Let us consider two examples of highly open economies: Mexico and Korea. In the first case, growth is not pulled from the outside, in the second, it is.

In Mexico, unlike Brazil and Argentina in recent years, the trade balance remains in deficit. The structure of Mexican exports consists by 10-15% in the export of oil, the price of which is volatile, with the remainder divided roughly equally between products primarily for the Mexican domestic market and products intended wholly for external markets (almost exclusively the United States). The sharp increase in Mexico's rate of trade openness over the last thirty years is explained by the growth of exports of manufactured assembled goods, produced in « *maquiladoras* », where the value added is low, and there is very little cluster effect (Palma, 2005). Here, we see that the economic contribution of exports to growth is reduced: GDP growth remains sluggish despite the vitality of exports. Thus, the multiplier effect is weak (Ibarra, 2008).

In Korea, growth is driven by booming exports, but the relationship is more complex than is generally believed. Following the work of D. Rodrik (1995) and, contrary to the liberal *doxa*, it was not the development of exports and the marked opening of the economy that allowed the acceleration of growth in the sixties. Imports of capital goods grew faster than exports, consisting mainly of intermediate products and sophisticated capital intensive equipment. The sharp increase in these imports mirrored the increase in investments. The latter, therefore, were the real drivers of growth. An important portion of these investments as in fact intended for the production of goods to be exported, which would in turn bring in foreign currencies. The sequence is thus: increased investment rate leading to import growth leading to export growth; and it was only later that the balance of trade became positive. From an economic perspective, it is clear that the positive contribution of exports to growth is explained here by the government's industrial policy of encouraging local production of the inputs needed for the manufacture of

exported products. It is this policy, designed to increase the value added locally, which explains both the increase in investment and in imports of capital goods. Indeed, efficient investment practices, as reflected here by the imports of sophisticated capital equipment, were equally instrumental in bringing about the desired growth. We are in a scenario, therefore, that is radically different from the Mexican case. The contribution to export growth comes from an intensification of related industry, through a direct increase of investments in the sector producing goods for export, and an indirect increase in sectors producing inputs for these products. From a Keynesian viewpoint, the multiplier effect of increased investment outweighs the negative effect of imports and enhances the positive contribution of exports. This analysis of the Korean case can be applied to many other Asian economies. Boosting the domestic market through a redistribution of income does not mean neglecting the role played by the foreign market. It is not « a zero sum game ». The relationship between external market and internal (domestic) market is therefore more complex than appears at first glance. To speak as philosophers, we are dealing with two data that are « separate but interdependent ». It is a point often overlooked by economists.

This being said, trade openness has been moderate and the contribution of exports to growth in Latin America has been weak over the past twenty years. Contrary to what one might imagine, the emerging economies of Latin America have not experienced an exceptional process of trade liberalisation. Though Mexico and some small countries in Central America are exceptions, Brazil, Argentina and many other countries have maintained their overall participation in world exports. As these have grown on average twice as fast as world GDP during this period, globalisation has increased, of course, but at a rate more or less equivalent to the global average.

Thus, despite a substantial increase in Brazil's degree of openness between 1990 (11.7%) and 2004 (26.9%), its weight in international trade remains at a marginal level and relatively stable, hovering around 1.1% between 1975 and 2005 (Kliass and Salama, 2008), although it has since gone up slightly due to the significant rise in the cost of raw materials. By contrast, the growth of exports from China is much faster than the global average. Its share in international trade, which was roughly equivalent to that of Brazil in 1975 (0.9%), has risen sharply: 1.9% in 1990, 9% in 2000 to reach 7.4% in 2005 and now soaring at 8.9 (Instituto economico do desenvolvimento industrial). The globalisation of trade is therefore faster and more important in China than in Brazil. Although Brazil and Argentina have opened up to the world economy, they are not yet what could be called open economies.

However, unlike what can be observed in Asian countries, the globalisation of finance in Latin America has been substantial, much higher in fact than in Asian countries. However, financial openness did not bring about a significant development of high-risk financial stock share products in banks. For this reason, the latter suffered from scarce liquidity due to the repatriation of capital at the beginning of the crisis, more than from the need to « clean up » their balance sheets. Although their balance sheets have only been slightly affected by high

risk financial products, the behaviour of private banks in these countries has adapted to that observed in developed countries: credits to the economy have declined, and the financing of investments and exports has become more difficult. Credits to the economy have not entirely collapsed, however, because governments have sought to facilitate access to credit and to charge low interest rates (multiple subsidised rates for the purchase of cars and homes, for export, etc.), through their public banks. This policy has been facilitated in some places by the existence of large state banks such as BNDES in Brazil, and made more difficult elsewhere by their absence, or smaller size.

Income inequalities are particularly high in the vast majority of Latin American countries (Salama, 2006), though with three exceptions, they have declined slightly in many countries between 2002 and 2008 (ECLA, 2009; Lopez Calva and Lustig, 2009; Hopenhayn, 2009; Salvatori Dedecca, 2010). This development is important, and its causes numerous: change in how the labour market operates, greater social transfers, less regressive fiscal policies, population decline and increase in the employment rate of women – though the contribution of these last two factors to the decline in inequality is relatively modest according to Lopez Calva and Lustig (2009). Indeed, the number of adults per household accounts for 6.6% of the decline in inequality between 2000 and 2006 in Brazil, 8% in Argentina and 10.3% in Mexico.

The reduction of inequalities mostly comes, in fact, from improved working conditions (employment, salary) and only in a relatively small proportion from increases in revenue not generated by labour (26% in Argentina, 15.1% Mexico). The exception is Brazil (45.2%). More precisely, we observe in Brazil that the improvement in labour incomes is stronger for low incomes than for high incomes. The earning ratio of the richest 5% to the most modest 50% of the population went from 14.3 in 1993 to 13.5 in 2008, while the ratio of the richest 5% to the poorest 25% went from 23.6 to 18.6 (Salvatori Dedecca, 2010). These data may be surprising. They are partly due to the strong increase in the minimum wage, and thereby the amount of pensions paid by the public sector, and partly also to employment growth and the changing structure of jobs (Salama, 2007 and 2008). But the bottom line is that social transfers, contrary to common belief, play only a small role in the transformation of inequalities. We shall examine this last point more closely.

The works of the OECD (2008) and of Goni, Humberto Lopez and Servén (2008), from which the chart below is borrowed, clearly show the very weak influence of social transfers on the concentration level of incomes, as measured by the Gini coefficient. In considering the difference between gross income (including social transfers) and market income in Latin America and Europe, we observe that the impact of these transfers on the concentration of incomes is high in Europe but very low in Latin America. If we consider the available income (including transfers and direct taxes) and gross income (including transfers), we observe that the impact of taxes on the reduction of inequality is much higher in Europe than in Latin America¹⁰. The only effect of remittances in Latin America is low compared to European countries. The Gini down slightly by 2

points on a scale of 1100, while it decreased much more sharply in Europe on average (see the first two tables). The effect of direct taxes is extremely low in Latin America on average (less than 1 point on the Gini), while it is also much higher on average in Europe (see the last two tables). Therefore these differences are much more important once transfers, net of taxes, are included (on the order of 2025 points). On average, the Gini in Latin America goes from 51.6 to 49.6 while in Europe it goes from 47.6 to 28.2. From these data, we can readily understand why many economists, following the work of Celso Furtado, have seen the trend of economic stagnation as being caused by these levels of inequality and low social spending (Salama, 2006) and, conversely, why the slight reduction in inequalities and increase in social expenditures may have boosted growth in the years 2000 and revitalised the domestic market.

Conclusion

It is difficult to discuss the possible futures of Latin American countries without distinguishing the different paths they have followed during the last ten to fifteen years. Brazil, Argentina, and Mexico have certain features in common: high income inequality, higher in Brazil than in Argentina; slight reductions in these inequalities; a modest openness to international trade (with the exception of Mexico); primary exports once again making up an important proportion of total exports in Argentina and Brazil; a difficulty in exporting sophisticated industrial products, less pronounced in Brazil than in Mexico or Argentina; and finally, a trend towards appreciation of the real exchange rate, with the exception of Argentina in the 2000s. These countries also have different backgrounds. In Brazil and Mexico, the average growth rate of GDP has been modest in the 2000s. While Brazil's growth rate increased somewhat in 2004, Argentina's appeared to take off in Asian style. In 2009, the drop of the GDP was very sharp in Argentina, but still less pronounced than in Mexico and much less so than in Brazil.

Inequality has fallen more significantly in Brazil in the 2000s than in Mexico or Argentina, and, while social expenditures have increased in proportion to GDP in Brazil and Argentina, they have stagnated in Mexico (Alonso and Dain). These developments, as well as accelerating growth from 2003-2004 onwards, raise questions as to whether the beginnings of a new growth regime in Brazil (and more tentatively in Argentina), started even before the crisis erupted in 2008, carried by a boom in domestic demand. This boom may have been hidden by the simultaneous growth in primary product exports caused by the rise in their prices. These countries are at a crossroads. Economic recovery and counter-cyclical policies, decided in the aftermath of the breakout of the international crisis, could serve as a springboard for defining a new growth regime. In so doing, these countries, building on what appeared timidly in the 2000s, would « benefit » from the international crisis to further reduce their income inequalities and promote the contribution of their internal market to economic recovery, – somewhat like what happened in 1933-34 after the Great Depression of the thirties.

The massive return of capital into the so-called « emerging » markets of Latin America, the resumption of GDP

growth, the difficulties in sustaining demand insofar as it could increase labour costs – all these factors strengthen the political weight of those who would like to «close the parenthesis of the crisis» and return to the previous excluding growth pattern of the early 2000s. This temptation is even greater now that the return of capital translates into a new trend of appreciation in national currencies, after their sharp decline in 2008-2009. This trend is favourable to foreign investors but bad for exporters of industrial products, because the decrease in competitiveness caused by rising labour costs, expressed in dollars, is not always compensated for by the decline in value of their imports of intermediate and capital goods.

One might think that Mexico will probably be most tempted by this route, as its foreign trade is almost exclusively directed towards the United States and Canada, and foreign ownership in its banking system is very powerful. Conversely, a resumption of the international crisis would promote the continuation of an ant cyclical policy favouring demand, stimulate the search for alternative trading partners and enable a further depreciation of the peso, thereby offsetting increases in labour costs.

A continued policy supporting domestic demand is more likely to occur in Brazil and in Argentina. But it suffers from many handicaps. As we have seen, the reduction

of inequalities is weak and these inequalities remain at an extremely high level. The absolute size of Brazil's population (which is greater than Argentina's) and the existence of Mercosur allow it to have a sufficiently large domestic market, in terms of capital development, for a wide range of products. This in itself seems insufficient, however, to inspire sustainable market-driven growth as long as the weight of finance and its effects on income distribution have not been contained. Increasing the wages of the least paid social strata, however desirable it may be given the extent of poverty, is not sufficient.

The obstacle of regressive taxation must be lifted, which cannot be done without deepening serious conflicts of interest that have been at work for some years already. In the thirties, the market was created through a «forced march» of monetisation, produced by industrialisation and giving it impetus. Today, the domestic market can contribute to sustainable growth only if a true Welfare State is established. This alone will make it possible for the domestic market to offset the sluggish external demand for industrial products. Not to choose this path is to accept a return to international specialisation in primary commodities on the pretext that the international demand is strong. This is choosing the easy way out today, but also a fragile economy for tomorrow.

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BRICS and Beyond



The BRICS Summit in Durban¹

Patrick Bond

The BRICS agenda of re-legitimizing neoliberalism not only reinforces North American power, of course. In each case, the BRICS countries' control of their hinterlands for the sake of regional capitalist hegemony was another impressive feature of sub-imperialism, especially in South Africa's case.

Much of the long-standing (apartheid-era) critique of South African sub-imperialism still applies, but what is new is that thanks to financial deregulation associated with the country's "elite transition" from racial to class apartheid during the 1990s, what were formerly Johannesburg and Cape Town-based regional corporate powers – Anglo American Corporation, DeBeers, BHP Billiton, Old Mutual and Liberty Life insurance, SA Breweries, Investec bank, Didata IT, Mondi paper, etc. – escaped. These firms' financial headquarters are now in London, New York and Melbourne, and the outflows of profits, dividends and interest are the main reason South Africa was ranked the "riskiest" among 17 emerging markets by *The Economist* in early 2009, requiring vast new foreign debt obligations to cover the hard currency required to facilitate the vast capital flight. South Africa cannot, thus, be described as "imperialist" – it is simply retaining far little of the surplus.

