

international bulletin

55th Congress Executive Committee Resolution: International section *Background notes and questions*

The International Commission has prepared this Bulletin to provide background to the international section of the EC's draft resolution. It is intended to facilitate discussion.

PARAGRAPH I

The current capitalist crisis

The international basis of the current capitalist crisis – 'global capitalism' or sharpening inter-imperialist rivalries?

Global instability

How stable is the world economy? Although most parts of the international banking system are less exposed than in 2007, the global volume of leveraged commercial loans through other financial vehicles is now higher than in 2007 (\$0.76T in 2007; \$0.79T 2017). Half of all mergers and acquisitions are funded by such leveraged loans and the scale of mergers and acquisitions is close to the 2007 level. Over two-thirds of all US corporations are now defined as highly leveraged by IMF. Moreover, historically very low interest rates are beginning to rise in the US and borrowing costs are increasing in a number of emerging markets and within parts of the euro-zone. With EU growth slowing, relatively small political or economic shocks could quickly precipitate severe financial crisis.

At a more basic level the global over-accumulation of capital, both real and fictitious, which precipitated the 2008 crisis, has been managed rather than eliminated – and, despite a sharp increase in the rate of exploitation in all the advanced capitalist countries (combining cuts in both wages and the social wage), profit levels are increasingly failing to provide cover. Monopolised sectors are now placing ever greater pressure on non-monopolised supply chains. Securing access to external sources of super-profit, the driving force for imperialism, is becoming ever more important.

International capitalism – rivalry or cooperation among the richest?

Some sister parties have tended to analyse the current crisis in terms of transnational or 'global' capitalism – comprised of banks and corporations that operate internationally on behalf of the super-rich and simply manipulate national state institutions to do so.

Our party has traditionally seen the major capitalist/imperialist states as operating on behalf of nationally-based finance capital (state monopoly capitalism). We saw the 2008 crisis as vindicating this view. At this point the major capitalist states rescued 'their' own banks and companies and no one else's.

The minor capitalist states in Europe were financially consumed by the bigger.

Is this still the case? How far is the level of interdependence now such that capitalism can better be viewed politically as a globally integrated system with institutions such as the IMF, World Bank and the Bank of International Settlements cooperating to maintain stability?

Investment funds operating internationally

The next big financial crisis will provide a test. Compared to 2008 a much greater role is played by investment funds operating directly on behalf of the super-rich. These funds have doubled in size over the past decade to make them the majority corporate investors. They maintain controlling investments in companies across all countries, often in a semi-piratical fashion for short-term profit maximisation, or in order to use them as vehicles, through mergers and acquisitions, for consolidating monopoly profit centres. Again, however, they are all ultimately based and regulated in one capitalist centre or another and ultimately depend on the viability of its financial system and currency. This is a major part of the explanation for the intensity of the current conflicts between the EU and Britain over withdrawal.

Trade competition – evidence of growing inter-imperialist rivalry?

The past two or three years have seen increasing use of tariffs, currency devaluations and economic sanctions to bolster the trade and currencies of leading capitalist states. The US has been a prime mover in this – but the EU, Japan and Britain have also used such tools in one form or another.

The US has been the most active because it is potentially the most vulnerable. Its dominance within money markets depends on the global use of the dollar. Its international financial stability depends on commodity transactions in dollars, particularly of oil, and on investors in other countries holding, for purposes of security, much of the country's national debt. In 2017 45 per cent of the US \$21T national debt (equivalent to 77 per cent of GDP: double that a decade ago) was held externally. The two biggest holders were China with \$1.18T and Japan \$1.06T. US non-governmental debt is around \$40T. Again around 45 per cent is held externally. The biggest holders are the UK and its Cayman Islands tax haven (\$3.1T) followed by Japan 1.9T, China 1.5T and two EU tax havens, Luxemburg 1.4T and Ireland \$1.1T.

Threats to US financial dominance

A significant fraction of what is lent to US financial institutions is in turn lent overseas. US banks are totally dominant in global mergers and acquisitions and largely so for international credits and loans. Yet the ability to borrow cheap and lend dear depends on the status of the dollar and in turn on the degree to which the US is dominant in world trade. This is slipping. The US has been far outpaced by China and Germany in manufactured goods and is ahead only in financial services. In 2017 annual deficit on US goods trade was \$0.75T. Its surplus on services, mainly financial, was \$0.25T. The overall deficit was \$0.5T - equivalent to 2.9 per cent of GDP as against 2.7 per cent in 2016.

This is the background to the increasingly active use of tariffs and trade sanctions by the US. The bulk have been directed against China, Russia and Iran. Yet much of the impact will be on the EU and particularly Germany.

The EU (mainly Germany) is now China's biggest trading partner: 10 per cent ahead of the US. Germany is an even bigger trading partner of Russia and depends on cheap Russian gas to power its export production. Since 2016 the EU has also become Iran's second biggest trading partner, after UAE. It has secured 15 per cent of Iran's total import market: 95 per cent of this is in industrial goods. The US has less than one per cent. European oil companies, France's Total and the Anglo-Dutch Shell, both signed early deals with Iran in 2016-17. No US company did.