Sub-Imperialism

First, to make the case that sub-imperialism lubricates global neoliberalism in these various ways, and that within BRICS South Africa joins the other "deputy sheriffs" to keep regional law and order (e.g. in the Central African Republic), requires dispensing with naïve accounts of foreign policy that remain popular in the international relations field. Some argue that South Africa's role is neither anti-imperialist nor sub-imperialist – that as a "middle power", Pretoria attempts to constructively "lead" Africa while acting in the continent's interests through building strategic partnerships ... in a constant effort to win over the confidence of fellow African states, and to convince the world community of its regional power status, thus seeking "non-hegemonic cooperation" with other African countries. But these thinkers are missing an opportunity to interrogate the power relations with the critical sensibility that these times demand, not least because super-exploitative extractive industries based upon migrant labor, without regard to community degradation and ecological, continue to be the primary form of BRICS countries' engagement with Africa.

Occasionally this agenda leads directly to war, a fetish about which is also a common distraction among scholars attempting to elucidate imperial-sub imperial power relations. In the recent era, the main military conflicts associated with Washington-centered imperialism have been in the Middle East, Central Asia and North Africa, and so Israel, Turkey and Saudi Arabia are often cited as the

West's sub-imperial allies.

But it was not long ago – from the 1960s through late 1980s – that Southern Africa was the site of numerous wars featuring anti-colonial liberation struggles and Cold War rivalries, with apartheid South Africa a strong and comforting deputy to Washington. Over two subsequent decades in this region, however, we have witnessed mainly state-civil tensions associated with conflict-resource battles (e.g. in the Great Lakes region where southern Africa meets central Africa and where millions have been killed by minerals-oriented warlords), neoliberalism (e.g. South Africa and Zambia), an occasional coup (e.g. Madagascar), dictatorial rule (e.g. Zimbabwe, Swaziland and Malawi) or in many cases, a combination.

The civil wars engineered by apartheid and the CIA in Mozambique and Angola had ceased by 1991 and 2001, respectively, with millions dead but with both Lusophone countries subsequently recording high GDP growth rates albeit with extreme inequality. Across Southern Africa, because imperial and sub-imperial interests have both mainly focused upon resource extraction, a variety of cross-fertilizing intra-corporate relationships emerged, symbolized by the way Lonmin "benefited" in mid-2012 from leading ANC politician Cyril Ramphosa's substantial shareholding and connections to Pretoria's security apparatus, when strike breaking was deemed necessary at the Marikana platinum mine. South African, US, European, Australian and Canadian firms have been joined by major firms from China, India and Brazil in the region. Their work has mainly built upon colonial infrastructural foundations – road, rail, pipeline and port expansion – for the sake of minerals, petroleum and gas extraction. BRICS appears entirely consistent with facilitating this activity, especially through the proposed BRICS Bank.

US agenda in Africa

The Pentagon's Africa Command (Africom) has prepared for an increasing presence across the Sahel out to the Horn of Africa (the US has a substantial base in Djibouti), in order to attack al Qaeda affiliates and assure future oil flows and a grip on other resources. Since taking office in 2009, US President Barack Obama has maintained tight alliances with tyrannical African elites, contradicting his own pro-democracy rhetoric within a well-received 2009 speech in Ghana. Likewise, the US role in Egypt – another rendition-torture hotspot – in propping up the Mubarak regime until the final days spoke volumes about the persistence of strong-man geopolitics, trumping the "strong institutions" that Obama had promised.

With fewer direct military conflicts in Africa but more subtle forms of imperial control, and with "Africa Rising" rhetoric abundant since the early 2000's commodity price boom, the continent and specifically the Southern African region appear as attractive sites for investment, in no small

1. The longer presentation was published by LINKS, March 2013.

measure because of South Africa's "gateway" function, with Johannesburg as a regional branch-plant base for a variety of multinational corporations. Throughout this period, there was a restrained yet increasingly important Washington geopolitical agenda for Africa, which US President George W. Bush's first Secretary of State, Colin Powell, described cogently in a document, *Rising US Stakes in Africa*:

- political stabilization of Sudan (whose oil was craved by Washington);
- support for Africa's decrepit capital markets, which could allegedly "jump start" the Millennium Challenge Account [a new US AID mechanism];
- more attention to energy, especially the "massive future earnings by Nigeria and Angola, among other key West African oil producers";
- promotion of wildlife conservation;
- increased "counter-terrorism" efforts, which included "a Muslim outreach initiative";
- expanded peace operations, transferred to tens of thousands of African troops thanks to new G8 funding; and
- more attention to AIDS.

On all but Sudan, South African co-operation was crucial for the US imperial agenda. However, after the US military's humiliating 1993 *Black Hawk Down* episode in Somalia, there was insufficient appetite at the Pentagon for direct troop deployment in Africa, and as a result, President Bill Clinton was compelled to apologize for standing idly by during the 1994 Rwandan genocide. Instead, as Africa Command head Carter Ham explained in 2011, Washington "would eventually need an AfriCom that could undertake more traditional military operations ... [although] not conducting operations – that's for the Africans to do." When in 2011, Obama wanted to invade Libya to rid the country of Muammar Gaddafi, South Africa voted affirmatively for NATO bombing within the UN Security Council (where it held a temporary seat), in spite of enormous opposition within the African Union.

In January 2013, Pretoria deployed 400 troops to the Central African Republic during a coup attempt because, "We have assets there that need protection", according to deputy foreign minister Ebrahim Ebrahim. There was similar reliance by the G8 upon G20, BRICS and even South African "deputy sheriff" support on the economic battlefield.

South Africa and Global Power

For foreign policy, the big question raised by Zuma's presidency was whether the momentum from Mbeki's expansionist "New Partnership for Africa's Development" (Nepad) would be resumed after that project's demise, given the former's preoccupations with domestic matters and comparatively weak passion for the international stage. Only in 2012 was the answer decisively affirmative: Nkomo Dlamini-Zuma's engineered election as African Union Commission chairperson. By mid-2012, Pretoria's National Development Plan – overseen from within the South African presidency and endorsed at the ANC's December 2012 national conference – provided a variety of manda-

ted changes in policy so as to align with South Africa's new BRICS identity and functions. These mainly involved pro-business statements for deeper regional economic penetration, alongside the exhortation to change "the perception of the country as a regional bully, and that South African policy makers tend to have a weak grasp of African geopolitics".

That problem will haunt Pretoria in coming years, because like the political carving of Africa in Berlin in 1884-85, the BRICS 2013 Durban summit has as its aim the continent's *economic* carve-up, unburdened – now as then – by what would be derided as "Western" concerns about democracy and human rights. Also invited were 16 African heads of state to serve as collaborators. Reading between the lines, the Durban BRICS resolutions will:

- support favored corporations' extraction and land-grab strategies;
- worsen Africa's retail-driven deindustrialization (South Africa's Shoprite and Makro – soon to be run by Wal-Mart – are already notorious in many capital cities for importing even simple products that could be supplied locally);
- revive failed projects such as Nepad; and
- Confirm the financing of both African land grabbing and the extension of neo-colonial infrastructure through a new BRICS Bank, in spite of the damaging role of the Development Bank of Southern Africa in its immediate hinterland, following Washington's script.

There are two additional roles for BRICS regimes if they are genuinely sub-imperialist. One is ensuring regional geopolitical "stability": for example, Brasilia's hated army in Haiti and Pretoria's deal-making in African hotspots like South Sudan, the Great Lakes and the Central African Republic for which \$5 billion in corruption-riddled arms purchases serve as military back-up.

The forms of BRICS sub-imperialism are diverse. The results are going to be ever easier to observe,

- the more that BRICS leaders prop up the IMF's pro-austerity financing and catalyze a renewed round of World Trade Organization attacks;
- the more a new BRICS Bank exacerbates World Bank human, ecological and economic messes;
- the more Africa becomes a battleground for internecine conflicts between sub-imperialists intent on rapid minerals and oil extraction (as is common in central Africa);
- the more the hypocrisy associated with BRICS/US sabotage of climate negotiations continues or offsetting carbon markets are embraced; and
- the more that specific companies targeted by victims require unified campaigning and boycotts to generate solidarity counter-pressure, whether Brazil's Vale and Petrobras, or South Africa's Anglo or BHP Billiton (albeit with London and Melbourne headquarters), or India's Tata or Arcelor-Mittal, or Chinese state-owned firms and Russian energy corporations.

In this context, building a bottom-up counter-hegemonic network and then *movement* against both imperialism and BRICS sub-imperialism has never been more important.

Future Trajectories for BRICS

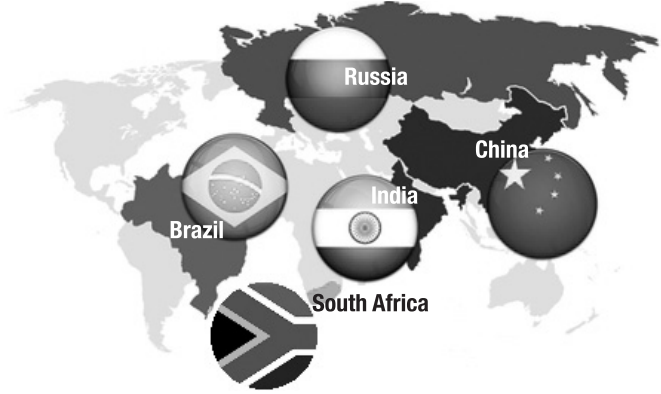
Achin Vanaik¹

Can Brics emerge as a collective that will reject the current neoliberal order and seek to promote much more social welfarist form of capitalist development – one that might at least unleash a dynamic much more conducive to the emergence of more progressive social and political forces whose pressures from below? And will it seriously challenge the existing world order where the imperialist behaviour of the US continues to be highly – and sometimes decisively – influential in shaping the course of events? Or are these governments headed by elites whose principal preoccupation is forging a more cooperative system of global management of a world capitalist order in which their voices will be more seriously listened to and in which their own rankings in the global pecking order of elites rises much more significantly?

BRICS as a new platform for the South or as member of the neoliberal elite?

In March 2012, the BRICS Summit meeting in Delhi came out with the 'Delhi Declaration' that offered insight into the current significance and trajectory of Brics as a collective body. There have been two contesting views. One is marked by considerable enthusiasm about its potential. The very fact of regular summit meetings with an 'escalating consensus' is thought to bode well for the body's future and its ability to reshape the institutions and practices of global governance. That the G7 gave way to the G8 which in turn has now given way to the G20 (incorporating the Brics countries as well as other emerging economies) as the main international grouping undertaking to steer the world economy, is taken as testimony to the growing relevance of the emerging powers in general, Brics in particular. Others are more skeptical. Here, the Brics countries are viewed not so much as major reformers of the current global neoliberal order but as new members happily included in a still hierarchical 'world steering committee' because they too will play by the basic rules. Brics may account for 42 percent of the world's population, 18 percent of its GDP, 15 percent of world trade and 40 percent of its currency reserves. (Oman, UAE, Bahrain, Qatar, Kuwait and Saudi Arabia, which are all politically subordinate to the US, have in total more dollar reserves – official, sovereign wealth and other government funds – than does China.)

The main importance of Brics lies in the fact that it accounts for more than half of the world GDP *growth rate*. The Delhi Declaration showed that there was no real challenge to the neoliberal order and no interest in promoting an NIEO (New International Economic Order) of the kind that was once discussed by the Nonaligned



Movement (NAM) during the 1970s. Indeed, neither Brazil which has observer status in the NAM, or China, which got this in 1992, have shown interest in becoming full members of the NAM or in re-invigorating it as a mechanism for transforming global governance.

Whether it is being part of the G-20 or being aspirants to permanent status in the UN Security Council for those who are not yet permanent, or playing a bigger role in the WTO's Green Room decision-making, the emerging powers have shown more interest in joining a 'big boys' club.' They use their membership of the G-77 and similar larger groups to project themselves as representatives of the interests of the majority of the poorer developing countries, the better to leverage pursuit of their national interests in negotiations within that club. This is a balancing act of sorts but not one whose primary purpose is to strengthen the South as a whole or prioritize the interests of the most vulnerable and poorest member countries within the South. The Delhi Declaration accepted the free trade mantra as the key to global prosperity and simply calling for more regulation of the global financial system. So instead of seriously challenging the basic orientations of the IMF/WB/WTO triptych let alone working to radically transform it or build an alternative governing architecture to it, the Delhi Declaration promised to work with the G-20 in the domain of global macro-management.

Of the IMF it demanded merely that it live up to the '2010 Governance and Quota Reform' for providing greater representation and quotas to emerging powers. These reforms however will not alter the US position as the sole power capable alone of vetoing any crucial decisions in the Executive Board. As for setting up some alternative mechanism for institutionalizing intra-Brics cooperation of a kind that might seriously challenge existing structures, this did not happen. Clearly, concerns about potential Chinese dominance of such a Bank, given its resources and reserves, were paramount among the other member countries on that occasion.

This Delhi Declaration talked about setting up a new 'Development Bank' but was careful to state that this would not compete with the World Bank and no timeline for set-

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ting it up was established. This will remain the case even if beginnings are made to set it up after the 2013 BRICS meet in Durban. On the economic front, the one measure of some significance, though hardly a challenge to existing structures of global economic governance, was an agreement on intra-Brics credit provision in local currencies for promoting intra-Brics trade. There would be greater inter-bank cooperation as well as facilitation of more cooperation in capital markets, financial services, treasury transactions, stock exchange investments and the issuance of local currency bonds according to national laws, i.e., minimising transaction costs in intra-Brics economic activities.

Lines of confrontation

Collective self-interest rather than learning the lessons of the past and present meant that the pursuit of nuclear energy was endorsed even as UNSC resolutions on Iran were shamelessly endorsed. On the issue of global warming the feeble outcome in Durban in December 2011 – where the US, India and China as the big emitters were the main culprits responsible for this feebleness – was also endorsed. If nothing else, this was an indication that the Brics countries are not going to take the bull by the horns as it were when it comes to charting out any new development paradigm that would be fundamentally eco-friendly.

On the political front because Russia and China were shaken by how their earlier endorsement of limited UN sanctions on Libya helped the West to carry out regime change, they pressed for and obtained a collective statement advocating caution and non-intervention by the West in regard to the Syrian crisis, i.e., respect for its ‘territorial integrity and sovereignty’. The reality is that a basic political-economic incompatibility rather than organizational handicaps limit the collective’s capacity to function as a powerful and innovative new force in the realm of global politics and governance.

The South African super-wealthy, mostly white, park much of their wealth and investments in Europe and Australia creating a domestic balance of payments problem because of repatriation of profits and dividends to parent companies set up abroad. Given this powerful elite force, South Africa maintains a strong Rand unlike the other four who are nowhere near as committed to maintaining a strong Real, Rouble, Renminbi or Rupee. By demography (50 million) and total GDP, South Africa might not be in the same league as the other four or even as significant as Mexico, South Korea, Turkey. But it is far and away the biggest investor in Africa dwarfing the US, EU, China, India, Brazil and alone accounts for 40 percent of all African investment and 80 percent of all investments in the Southern African Development Community.

In foreign policy Pretoria is more obsequious than the others to US foreign policy except on Palestine. India is pursuing ever closer relations with the US despite hiccups and is part of Washington’s China-containment policies. Brazil is paying more attention to its intra-continental economic activities as well as showing more foreign policy independence from Washington. But outside Latin America this is more a way of asserting a greater self-confidence as an emerging power than actively seeking to put serious spokes in the functioning of US foreign policy. Russia and China however are both much more perturbed by US behaviour globally than the other three and thus seeking greater political-economic cooperation.

It is difficult to see just what the Brics countries can point to – economically, politically, culturally, strategically – that can serve as the kind of cement that could make the collective a unified and powerful force for significant change on the world level. The most perhaps that can be said is that a serious weakening of US global hegemony and influence would raise – by default more than anything else – the importance of Brics as a collective unit.

The Global Economic Chessboard and the Role of the BRICS¹

Jayati Gosh²

Despite its strange origins and some serious challenges confronting it, the bloc of countries that has emerged into the international arena under the acronym BRICS (Brazil, Russia, India, China, South Africa) has the potential for being a positive force in world affairs. Strange things happen in the world. Imagine a grouping of countries spread across the globe, which gets formed only for the simple reason that an analyst for an investment bank decides that these countries have some things in common, including future potential for growth, and then creates an acronym of their names! Bizarre but true.

The original categorisation of the BRIC countries (by Jim O'Neill of Goldman Sachs in an article in 2001) contained only Brazil, Russia, India and China. He described the countries with the most economic potential for growth in the first half of the 21st century, based on features like size of population and therefore potential market; demography (predominantly young populations with likely falling dependency ratios); recent growth rates; and embrace of globalisation. So China was to become the most important global exporter of manufactured goods (which indeed has already occurred); India the most significant exporter of services (which has not occurred as expected, although it remains important); and Russia and Brazil would dominate as exporters of raw materials.

In a process that has since surprised many, this initial statement caught the imagination not only of the global financial community and the mainstream media, but even of policy makers in the countries themselves! Although geographically separated, economically and politically distinct, with different levels of development and with not such strong economic ties at that time, these countries began to see themselves as a group largely because of foreign investor and media perceptions.

The group had its first summit meeting in June 2009 in Yekaterinburg, Russia. In 2010 South Africa was included (at the instigation of China). The enlarged BRICS have since had summit meetings in Brasilia, Brazil, in 2010; Sanya, China, in 2011; New Delhi, India, in 2012; Durban, South Africa, in 2013. The BRICS now cover 3 billion people, with a total estimated GDP of nearly \$14 trillion and around \$4 trillion of foreign exchange reserves. Each country is effectively a sub-regional leader. Of course, that does not mean there are no other potential candidates for inclusion. Indeed, several countries are often mentioned as possible members of an enlarged group on the basis of their actual and potential global economic

significance: for example, South Korea and Mexico (both OECD members), Indonesia, Turkey, Argentina.

BRICS is one of several new initiatives of different countries in the world to break out of the Northern axis: G12 (G20-G8), IBSA, BASIC (BRICS minus 1) and so on. While the origin of the grouping may be odd, and the countries are indeed remarkably diverse, there are some commonalities that are important. Subsequently, in fact, these countries have since shown significant interest in meeting periodically, working together, and finding some synergies and new ways of cooperation.

So trade between BRICS countries soared after they became recognised as a combination (although of course this is a period when trade between developing and emerging markets in general has grown much faster than aggregate world trade). Investment links have been growing too, mainly through Chinese involvement in different countries and some interest shown by large Indian capital. And more recently there have been other moves that suggest an appetite for newer and further forms of close economic and political interaction and co-ordination. They have recently acted in concert in several international platforms, most recently pledging \$75 billion to the International Monetary Fund (conditional on IMF voting reform). Other economic initiatives include agreement to denominate bilateral trade in each other's currencies, and plans for a development bank. There have also been declarations in favour of a shared approach in foreign policy, particularly responses to US and European policies in the Middle East and elsewhere.

In fact there is great potential in these five countries not just combining to address global issues, but perhaps even more significantly, learning from one another. For example, India has much to learn from Brazil and China in the matter of development banking. From the early 1990s, India has set about destroying the potential of its own development banks, in both agriculture and industry – but there is still scope for their renewal and rejuvenation. And the example of Brazil, and in particular the Brazilian Development Bank (BNDES), in entering areas and promoting activities that would not occur purely through the incentives determined by the market, could provide some guidance about how this can occur even in a very open and largely market-driven economy.

Similarly, there are areas in which other BRICS countries could learn from India, while the description of the work of the South African Development Bank illuminated the strategy of creating financial structures and mechanisms to promote the 'green economy' through environmentally desirable activities and technologies. There are also immense possibilities for technology sharing and even coordinating technology development, in a world where intellectual property rights still largely controlled

1. The longer version of this presentation was published in *Third World Resurgence*, no. 271, June 1 2013

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by Northern multinational companies have emerged as a major constraint on development. There is also great potential for 'Marshall Plan'-type capital flows from surplus to deficit countries (even those outside the BRICS) to enable them to withstand the impact of global recession – and a BRICS Bank could be a first step in that direction.

Common challenges

But it is not only comparing experiences of the recent past and learning from each other's approaches that may be important. Despite their many differences, the BRICS countries do face some common challenges, and the very urgency of these challenges points to the benefits of cooperation to develop new strategies. At least four such challenges deserve mention, as do some possibilities of combined action to confront them.

The first is the fact of the continuing global crisis and the near-certainty that the Northern economies (the US and Europe in particular) are unlikely to provide much positive stimulus to the global economy. For all the BRICS, these countries still dominate as export destinations and the domino effect of declining Northern markets must be accepted. So clearly, there is a need to diversify exports, a process that has already started but still needs to go a long way. Of course bilateral currency trade would encourage more trading activity between the BRICS, and this is desirable.

But the current state of the global economy suggests the need for greater ambition. In particular, the time is clearly ripe for some sort of 'Marshall Plan' for the developing world, and the BRICS countries (particularly China and Russia) are uniquely positioned to take this process forward. This would involve developing mechanisms to finance imports by countries with low incomes and low levels of development, simultaneously delivering markets to other developing countries and more development potential to the recipient countries.

The other challenges are more internal, but surprisingly common across the BRICS. The recent growth process has been substantially associated with increasing income and asset inequality (other than in Brazil, which once again provides some lessons for the others, but where Gini coefficients still remain among the highest in the world). It is now more evident that such inequality is socially and economically dysfunctional, and also that it gives rise to political tensions that can be even more damaging. So there must be measures to address this.

Inadequate productive employment generation has been a central feature of the past growth process, and is clearly linked with the growing inequality. Economic policies within BRICS countries must be concerned with this, and in particular with how to promote more opportunities for decent work.

Another major aspect of inequality has been the inequality in access to basic social services and utilities. The strategies of privatisation and reduced public spending in such areas in all the BRICS countries have not only reduced access for the poor but also created tremendous inequalities. It is increasingly necessary for innovative strategies

to promote more universal provision of necessary services and utilities.

Finally, recent growth in all the BRICS countries has been associated with a construction and real estate boom, and it is interesting to note that this boom is also in the process of winding down in all five countries. This creates all sorts of difficulties, in terms of both the employment losses as well as the health of the financial sector, and it is particularly galling given the continued shortage of adequate mass housing. All of these countries will need effective strategies to deal with this challenge, even while they continue to promote affordable and better-quality mass housing, and so surely there are opportunities here for creative policy thinking that can be shared.

South-South relations

What of the relations of the BRICS with other countries of the Global South? Two issues are important here. The first is whether the BRICS or the G20 will ignore or substitute for the views of the G77 or larger bodies of developing countries whose voices are only too rarely heard in international policy discourse. This is a concern, and one that it is important for the BRICS themselves to address directly. The recent attempt by South Africa to include many other African nations as observers or participants in the latest BRICS Summit was in that sense welcome, but the nagging question is whether this was simply a cosmetic attempt at suggesting wider representation than actually existed.

The second issue is whether the BRICS countries' dealings with other countries of the South are following desirable patterns or simply replicating North-South interaction. It used to be believed that economic interaction between developing countries (South-South integration) would necessarily be more beneficial than North-South links. After all, North-South economic interaction mostly reproduced the global division of labor that emerged by the mid-20th century: the developing world specializes in primary commodities and labour-intensive (and therefore lower productivity) manufactured goods, while the North keeps the monopoly of high-value-added production. By contrast, trade and investment links between countries in the Global South were supposed to allow for more diversification because of their more similar stages of development, thus creating more synergies.

However, recent global economic patterns have led many to question these easy generalizations. The emergence of East Asian countries (especially China) as giant manufacturing hubs has been driven to a significant extent by North-South trade and investment. Even the interaction between developing countries has not always been along the predicted lines. Accusations of 'new colonialism' are now more common – especially in the hypocritical North, but also in the South. There are questions about whether groupings like the BRICS will feed into this, especially by controlling their own backyards and other weaker developing countries.

So there are fears that growing trade and investment links of the BRICS with poorer developing countries seek

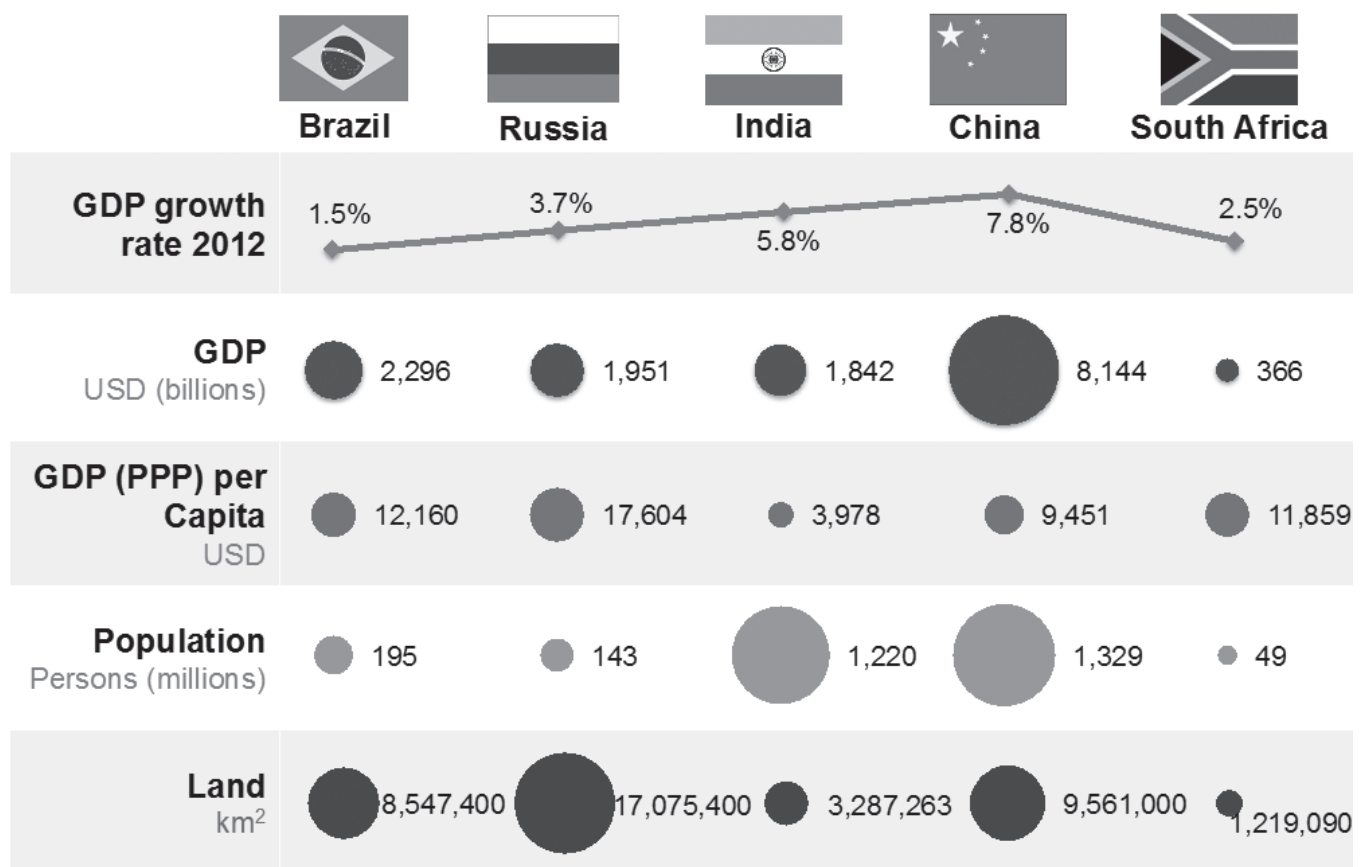
to exploit the natural resource base of these countries, siphoning them off in ways that are ecologically damaging, inherently unequal and of little benefit to the local people. There are concerns that cheaper exports from these semi-industrial countries undermine the competitiveness of local production in the poorer countries, thereby causing further shifts into primary commodity exporting and thereby stunting their development process. China is said to be dumping its products in economies across the world, and using the resulting foreign exchange surpluses to invest in and provide aid to authoritarian regimes that allow access to natural resources. Similarly Indian corporate investors are said to be engaged in large-scale land grabs in countries of North Africa and predatory behavior elsewhere. Many recent South-South trade and investment agreements (and the resulting processes) have been similar in unfortunate ways to North-South ones, not just in terms of the protection they afford to corporate investors but even in guarding intellectual property rights!

As always, the reality is complex. Primary exporting countries are better off if there is increased competition among imperialists or traders, since that allows for better terms of such exports. Even China's relationship with poorer countries is not based on colonial-style control of political power, but more arm's-length. New manufacturing hubs with increasing import demand have allowed less developed countries indirect access to the developed-world market, while the fast growth of the BRICS has resulted in rapidly

growing internal markets from which these countries stand to gain. This provides an important source of demand stimulus even as developed countries are increasingly mired in financial crisis and economic stagnation.

The basic point is that it is not economic interaction per se, but its nature, that has to be considered. Much of recent South-South interaction (including amongst the BRICS) has been corporate-led, which has determined the focus on trade and investment and the encouragement of particular patterns of trade and investment. To the extent that companies everywhere have similar interests (the pursuit of their own profits), it is not surprising that older North-South patterns are replicated.

But surely the focus should be to democratize the interaction itself, to work out the ways in which the patterns of trade and investment flows can be altered to emphasize the creation of decent employment. For this, a change of direction is required both within and outside the BRICS. The potential for positive change exists, but process needs to be more people-oriented, not profit-determined. Ultimately, sustainable economic diversification to higher-value-added and ecologically viable activities remains the key to growth and development not just in the BRICS countries but in other developing countries as well. This period of global flux actually provides a valuable opportunity to encourage and develop new ways of taking such strategies forward through cooperation.



Source: AMI based on data from the EIU.

Fractures and Alternatives



China's Rise: Strength and Fragility¹

Sean Ledwith

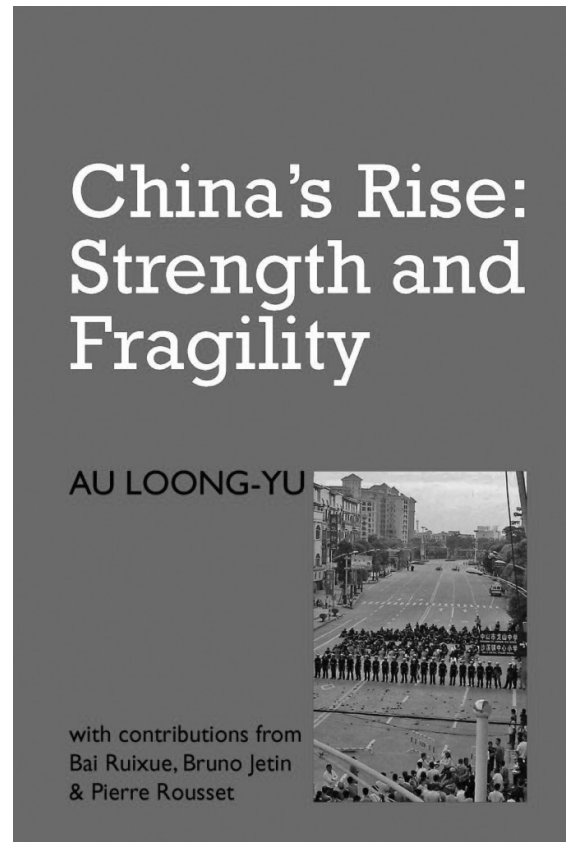
The accession earlier this year of Xi Jinping as China's new President has activated a renewed surge of Western interest in the trajectory of its pre-eminent economic and military rival. Most of the political analysis of China in the Western media, predictably, is superficial and incoherent. The majority of mainstream commentators are simultaneously mystified and awe-struck by the spectacle of an apparently 'communist' state starting to overtake the capitalist West at its own game of global economic hegemony. Their dismay at the ascent of China is tempered by a smug belief that this development represents a moral victory for capitalism as the 'People's Republic' has in effect abandoned its prior commitment to 'Marxism-Leninism'.

The analysis edited by Au Loong Yu in *China's Rise: Strength and Fragility*, represents a superior and more convincing approach as it is based on a starting point that the modern Chinese state has no socialist elements whatever and that, in fact, it represents a modified form of the capitalist economies that exist elsewhere. The book is also written from an explicitly Marxist perspective that with which readers of this website can identify. The writers have an avowed commitment to solidarity with the Chinese working class in its struggles with the country's ruling class. Au Loong Yu is a left-wing activist from Hong Kong who manages to be both scathing about the hollow pretensions of Beijing's elite to be part of a Marxist tradition, and dedicated to reviving that tradition in an authentic form.

Authentic socialism

The book is founded on a conviction that authentic socialism remains the best strategy for China's labor movement, despite the fact that the term has been mangled by the practices of the Chinese Communist Party (CCP) since it took power in 1949: 'From a socialist point of view, it is time to reassert the idea of socialism as a fully developed democracy which does away with the bureaucracy by creating the conditions for the state to wither away altogether' (p.50). The book's subtitle also indicates the authors' conviction that the apparent omnipotence of the Chinese ruling class may turn out to be transitory.

The accession of Xi to the senior position within that ruling class is placed in the context of a quasi-faction fight in the upper echelons of the CCP. Au Loong Yu labels the two competing groups after the respective cities they are centered on; the 'Chongqing' model versus the 'Guangdong' (p.58). The former is associated with the disgraced party boss, Bo Xilai, who was forced into internal exile last year after becoming embroiled in a murky scandal involving the murder of a British businessman.



This faction is linked to the massive East Coast export-based cities that favour rapid integration into the global capitalist economy and increased penetration of China by foreign capital. The Guangdong clique, personified by Xi, promotes more cautious economic development based on boosting domestic consumption and the cultivation of a sizeable middle class. Au Loong Yu also characterizes this as a dispute between 'liberals' and 'nationalists' in the ruling class (p.47).

He emphasizes however that it is important not to exaggerate the differences between these factions and that it would totally misguided to see one as more progressive than the other. The Western media are especially culpable of this wishful thinking as they apparently perceive Xi as more biddable on flimsy factors such as his marriage to a telegenic singer or the fact he smiles more than his predecessors! Au Loong Yu reminds us that the competing factions occupy common ground on the need to intensify exploitation of the working class and to maintain a course towards a secure capitalist state:

'Nevertheless there has been no serious disagreement over the principle of restoring capitalism or over the strategy of an economic alliance with the west. This is because the economy has been growing for the last twenty years and therefore faction fights within the party have been kept under control and have not developed into serious political divisions' (p.47).

1. The longer version of this text is on <http://www.counterfire.org/index.php/articles/book-reviews/16394-chinas-rise-strength-and-fragility>

Rupture at the top

Au Loong Yu argues that the most significant aspect of this strategic debate within the ranks of the elite is the possibility it creates for a future rupture at the top of Chinese capitalism that could open up the possibility of mass action from below. This is the main reason it is useful for socialists to monitor the apparently opaque jostling for position in the Beijing hierarchy. Such a rupture was the spark for the last great wave of proletarian resistance in China: 'You should not exclude the possibility that in an economic and political crisis, the party-state may find itself split or that events spin out of control, triggering a revolutionary situation as almost happened in 1989' (p.49).

The liberal and nationalist factions have developed as competing strategies for how to take Chinese capitalism through the next phase of economic development. Xi represents the fifth generation of CCP leaders since the 1949 revolution. The previous two generations were responsible for 'China's Rise' to its current position of second place in the global pecking order. These two successive cohorts of leaders had exploited the crushing of the 1989 uprising to oversee a massive expansion of China's export-driven East Coast mega-cities. This process also incorporated the implementation of a policy utilized by other elites around the world at this time: 'Since the mid-1990s the CCP has promoted two waves of privatisation. The first was aimed at privatizing small and medium sized SOEs, while the reforming larger ones into joint stock companies. The second wave was the privatisation of urban and suburban land' (p.17).

SOEs are the state-owned enterprises that were the backbone of the first phase of post-1949 development presided over by Mao Zedong. Although the national context is different, this policy was in essence no different from the waves of privatisation that neoliberal politicians were deploying in other parts of the global economy. The authors quote Marxist economist David Harvey's comment that 'the outcome in China has been the construction of a particular kind of market economy that increasingly incorporates neoliberal elements interdigitated with authoritarian centralized control' (pp.21-2). Au Loong Yu argues that this seemingly secure construction has caused China to promote itself an alternative model of growth to the neoliberal West; the 'Beijing Consensus' as counter posed to the Washington version.

This economic model is the foundation for China's increasingly high-profile collaboration in South American and African infrastructure programmes. Au Loong Yu cites evidence that 'Chinese aid to Africa alone might amount to US\$2 billion' (p.74). Unlike some Western commentators, however, Au Loong Yu is not starry-eyed about this trend. He highlights that Chinese participation in industrial development often has adverse consequences for the workers involved: 'The Chinese government is well known for its hostility towards the labor rights; free association and the right to strike. There is growing concern that China's overseas investments are exporting China's anti-labor regime' (p.83). Au Loong Yu also notes that there has been a significant shift in China's overseas repu-

tation. In the 1960s, it cultivated an image as an exporter of revolution through its military assistance to guerrilla movements in the southern hemisphere. In the twenty-first century however: 'The global strategy represents a regression of the Chinese foreign aid policy from relatively progressive third-worldism to one which prioritizes Chinese companies' commercial interests' (p.86).

Sabre-rattling

This retreat by the ruling class from the leftist rhetoric of earlier decades has been supplemented by the rise of nationalist sentiments as a substitute for mobilizing Chinese public opinion. Au Loong Yu suggests the 1999 US bombing of the Chinese embassy in Belgrade (as part of the Kosovan intervention) was the event that legitimated a 'nationalist turn' in the rhetoric of the elite (p.111). He points out how Chinese cinema and television has become increasingly comfortable producing 'programmes glorifying past great emperors, advocating Chinese chauvinism and anti-western thinking and even outright social Darwinism and fascism' (p.112). This echoes how Stalin in the 1940s would cynically use cinematic depictions of tsarist figures from Russian history such as Ivan the Terrible and Alexander Nevsky as stand-ins for revolutionary propaganda. Similarly, the Beijing elite has, over recent months, explicitly encouraged anti-Japanese demonstrations to occur on the streets, demanding seizure of the disputed Senkaku islands in the South China Sea. Au Loong Yu also quotes influential Chinese commentators who call on 'the government to attack Taiwan and incorporate it as soon as possible ... If we win this war the years of insult inflicted on us by the US will be left behind' (p.121).

Sabre-rattling such as this from some quarters of the Chinese elite however leaves other elements feeling uneasy. This is because another prong of 'China's Rise' has been recent rapprochement with its erstwhile foes of Taiwan, Hong Kong and Macau. A symbiotic variant of capitalism (Chiwan'as, Au Loong Yu calls it) has evolved in the region, in which China has utilized the financial and trading traditions of these three islands, and they have reciprocally exploited the low-wage, labour-intensive resources of their giant neighbor. The post-Mao leadership has consciously utilized these locations as platforms for greater integration into global capitalism. Au Loong Yu quotes a top Chinese diplomat: 'We instructed the Hong Kong branch of the Bank of China and all of China's firms to work to stabilize the Chinese capitalist, to cooperate with them to do business with them' (p.66). Another unresolved tension at the top of CCP therefore is whether to pursue closer integration with other Far Eastern capitalist states, as recommended by the liberal faction, or to bully them into submission to Chinese hegemony, as promoted by the nationalists. Whichever faction emerges triumphant from this debate could determine whether economic rivalry with the US overflows into military confrontation at some point in the twenty-first century.

A 'Chinese Spring'?

The authors are clear however that the most formidable obstacle in the path of the Beijing Consensus is not the US but the sleeping giant of the Chinese working class. There is no doubt this perception also exists among the elite, as witnessed by their rapid shutdown of news about the Arab Spring in 2011. There was no 'Chinese Spring' that year but there have been sporadic indications that resistance from below is slowly gathering momentum. The most notable recent incident was the Wukan protests at a fishing village in Guangdong province. Perhaps marginally inspired by events in the Middle East that year, villagers at the end of 2011 drove out CCP officials who had been collaborating with illegal land seizures, as part of the ongoing privatisation programme. Three times the Wukan protesters fought off attempts by riot police to regain control of the village. The risk they were taking in confronting the iron fist of the Chinese state cannot be overstated and was demonstrated by the awful fate of the initial protest leader, Xue Jinbao. He was snatched by the security forces under the guise of negotiations. When his corpse was returned to his family a few days later, his features were unrecognizable due to the torture he had undergone (p.232).

Au Loong Yu writes: 'The events at Wukan can be seen as a victory brought about by determined grassroots resistance on such a scale that it led to a situation in which

in order for the authorities to regain control of the village they had no option but to grant major concessions' (p.234). The spotlight it throws on the heroic resistance of today's Chinese workers and peasants is the most uplifting aspect of the book. There are also insightful chapters on aspects of Chinese politics rarely covered in the West, such as the role of the state sponsored trade unions, and the hukou system that condemns the migrant labor population to second class status.

The only serious weakness it contains is an apparent belief that the first decades in power of the CCP after 1948 represented some form of socialism that was progressive. Although Au Loong Yu characterizes modern China as 'bureaucratic capitalist' (p.14), he also argues that 'China has undergone both a socialist revolution and its eventual degeneration' (p.16). The fundamental problem with this is the implication that the shocking slaughter of the Mao Zedong era could be regarded as compatible with some version of socialism. Another book published last year, *Tombstone* [1], documents the staggering death toll inflicted by Mao's calamitous agricultural policy in the 1950s, which may have reached up to 45 million people. To hold that this scale of suffering is compatible with the socialist vision does massive damage to the reputation of the left. Aside from this flaw, Au Loong Yu's book is the best one currently available on modern China and the first one that socialists should turn to for insight when workers in that country inevitably resume their resistance in the future.

The Virtues of Deglobalization¹

Walden Bello²

The current global downturn, the worst since the Great Depression 70 years ago, pounded the last nail into the coffin of globalization. Already beleaguered by evidence that showed global poverty and inequality increasing, even as most poor countries experienced little or no economic growth, globalization has been terminally discredited in the last two years. As the much-heralded process of financial and trade interdependence went into reverse, it became the transmission belt not of prosperity but of economic crisis and collapse.

End of an Era

In their responses to the current economic crisis, governments paid lip service to global coordination but propelled separate stimulus programs meant to rev up national

markets. In so doing, governments quietly shelved export-oriented growth, long the driver of many economies, though paid the usual nostrums to advancing trade liberalization as a means of countering the global downturn by completing the Doha Round of trade negotiations under the World Trade Organization. There is increasing acknowledgment that there will be no returning to a world centrally dependent on free-spending American consumers, since many are bankrupt and nobody has taken their place.

Moreover, whether agreed on internationally or unilaterally set up by national governments, a whole raft of restrictions will almost certainly be imposed on finance capital, the untrammelled mobility of which has been the cutting edge of the current crisis.

Intellectual discourse, however, hasn't yet shown many signs of this break with orthodoxy. Neoliberalism, with its

Pillars of the Alternative

There are 11 key prongs of the deglobalization paradigm:

1. Production for the domestic market must again become the center of gravity of the economy rather than production for export markets.
2. The principle of subsidiarity should be enshrined in economic life by encouraging production of goods at the level of the community and at the national level if this can be done at reasonable cost in order to preserve community.
3. Trade policy - that is, quotas and tariffs - should be used to protect the local economy from destruction by corporate-subsidized commodities with artificially low prices.
4. Industrial policy - including subsidies, tariffs, and trade - should be used to revitalize and strengthen the manufacturing sector.
5. Long-postponed measures of equitable income redistribution and land redistribution (including urban land reform) can create a vibrant internal market that would serve as the anchor of the economy and produce local financial resources for investment.
6. Deemphasizing growth, emphasizing upgrading the quality of life, and maximizing equity will reduce environmental disequilibrium.
7. The development and diffusion of environmentally congenial technology in both agriculture and industry should be encouraged.
8. Strategic economic decisions cannot be left to the market or to technocrats. Instead, the scope of democratic decision-making in the economy should be expanded so that all vital questions - such as which industries to develop or phase out, what proportion of the government budget to devote to agriculture, etc. - become subject to democratic discussion and choice.
9. Civil society must constantly monitor and supervise the private sector and the state, a process that should be institutionalized.
10. The property complex should be transformed into a "mixed economy" that includes community cooperatives, private enterprises, and state enterprises, and excludes transnational corporations.
11. Centralized global institutions like the IMF and the World Bank should be replaced with regional institutions built not on free trade and capital mobility but on principles of cooperation that, to use the words of Hugo Chavez in describing the Bolivarian Alternative for the Americas (ALBA), "transcend the logic of capitalism."

1. The longer version is on Foreign Policy in Focus, September 2009

2. Walden Bello is a member of the House of Representatives of the Philippines and senior analyst at the Bangkok-based research and advocacy institute Focus on the Global South.

emphasis on free trade, the primacy of private enterprise, and a minimalist role for the state, continues to be the default language among policymakers. Establishment critics of market fundamentalism, including Joseph Stiglitz and Paul Krugman, have become entangled in endless debates over how large stimulus programs should be, and whether or not the state should retain an interventionist presence or, once stabilized, return the companies and banks to the private sector. Moreover some, such as Stiglitz, continue to believe in what they perceive to be the economic benefits of globalization while bemoaning its social costs.

But trends are fast outpacing both ideologues and critics of neoliberal globalization, and developments thought impossible a few years ago are gaining steam. "The integration of the world economy is in retreat on almost every front," writes the Economist. While the magazine says that corporations continue to believe in the efficiency of global supply chains, "like any chain, these are only as strong as their weakest link. A danger point will come if firms decide that this way of organizing production has had its day."

"Deglobalization," a term that the Economist attributes to me, is a development that the magazine, the world's prime avatar of free market ideology, views as negative. I believe, however, that deglobalization is an opportunity. Indeed, my colleagues and I at Focus on the Global South first forwarded deglobalization as a comprehensive paradigm to replace neoliberal globalization almost a decade ago, when the stresses, strains, and contradictions brought about by the latter had become painfully evident. Elaborated as an alternative mainly for developing countries, the deglobalization paradigm is not without relevance to the central capitalist economies.

From the Cult of Efficiency to Effective Economics

The aim of the deglobalization paradigm is to move beyond the economics of narrow efficiency, in which the key criterion is the reduction of unit cost, never mind the social and ecological destabilization this process brings about. It is to move beyond a system of economic calculation that, in the words of John Maynard Keynes, made "the whole conduct of life...into a paradox of an accountant's nightmare." An effective economics, rather, strengthens social solidarity by subordinating the operations of the market to the values of equity, justice, and

community by enlarging the sphere of democratic decision making. To use the language of the great Hungarian thinker Karl Polanyi in his book *The Great Transformation*, deglobalization is about "re-embedding" the economy in society, instead of having society driven by the economy.

The deglobalization paradigm also asserts that a "one size fits all" model like neoliberalism or centralized bureaucratic socialism is dysfunctional and destabilizing. Instead, diversity should be expected and encouraged, as it is in nature. Shared principles of alternative economics do exist, and they have already substantially emerged in the struggle against and critical reflection over the failure of centralized socialism and capitalism. However, how these principles — the most important of which have been sketched out above — are concretely articulated will depend on the values, rhythms, and strategic choices of each society.

Deglobalization's Pedigree

Though it may sound radical, deglobalization isn't really new. Its pedigree includes the writings of the towering British economist Keynes who, at the height of the Depression, bluntly stated: "We do not wish...to be at the mercy of world forces working out, or trying to work out, some uniform equilibrium, according to the principles of laissez faire capitalism."

Indeed, he continued, over "an increasingly wide range of industrial products, and perhaps agricultural products also, I become doubtful whether the economic cost of self-sufficiency is great enough to outweigh the other advantages of gradually bringing the producer and the consumer within the ambit of the same national, economic and financial organization. Experience accumulates to prove that most modern mass-production processes can be performed in most countries and climates with almost equal efficiency."

And with words that have a very contemporary ring, Keynes concluded, "I sympathize...with those who would minimize rather than with those who would maximize economic entanglement between nations. Ideas, knowledge, art, hospitality, travel — these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible; and, above all, let finance be primarily national."

Beyond the 'Green Economy': System Change, not Climate Change?¹

Nicola Bullard and Tadzio Müller²

Even before the collapse of the Lehman Brothers in September 2008, it had become obvious that 'neo-liberal globalization' had run out of steam because it was increasingly unable to sustain profit rates. In March 2008, Martin Wolf at the *Financial Times* penned the following memorable sentence: 'Remember Friday 14 March 2008: it was the day the dream of global free-market capitalism died' (*Financial Times*, 2008). And Nicholas Stern (2008), author of a report for the British government on the economic gains that could be derived from engaging with climate change, argued 'we need a good driver of economic growth to come out of this period, and it is not just a simple matter of pumping up demand'. What was needed, in short, was a new model of capitalist development, and there was broad agreement among global elites – from Larry Summers to Thomas Friedman, from Ban Ki-moon to Al Gore – on what would lie at the core of such a new model: the 'greening' of the world economy.

This 'project' for a green modernization of capitalism takes a number of forms, some of which stand in outright opposition to one another. First is the nationalist-mercantilist version. This is promoted by Thomas Friedman, for example, who argues that '[m]aking America the world's greenest country is not a selfless act of charity or naive moral indulgence. It is now a core national security and economic interest, who hopes to draw on both ecological and national-competitive affects to power their respective countries in a new global race to *both* save the planet *and* outgrow their every competitor. Their GND seeks to utilize the intersection of an ecological, an economic and a social crisis of reproduction in order to roll back neo-liberal finance capitalism, expand the welfare state *and* green the economy.

In between and including these two poles, we find a wide variety of positions that would, if successful, enact very different policies and necessarily be based on very different social forces (for example, which role would 'finance capital' play in this?). Their centerpiece, however – if we exclude the possibility that the 'green economy' project is nothing more than public-relations greenwashing or a 'Green Washington Consensus' – would in each case be a greater degree of state intervention into the economy (such as stimulus packages, active industrial and trade policy) in order to rapidly accelerate the growth of 'green' sectors of the economy. In all cases, however, there would be no major deviation from the existing market-based system.

But where does the project – be it a GND or even

a much less ambitious 'green economy' – stand today? The project is pretty much dead, to some extent abandoned even by its own authors. Even in Germany, where, arguably, 'green' fractions of capital have historically been strongest when compared with any other OECD country, it never managed to become the properly European vision they had hoped for. In the United States – which in 2010 recorded its highest increase in CO₂ emissions since 1998 – the weakness of precisely such a green fraction of capital *vis-à-vis* the politically powerful finance capitalist and extractive sectors, and the near-breakdown of the political system, ensures that no green investment programme will be forthcoming. Third, even the more or less left-wing governments of Latin America, although some of them talk the talk of 'climate justice', are increasingly recognized as being engaged in the classic developmentalist trade-off of social progress coupled with environmental devastation. As for China's much-vaunted push into renewable energies and (voluntary) commitments to reducing the carbon intensity of its rapid economic growth, much of this is undone by the heavy reliance on large-scale hydro and nuclear energy and the devastating environmental consequences of being the world's largest factory.

Wherever one looks, the coalition of social forces that would push such a project remains weak. Given that the centerpiece of any green modernization project would have to be massive state investment into the green economy, the fact that the last bloc in power had essentially looted the kitty during the latest round of bailouts and stimulus packages means that precisely those state coffers that would have to finance such a project are empty.

The Global Movement for Climate Justice

For all its undoubtedly widespread appeal, however, the story that it was possible to save the climate *and* 'the economy' at the same time was not the only one. Against and beyond this story, another one had been growing in the shadows for several years by the time the eyes of the world came to rest on Copenhagen and the UN's climate negotiations: the story of *climate justice*. Here, we try to provide a brief history of this somewhat ephemeral global movement, and of how it ended up pinning many of its hopes on what turned out to be a massive failure: the 15th UN-climate summit (or COP 15) in Copenhagen.

The (emerging) global climate justice movement (GCJM) has a mixed provenance. One of its composite elements is a subset of what we call the 'alter-globalization movement' (AGM). Put differently, it is the second round of mobilizations within a wider cycle of global justice struggles that consciously address the global level, which is understood as a crucial site of the production

1. The longer version of this text has been published by *Development* (2012) 55(1), 54–62. doi:10.1057/dev.2011.100

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and regulation of injustice. The key articulations of this movement – the moments when ordinarily dispersed people come together in order to recognize themselves as part of one movement – were initially the ‘Global Days of Action’ around the summits of institutions like the World Trade Organization (WTO), the IMF or the G7/8, as well as networks like *ATTAC* and *People’s Global Action*, and later the various global and continental social forums such as the World Social Forum. The event most frequently associated with the AGM is no doubt ‘Seattle’, where protests against the biannual ‘ministerial’ of the WTO in November 1999 were described as the movement’s ‘coming out party’. Its iconic slogan, ‘Another World is Possible’, came to symbolize the end of the heroic phase of neo-liberalism’s hegemony, the end of Thatcher’s ‘There is no Alternative’, the end of the Fukuyama’s ‘End of History’, where previously there had appeared to be no resistance.

The GCJM also has its origins in two subsets of the environmental movement. First, it is inspired by the ‘environmental justice movement’ (EJM), which emerged in the US during the 1980s as a repudiation of the mainstream environmental movement’s focus on merely ‘ecological’ concerns, and its ‘environmental racism’. Addressing radical unevenness between the ‘beneficiaries of ecological degradation and those that bear its costs’, the EJM showed that ecological questions were always also questions of social power, and that therefore the former could never be solved without addressing the inequalities in power that produced them. Second, it draws on the more radical wing of internationally active NGOs that have formed the ‘civil society’ sector of the ‘Rio model of environmental governance’. By the time of the COP 13 in Bali, Indonesia, this radical wing was strong enough to provoke open conflict with the relatively moderate *Climate Action Network*, which had hitherto monopolized the environmental NGO space inside the negotiation process. Out of this conflict emerged the network *Climate Justice Now!* (CJN!) – a formation of disaffected ‘insiders’ and groups on the outside coming from the AGM. The press release announcing CJN!’s foundation articulated the set of demands that would form the rallying point of the GCJM in Copenhagen. This was later refined to the following set of principles that underpin the definition of climate justice that is operative in the GCJM:

- Leaving fossil fuels in the ground and investing in appropriate energy efficiency and safe, clean and community-led renewable energy;
- Radically reducing wasteful consumption, first and foremost in the North, but also by southern elites;
- Increasing financial transfers from North to South, based on the repayment of climate debts and subject to democratic control. The costs of adaptation and mitigation should be paid for by redirecting military budgets, innovative taxes and debt cancellation;
- Rights-based resource conservation that enforces Indigenous land rights and promotes peoples’ sovereignty over energy, forests, land and water; and
- Sustainable family farming, fishing and peoples’ food sovereignty.

Fracturing World

There is neither a major push towards some kind of ‘green economy’, nor is the fight for CJ really ‘going global’, with things rapidly going from bad to worse in terms of the advancing destruction of the biosphere. We have already explained the weakness of the ‘green economy’ project in terms of its insufficiently having developed the support base for its project, and of encountering empty state coffers. Here, we briefly expand on this explanation, and deduce from this one of the major reasons for the lack of success in our attempts at creating a global CJM.

First, we suggest that the era commonly referred to as (neo-liberal) ‘globalization’ constituted a new kind of globality, a globality *für sich*, for itself in the Marxist nomenclature, that was different from the globality *an sich*, in itself, that had existed prior, at least since the beginning of the capitalist world system around the time of the European conquests (with their symbolic starting date of 1492). ‘Globality in itself’ is constituted by being part of global systems, be they climate systems or trade systems. Here, the global level has specific effects in ‘local’ places, but these effects cannot be, or at least are not, consciously controlled by any one instance or actor. ‘Globality for itself’ – or the ‘globality effect’, drawing on the notion of the ‘society effect’ (Jessop, 1990: 103) – is generated by political/power projects that constitute the global as a space of regulation and of conscious conflict between (organized) social forces. The emergence of this self-conscious, political ‘globality for itself’ can be traced back at least to the Bretton Woods conference that laid the basis for the post-war international economic order. But it really came into its own during the period of neo-liberal globalization, when the ‘imperial’ project driven by an emerging transnational capitalist class managed to empower transnational quasi-state institutions such as the IMF, the World Bank and the WTO, and to impose its will on large parts of the world.

Second, we argue that global regulation generated global contestation. It was precisely the character of neo-liberal globalization as a conscious, institutionalized project with a number of identifiable global power centres that generated a cycle of global contestation, and which allowed the AGM to take its place as the antagonist. The AGM’s ability to contest the rules of neo-liberal globalization depended precisely on the strength of those rules and of the institutions making them.

Today, with the rise of the BRICs (Brazil, Russia, India and China), the ‘retreat’ of globalization, and the financial crisis, neo-liberalism is of course far from dead. But it is also no longer the dominant, even hegemonic, force at the global level that can set rules and standards, empower institutions and tackle systemic crises. This absence of a relative elite consensus at the global level means that global institutions are growing ever weaker, as their power is derivative of the power of social forces invested or condensed in them (Poulantzas, 1978). This is the reason behind the obvious uselessness of the WTO; the repeated breakdown of the UN’s climate-negotiations; the increasing irrelevance of the UN-security council; and the

impossibility of generating a strong global push towards some 'green capitalist' postponement of the socio-ecological crisis (*pace* the upcoming negotiations at the Rio+20 conference).

The Future of the Movement

In the absence of such a strong global push towards a green economy, *global* movements for climate justice must similarly remain weak. There has, as a result, been a general retreat of social movements, networks and NGOs from the global climate change arena – from the UNFCCC in particular – and indeed from the attempt to develop common, transnational strategies. From the perspective of social movements, the weakness of 'globality for itself' expresses itself in a number of concrete ways that affect strategic decision making.

First, the disarray within the negotiations themselves makes it difficult for any movement to coalesce in opposition to a common 'enemy' (such as neo-liberalism or 'green capitalism') or in support of a common 'friend'. Even Bolivia – the tragic hero of the COP 16 in Cancun – has recently incited heated debates among progressives over its plans to construct a super-highway through indigenous territories. Meanwhile, the 'real enemy', fossilistic capitalism, remains elusive as it lacks an identifiable and attackable centre.

Second, current economic conditions – of bust in much of the North and boom in parts of the South – make it difficult for either developed or developing countries to take effective action on climate change. Under conditions of largely fossil fuel-driven growth, there is an effective trade-off between mitigation and development-understood-as-growth. Hence, the momentum that generated the high expectations for Copenhagen has subsided as national security, debt, jobs and fear of recession jostle for public attention.⁷

Third, the GCJM is itself a complicated coalition that was united largely by and in the drive towards Copenhagen. Thrown together are indigenous peoples, peasant farmers, environmentalists, global justice activists, struggling communities, scientists, some parts of the trade union movement, anti-capitalists and so on. Although united by a few fundamental principles, the climate justice movement has not, until now, articulated an over-arching strategy that brings the diversity of the movement into a common frame.

Fourth, in addition to the complexity of the climate justice movement, climate change itself has proved to be an extraordinarily complex, multidimensional and far-reaching issue that cannot be easily understood or reduced to slogans and simplistic demands (though, to be sure, some solutions like 'leave the oil in the ground' are really quite straightforward, they are simply politically unpalatable). As such, it is difficult for a diverse movement to develop a clear strategy. In its absence, practical and tactical questions cannot be answered: is the UNFCCC still relevant? Should the Kyoto Protocol be defended, or not? What is a climate justice perspective on the battle between the US and China? Where is the most effective site of action? Who are our allies? It is not that these questions could not, eventually, be resolved: indeed, the Peoples Agreement of the Cochabamba Summit on Climate Change and the Rights of Mother Earth provides a comprehensive and generally coherent analysis and set of proposals. Yet even with a coherent narrative and demands, the fundamental questions remain: What are the levers of change? Where is the Archimedean point where social movements that seem comparatively weak in the face of rather daunting odds can apply pressure in order to change the world? How do we build a stable (and enlarging) social base able to bring about change while managing inherent contradictions and potential conflicts of interest? Who is going to do it, and where do we start our search?



Conclusions

We have analyzed both the green economy project and the finer points of climate justice campaigning. While all versions of the green economy project claim to be able to deal with all the major crisis tendencies afflicting the world today, there is currently also too little elite consensus for it to be viable in the near future. Given our hypothesis of the derivative strength of global social movements, the absence of an elite consensus also implies an inability on our part to create a global oppositional or counter-hegemonic climate justice project. This has led to a retreat from the global sphere of the (emerging) GCJM. Despite this, we have also shown that the apparent retreat from the global sphere does not mean an absence of movement: there are strong and dynamic CJMs in the Global South, whose main challenge is to broaden their struggle beyond their current base, and to globalize it. There are also dynamic, if much weaker, CJMs in the Global North, whose main challenge lies in moving beyond their own, extremely narrow activist base – and in turn to link up with the much more powerful movements in the South.

In short, we find that the challenge for social movements in general, and the CJM in particular, is to create their own kind of globality in the face of 'our opponents' inability to do so. How can climate justice movements and coalitions from the Global South create an alternative globality effect?

We do not know – that is a question for movements to answer. But we draw inspiration from the 'Occupy' movement, which, from Tahrir to Puerta del Sol, from Zucotti Park to downtown Frankfurt, has managed to create a new kind of globality seemingly out of thin air, and which shows that it can be done.

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Challenges for Social Movements¹

Christophe Aguiton & Nicolas Haeringer²

Dynamics such as Occupy and the Indignad@s have build a distant relation to other actors from both the political sphere and civil society. They refuse to risk any form of compromise, even if it means to refuse any direct dialog with institutionalized actors. Institutionalized actors include, at least to some extent, entities such as World Social Forum, even if in many aspects, the current dynamics reminds a lot of the emergence of the global justice movement ten to fifteen years ago.

On the origins of the Indignad@s and Occupy

The first occupation began in Madrid and Barcelona, on the 15th May 2011, after a huge demonstration against austerity, called by the collective Democracia Real Ya! (Real Democracy Now!). It quickly spread throughout Spain and in the South of Europe, eventually reached Israel, find an echo in movements such as the Senegalese Y'en A Marre! (Enough!) or the student mobilizations in Chile. Few months later, it was prolonged and at the same time renewed in the USA, when a couple of thousands activists occupied a Square formerly know as Zucotti Park, now world-wide known as Liberty Square. Occupy also spread quickly and widely, and turned soon from OccupyWallStreet to OccupyEverywhere.

The wave of the Arab revolutions was a clear trigger, for movements which were inspired by methods that activists experimented in Tunis (during the Casbah *sit-ins*) and in Cairo on Tahrir Square: to hold a public space to express deep resoluteness and the wish to get rid of undemocratic regimes (and their policies); and these many experiences irrigate one another.

Even if these streams appear as being spontaneous, and if they are autonomous from other movements, they don't come from nowhere, nor do they fall from the sky: they stem from "a long sedimentation of frustrations", as explains one of the actors of the Y'en a Marre movement. They have political and organizational roots in the global justice movement and the WSF process, the US-antinuclear movement from the 70s and political experimentations initiated by Quaker groups, as well as, of course, anarchist and autonomous practices.

The social origin of these movements is obvious. The economic crisis, public debt and its consequences in terms of imposed austerity have dramatic social effects in Europe and Northern America.

But these movements have also a clear generational dimension. Generational not in the sense of a "twitter-" or "facebook-generation" (even if online experimentations influence activist practices): Indignad@s are young jobless people, young families without resources, etc. This is an evidence for an important social slip: being young doesn't mean anymore than one was born less than XX years ago. Being young now means that one is jobless, cannot have its own housing, and has no real perspectives for this to change soon.

This exclusion, spreading to a whole generation, includes a second one: being jobless, these young people don't have unionist relays; being without a proper home, they face a daily struggle to live a decent life. Thus, they have little time to be involved in traditional political or social organizations, whom they have very good reasons not to trust, even if they're far from being politically unconcerned.

Far from the traditional left

Actors of these new dynamics have engaged in a "new" intense cycle of struggles, which hustles traditional political forces, beginning with those from the left – both from civil society and the political sphere.

The Indignad@s' first target was the socialist government of Zapatero. In Portugal, they mobilized against the consequences of the austerity plan that a socialist government implemented (before being defeated mid 2011), whereas Greek movements confronted former president of the Socialist International Papandreou's policy.

Everywhere in Europe, socialist and socio-democrat parties endorse the idea that there is no alternative to austerity in order to solve the debt crisis. They don't represent any perspective of severance with the causes of the crisis.

This has important consequences, including for other actors than political parties. The fact that actors of these dynamics refuse to play the game of institutional politics means that they don't intend to mobilize in order to negotiate with institutions. Thus, their claims don't need to take the shape of a set of proposals, which could be implemented by other. Therefore, these dynamics recourse more actively to autonomy, prefiguration and *do it yourself* activities (whose political forms articulates civil disobedience and building alternative communities).

Claims and demands are indeed directly rooted within concrete practices. Occupiers and Indignad@s refuse to detach macropolitical elements (claims and demands) from micropolitical practices (internal democracy, the daily run-up of the encampment, etc.).

Therefore, the question that Indignad@s and Occupy tell to all progressive actors, including those involved in the World Social Forum process, should not be reduced to claims and demands, nor to the programmatic summon.

1. Translation of the article published in *Mouvements* : Christophe Aguiton & Nicolas Haeringer, « (S')occuper (de) la gauche ou l'ignorer ? », *Mouvements* n°69 « changer la vie, changer la gauche », Paris, la Découverte, printemps 2012.

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Unions, parties and social movements should then not ask themselves how they can contribute to strengthen and spread these dynamics' demands: what they are about also deals directly with the way we are all involved in politics, commit and engage ourselves both individually and collectively, and, eventually, form a society.

The way these dynamics organize represents a political challenge for the left, be it the traditional left, the governmental left or the radical left. This irruption doesn't only concerned unions or parties, but other civil society actors, from the reformists to the radicals.

Claims and actions

These movements do have claims and demands – even if they've been criticized for not having clear ones. These claims and demands are broad and pretty consensual – for instance: for a real democracy, a real housing right, against precarity, for good jobs, etc. – and are rooted in actions and practices (demands in terms of housing rights come together with squats and occupations).

They are connected with a shared rejection of “the system”, which explains why some of these actors (such as the Indignad@s) define themselves as being *apolitical*. This is not an evidence for a lack of political culture, but of a radical analysis of political forces: it is based on the assumption that all the existing political actors (from social-democrat parties to progressive unions have failed to oppose austerity).

Nevertheless, prefiguration is as important, if not more, than the claims and demands. It takes two different shapes: direct action (including the occupation itself) and the internal organization of the encampments and the general assemblies. Activists do not wait for the State to implement another policy, nor do they engage in the preparation of a revolutionary insurrection: they chose to do things by themselves, *instead of, despite*, with autonomy, even if this means that they have to do illegal actions. They prefer to anticipate another new society rather than to wait for the collapse of the old one. Such choices expose them to a strong repression, which raises the issue of the capacity of other movements to engage in solidarity actions.

Radicalizing the alterglobalist political culture

These choices are not new. They're at the core of anarchist activism, for instance, as well as Quakers practices in their struggles against nuclear plants in the 70s, which experimented a very sharp articulation between social transformation, personal change and the prefiguration of another world.

Their internal practices occupy their energy and time as much as their “external” actions.

People always speak for themselves, and only themselves. “We”, which is very important in social movements and unions, is not used but “I”. This doesn't mean that these movements intend to aggregate egos and strong personalities: on the contrary, they pretend to build commonalities and solidarity based on everyone's auto-

nomy. It is thus required that each speaks only for one – a strong and deep difference with unions and associations, in which everybody speaks for several.

General Assemblies use consensus to make their decisions. Here, consensus is apprehended as an alternative to representative democracy.

10 years ago, the alterglobalist movement operated a similar shift in social movements' political culture. Within Social Forums, nobody was allowed to speak in the name of the forum. Consensus was (and still is) the decision-making methodology within entities such as the International Council of the WSF or the Social Movement Assembly organizing process.

This was a clear change with centrality and hierarchy, which was the way social and political entities from the 20th century were organized. Their bodies, offices, instances, boards, were speaking in the name of their members. This shift matched another vision of the world and the transformations it need: the internationalization of the struggles was embodied in counter-summits and huge international mobilizations and *rendez-vous*. The other world these actors intended to build was inspired by cooperatives, local exchanges based on small peasantry, free software principles, as much, if not more than by the nationalization of the means of production, which was at the core of the workers movements in the 20th century.

However, this was only a partial shift. Nobody could speak in the name of the WSF, but the basic structure, which formed the constituency of the WSF remained social movements or NGOs whose working ways could be pyramidal and directive. The exploration of alternative practices was limited to the coordination spaces (or to autonomous spaces such as intergalactic villages).

Indignad@s and Occupiers are engaged in a more radical experiment of the new political culture, and represent a triple shift.

The first one deals with action repertoires. During the 20th century, the workers movement used strike, specifically general strike as its privileged form of action. At the end of the century, demonstrations became central in mobilizations such as the anti-war movement (2003), the defense of democratic freedoms or the struggle against international financial institutions. Together with the forum-form, demonstrations were the privileged form of apparition of the alterglobalist movement.

But demonstration remains an experience limited in time (even if it happens frequently). The occupation is more than a demonstration that would take root, a simple shift from streets to squares. It shares with activist processions the individual and free engagement of its participants (people don't leave anymore together a factory to demonstrate, but come individually from home to the rallying point). But time represents a huge change. The occupation enables to build a radicality in action which doesn't requires the use of violence or riots in order to be heard (which is the case with demonstration unless they're massive). Time raises the broader issue of togetherness – a shift that happens with strikes only when they are general and/or include the occupation of the factory.

The second shift has to do with decision-making pro-

cesses. In the alterglobalist movement in general, more specifically within the WSF process, consensus was chosen by necessity. It wasn't possible to make a forum vote and to weight voices among movements of very different sizes and nature. It was an instrumental logic. Current movements intend to break with representative democracy. Here, the consensus doesn't happen among organization, but individuals. The shift from an organization-based consensus to a person-based consensus implies many changes. Compromise doesn't tag this form of consensus: it emerges when each give up their possibility to fulfill their power of veto.

In an organization-based consensus, veto is triply balanced: by the weight and size of each organization; its symbolic relevance; and its implication in the follow-up of the decision that is being built.

Participants to the Indignad@s or Occupy dynamics can be member of unions, movements or political parties; nevertheless, they can only speak for themselves. Assemblies are thus built around the refusal to weight or balance vetos, and to give more importance to one's veto to one another's. Therefore, assemblies are aggregate of subjectivities, among which no one is more important than any other. Veto is then not a tool that you can use to negotiate a compromise. It is moved to an almost moral level. I alone can theoretically block the decision of several hundreds, or even thousands people if I consider that the decision contradicts the principles of the group. Which means: I shall block decision if I had not other choice than to leave the group if it would make that decision.

Once a proposal is made, the assembly begins to check that everybody has a good understanding of what's being proposed. It then explores a first level of disagreements: everybody can propose friendly amendments (constructive changes), which can be accepted or rejected by the person who made the first proposal – the later being eventually reformulated. Only then will facilitators ask if any participant decides to use its power of veto.

The alterglobalist experience changes from representative democracy at very the moment of the decision itself: vote is replaced by consensus. But the decision is built by exchanging points of views, answering to critics, from which to look for a compromise. People can try to convince other that their own vision is the right one and their opponent's wrong. They can be tempted to disqualify others' arguments rather than to seek for a common decision. In the occupations, consensus doesn't represent an alternative only to vote but to the whole process that leads to the decision. The challenge here is not to show than one is right and the other wrong, but to build a common decision from different visions. In the alterlogalist experience, consensus leads to a collective decision; in the occupy approach, it strives for common and shared answers.

This shouldn't lead to a fetichization of the general assembly: it is of no surprise that the latter leads to broad claims and that it faces difficulties to define strategies enabling to face repression or instrumentalization.

The third shift is probably the more promising one. It deals with a hybridization of two different traditions,

from the workers movement, as well as the feminist and ecologic ones: those who privilege structural change and those who consider that personal change or changing ways of life is more important. The occupations articulate different relations to social transformation, from direct confrontation to personal change. They are as much about changing the balance of the forces that to contaminate people.

Occupations are at the same time tools for social change and spaces of social experimentation: the occupation aims at prefiguring (or anticipating) a new society.

Occupations are at the same time tools for the elaboration of claims and demands and spaces for social experimentation. This hybridization represents a way to find concrete answers to a rising aspiration, which has left marginal sectors of society and spreads to broader social entities: the desire to change society through personal transformation AND political action together.

The success of the alterglobalist dynamics lies in the conjunction of three different dynamics: a cycle of struggles connected to one another (through global mobilizations); a renewal of the frame of interpretations telling injustices (and alternatives); a set of organizational innovations (including the invention of the WSF).

Even though movements such as the Indignad@s and Occupy are new movements, they manage to articulate, at least partially, these three elements: even if being local, struggles are connected together, translocally(not through mass mobilization in one single place like Seattle, Porto Alegre, Genoa, etc.); new frames of interpretation (which the idea of being the 99% encompasses – an affirmation which could have the same success that the one “another world is possible”); while being able to engage in a new series of organizational innovations (through the exploration of new forms of democracy).

It is thus possible to see in what happens now in New York or Barcelona the premises of a new movement. Building bridges with these new movements thus represents a crucial challenge for the actors of the WSF process.



Towards an Alter-Globalisation Strategy¹

Gustave Massiah

To highlight the coherence and controversial issues of the strategy of the alterglobalisation movement, twelve assumptions must stand out in the analysis of the current situation and the transformation projects put forward by the alter-globalisation movement.

Assumption 1

The situation is characterised by a global crisis. Above all, it is an interwoven dual crisis: crisis of neoliberalism and crisis of capitalism. The situation is a crisis of neoliberalism as the neoliberal phase of capitalist globalisation. This phase, which began in the early 1980s, is now exhausted. It is a crisis of the capitalist system itself, a crisis that developed as a result of the depth of the current crisis. This multi-dimensional crisis has given rise to the possibility of an end to a longer cycle that dates back more than five centuries: the cycle that built a capitalist Western civilisation.

Assumption 2

The current crisis, which is a financial, monetary and economic crisis, has much deeper roots. It is a social, democratic, geopolitical and environmental crisis, and in general terms a crisis of civilisation. The current crisis is a social crisis, a crisis of inequality, poverty and discrimination. It is a democratic crisis, a crisis that calls into question freedoms and equality everywhere where progress had been made in these areas. It is a geopolitical crisis, a crisis of unfinished decolonisation and the challenge to the hegemony of the United States and its European and Japanese allies. It is also an environmental crisis, one where humans meet the limits of the ecosystems of the planet. Each dimension of the crisis highlights the unresolved problems of previous major crises that the dynamics of capitalism were able to contain without resolving them.

Assumption 3

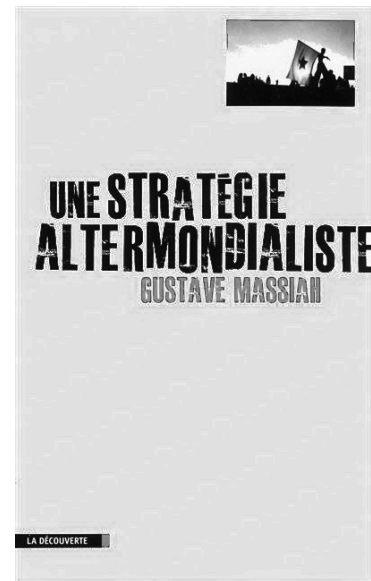
The alter-globalisation movement has an approach that runs counter to the dominant approach. With regards to the systemic approach of neoliberalism, the alter-globalisation movement challenges subordination to the rationality of the global capital market and the structural adjustment of each society to the global market. In terms of the systemic approach of capitalism, it challenges the very nature of growth and commercialisation that increasingly renders all aspects of life secondary to the quest for profits. Through resistance, social and civic struggles and cultural contestation, the battle of ideas, the alter-globalisation movement has deepened the contradictions of the system and the crisis it is experiencing.

Assumption 4

The alter-globalisation movement is a historical movement of emancipation that is an extension and renewal of the historical movements of earlier periods: historical decolonisation movements, freedom movements, social struggles, and environmental movements. It revives long-standing trends by re-defining the issues based on re-appraisals of historical equilibriums by neoliberalism. The historical decolonisation movement challenged the equilibrium and sense of the world. It was fought by neoliberalism via the management of the debt crisis, structural adjustment programmes and the perversion of the regimes of decolonised countries. The historical movement for freedom and equality had changed the world with the Enlightenment, then the revolution of nationalities; it assumed new dimensions in the pro-democracy movement of 1965 to 1973, with the calling into question of totalitarianism and oppression, in particular the oppression of women. Neoliberalism has attempted to reinstate this historical movement through individualism and consumption. The historical movement of social struggles has structured the history of capitalism. Since the dawn of capitalism, it has pitted the bourgeoisie against the peasantry and the urban working classes; it assumed its full meaning with the labour movement from the 19th century and in the revolutionary struggles of the early 20th century. Neoliberalism, for its part, developed the use of insecure labour and globalisation based on widespread social dumping.

Assumption 5

The strategic direction of the alter-globalisation movement is that of access to rights for all and equal rights on a global scale. It assumes its full meaning from the democratic imperative. This direction characterises the anti-systemic nature of the movement. The movement opposes access to rights for all to the neoliberal approach. The movement opposes equal rights, on a global level, to the capitalist approach. To the statement that the world can only be organised on the basis of regulation by world capital markets, the response of the movement is that each society and the world can be organised on the basis of rights for all. To the statement that the world can only be organised on the basis of social relationships deter-



1. Extract from Gustave Massiah, *Une stratégie altermondialiste*. Ed La Découverte, published in January 2011

mined by the ownership of capital, the response of the movement is that each society and the world can be organised on the basis of equal rights. The strategic direction based on access to rights is by definition linked to the democratic imperative, which is of particular significance at present, when freedoms are to a large extent in question and equality is called into question as a value.

Assumption 6

The alter-globalisation movement proclaims the exercise of the four generations of rights that have arisen out of each historical movement: civil and political rights; economic, social and cultural rights; the rights of peoples; and environmental rights. Each period of history has assumed, added to and renewed the rights formalised in earlier periods of history. Civil and political rights were clarified and formalised in the great declarations of the 18th century, then complemented by the Universal Declaration of Human Rights and renewed by women's rights. These rights were complemented by the rejection of totalitarianism and the connection between the rights of individuals and the rights of peoples. Economic, social, cultural and environmental rights were put forward in the UDHR, and complemented by post-war public policies and the International Covenant on Economic, Social and Cultural Rights (ICESCR). The rights of peoples, in particular the right to self-determination, to control natural resources and to development have been formalised by the UN and clarified in the Universal Declaration of the Rights of Peoples. A fourth generation of rights is in gestation, which consists of "environmental" rights and corresponds to the redefinition of the relationship between humans and nature. It consists of the right to control globalisation and to renew civil and political rights, and in particular the rights of migrants and of free movement. It also includes the renewal of rights in the invention of a universal universalism.

Assumption 7

The alter-globalisation movement, which was formed by the convergence of social and civic movements, emphasises a political culture based on diversity and horizontality. Diversity results from the legitimacy of all movements that fight oppression and are part of this struggle in a plan for emancipation. The movement has put in place a process, the world social forums process. These forums are organised on the basis of the principles of self-managed activities, the rejection of self-proclaimed authorities, a quest for consensus and participatory democracy. The reference to "another possible world" expresses a rejection of fate and "end of history" theories, "war of civilisations" theories and the theories of the neoliberal "there is no alternative" claim.

Assumption 8

The social bases of alter-globalisation and its alliances depend on the issues of the period, issues that emerge during a crisis: war neo-conservatism; the reorganisation

of capitalism through the "Green New Deal"; and the overcoming of capitalism. The social bases of war neo-conservatism are of concern to all who wish to combat barbarism, repression, authoritarian regimes and war. War neo-conservatism is presented as an issue for those who wish to maintain the privileges of neoliberalism at any price. The social bases of and alliances for the reorganisation of capitalism and the "Green New Deal" are made up of all movements that fight for universal access to rights worldwide. The social bases for overcoming capitalism are made up of parts of movements that are committed to the struggle for equal rights. In the short-term, the alliances group together those who are opposed to war neoconservatism. General principles are defined on the scale of the crisis, of globalisation. Specific alliances will depend on the situations of nations and regions. Over time, and if the threat of war neo-conservatism can be avoided, confrontation will pit the advocates of the Green New Deal against those of overcoming capitalism.

Assumption 9

Debate continues in the forum on several strategic questions, in particular questions relating to power and politics. The challenge is to develop new forms of communication between the social question and movements, and between politics and institutions. The democratic imperative lies at the heart of this reinvention. First of all, questioning focuses on the contradictory nature of the State, between the service of the ruling classes and the general interest, the crisis of the nation-state and the role of the State in social change. It also focuses on the nature of power and the relationship to power. In processes in progress, in particular in relation to violence, the methods used to achieve power can prevail over the definition of the project and have a profound impact on the nature of social change. In this area, democratic culture is crucial. The calling into question of domination involves confrontation for cultural hegemony. All social change faces opposition from the dominant power. There is no social change without a break, without discontinuity in the forms of politics and power. This break and its possible control constitute the founding challenge of any social change. Debate on general directions and applications in specific situations is at the centre of debates of the alter-globalisation movement.

Assumption 10

The global crisis has opened up opportunities for the alter-globalisation movement. In the short-term, these opportunities articulate a programme of immediate improvements, while in the long-term they articulate an area of radical change. These opportunities allow immediate improvements to be made in several main directions on the one hand and, on the other, major changes in terms of new social relationships, the foundations of new approaches and lines of division. Public and civic regulations redefine public policies; they open up discussion on forms of ownership and the fundamental change in

work. The redistribution of wealth and the return of domestic markets restore a possibility of greater permanent employment among wage-earners, a guarantee of income and social protection, the redeployment of public services; it opens up equality of access to rights and the relationship between the social status of the wage-earner and changes to the same as social rapport. The environmental emergency means that immediate action is required to preserve natural resources, in particular water, land, energy, biodiversity and the climate. It also opens up discussion on a change in the method of social development. The model for political representation requires the redefinition of democracy and the rejection of discrimination and social segregation. It opens up analysis of new forms of power and politics. The adjustment of the balance between North and South is defining a new global geopolitics, opening up a new phase of decolonisation. A new global regulation is redefining the international system, opening up the regulation of social change on a global scale and the prospect of global citizenship.

Assumption 11

The analyses and proposals discussed at world social forums have been validated, since the beginning of the crisis, in the battle of ideas. However, they have not been implemented in current policies. In addition to short-term recommendations, the alter-globalisation movement puts forward new proposals that articulate the end of neoliberalism and the overcoming of capitalism. Today, the global crisis is recognised as a crisis of neoliberalism; discussion on the crisis facing the capitalist system is open in public. Immediate recommendations (regulation of the banking system, public and civic regulations, elimination of tax havens, international taxes, etc.) are called for in debate but softened, even ignored, in order not to harm the interests of the ruling classes. At the world social forums, several questions establish the link between new directions that are subject to immediate reforms and broad alliances, and new overtures to radical alternatives. These questions include common goods, freeness, well-living, decommodification, relocation, cultural hegemony and political power, the radical democratisation of democracy, the construction of “universal universalism”, the political status of humanity, etc.

Assumption 12

The alter-globalisation movement is in the process of a broader analysis of the renewal of the thought of transition and the quest for political solutions that are appropriate for different situations. It proposes to articulate responses as a function of time, urgency and duration; space, from local to global; and methods of intervention. It leads the struggles and resistance, the intellectual preparation, the demand for public policies aimed at equal rights and specific emancipation practices from the front. In terms of scale, there is interdependence between the local, national, regional and global. Each proposal can be implemented on each of these different levels: cultural hegemony, international, economic, geopolitical and environmental relations, democratisation, economic and geo-cultural equilibriums, political power, State and public policies, specific emancipation practices and the relationship between the population, territory and institutions. In terms of forms of intervention, the alter-globalisation movement carries out its actions via four approaches that will be illustrated in the last section of the book. Struggles and resistance allow us to defend and create. Working-out allows us to understand the world, in order to change it. Public policies are a forum for conflict and negotiations. Specific emancipation practices on all levels, from local to national, regional and global, build alternatives and foreshadow new social relationships. Like any system, capitalism is not eternal: it has a beginning and an end, and its demise is relevant. From now on, it is necessary to outline and prepare another possible world.



What is INTERCOLL?

Each person is a philosopher, an artist, a man of taste. He participates in a particular conception of the world, has a conscious line of moral conduct. He contributes to sustain a conception of the world or to modify it. In order to create a new stratum of intellectuals, one must seek to nourish the intellectual activity that exists in everyone.

— Antonio Gramsci

The new collective intellectual is not there to provide answers to all questions about the social movement and its future, but an activist who can help to define the function of meanings. The question is to make the rigorous use of reason, and thus of language, a political virtue.

— Pierre Bourdieu

In today's world, a rich tapestry of social movements and struggles are deploying in the numerous battlefields for social justice, environmental sustainability and peace. Besides millions of daily engagements on local, national and global issues, this movement of movements engages pro-systemic forces in a constant "battle of ideas". Out of this emerge new "collective intellectuals", inspired by the tradition of Gramsci and Bourdieu, working as thinkers and organizers of the new identities of resistance.

What we want to do with this project

- Create a permanent space to assist the development of these new identities and contribute to strengthen the world-wide alterglobalist movement.
- Focus on those who participate in public expression and political debates, particularly intellectuals linked to and organizers of social and citizen movements.
- Emphasize collective process of intellectual production.
- Produce in-depth, accurate and critical analysis, debate summaries and conceptual elaborations, expressing vast and rich geopolitical and geocultural diversities.

How we intend to work

- Identify through broad consultations issues and concepts discussed by and important to movements that need to be deepened.
- Create discussion foras and working groups to explore and open new debates.
- Publish books and texts through existing print and electronic means.
- Convene conferences and workshops dedicated on selected issues using the "open space" of the World Social Forum, in particular.
- Organize popular education and training "modules" for selected participants.