Directly Germany/EU also runs a large surplus on goods with the US itself. In 2017 exports came to \$0.4T; imports to \$0.25T. But for the US an even bigger adverse impact is competition from German goods in third country markets. Germany's export earnings come to near 50 per cent of its GDP; the US's 12 per cent.

So are we seeing, as the current capitalist cycle moves to its climax, increasing evidence of inter-imperialist rivalry played out in terms of the battle for control over the Middle East and in the neighbourhood of China? Battles in which Britain is caught between Germany/EU and the US?

How is imperialist power exercised?

Imperialism's most effective monetary controls are the least visible: credit ratings and access to international banking. These impact on wealth and power holders in dependent economies – all of which, whatever their stage of development, are class societies – as well as governments that seek the resources needed for economic

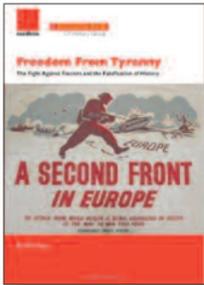
growth. Access to international trade, dependent on trade treaties with dominant nations and trading blocs, are used to open all aspects of society to external competition – while at the same time excluding dependent societies from access to intellectual property rights, the patents and scientific knowledge, essential for further development. Underdevelopment therefore continues. It enables imperialist nations to extract surplus labour on a disproportionate scale.

However, over the past century, imperialism has not gone unchallenged. Russia's October socialist revolution was the first blow – providing assistance to anti-colonial movements across the globe – followed, after its defeat of German fascism, by the development of a socialist state system in Europe and the victory of socialist forces in China, Vietnam and Cuba. This enabled successful liberation struggles across Asia, Africa and the Middle East and weakened imperialist control over trade and technology. The last quarter of the twentieth century saw the imperialist powers, led by the US, uniting to wage an intense and partially successful fight-back.

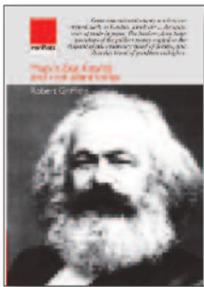
Anti-imperialist, modernising and secular governments were overturned. The US-led NATO block formed alliances with traditional local elites who exploited subsisting ideologies and religions in a reactionary way. In this process, especially where valuable natural resources were available, new regional powers have emerged. These have been integrated into the global capitalist market and are generally dependent on raw material extraction that links them to the big western monopolies. Politically they have relied on the resulting revenues to sustain internal structures of state power based patronage and detailed institutional control. These structures also depend on essentially reactionary ideologies to exclude any understanding of progressive social change and, additionally, are usually defined antagonistically to other ideologies based on nationalism and religion.

What therefore should be the attitude of those on the Left to these emergent states and how far can they be seen in any way as having an anti-imperialist potential? There is also the question posed by much bigger ex-colonial states such as India which have undergone very significant capital accumulation, where internal monopolies have crystallised, capital export takes place and reactionary and nationalist ideologies are used for political control. Turkey might be another, driven to external expansion by the same imperatives of monopoly capitalist accumulation?

CONTINUED OVERLEAF



▲ Freedom From Tyranny The fight against fascism and the falsification of history by Phil Katz commemorates the 65th anniversary of the defeat of fascism in Europe is a celebration of that victory and also a warning of the continuing dangers posed by fascism and the attempts to re-write history. £5.95 (£1.50 p&p) 114pp illustrated



▲ In Marx's Das Kapital and capitalism today Robert Griffiths takes us back to the foundations of Marx's critique of capitalism and demonstrates its relevance. Published to mark the 200 anniversary of Marx's birth the book shows how reading Das Kapital sheds light on the reality of capitalist crisis today. £8 €9 (plus £2 €2.5



▲ The Empire and Ukraine by Andrew Murray sets the Ukraine crisis in its global and local context, and draws the lessons needed for the anti-war movement as great power conflict returns to Europe and threatens a new cold war or worse. Murray examines the fascist forces activated in Ukraine and explores the essential links between the crises of contemporary capitalism and war. £11.95 (+£1.50 p&p)



manifestpress.org.uk

PARAGRAPH STARTING LINE 21

Regional conflicts in the Middle East

The Middle East remains critically important for imperialism as the world's main reservoir of cheap crude oil and as the bridge between Asia, Africa and Europe. The US no longer needs Middle East oil for itself but uses it to control the energy supplies for its trade rivals and to ensure that its sale is denominated in dollars.

The 1998-99 Programme for a New American Century, the manifesto for GW Bush, outlined a perspective for reclaiming full US control over a Greater Middle East from Afghanistan to Sudan involving large-scale military intervention. From 2006-7 the US moved to a modified plan for a New Middle East. This represented a more focused policy of control that accompanied a switch of US military resources to Asia. Its object was to balance regional powers against one another. Within this priority was given to traditional US allies, Israel, Turkey and Saudi Arabia. Some element of territorial reconfiguration was also considered for Syria and Iraq with the possible creation of a Kurdish state.

At the time it seemed that the Arab spring would facilitate these developments but the emergence of ISIS, the intervention of Russia and Iran on the side of Syria and the creation of a more aggressively nationalist regime in Turkey created a new situation. This has resulted, under Trump, in a less balanced and more aggressive strategy: an alliance with Israel and Saudi Arabia to dismantle the territorial influence exercised by Iran across Iraq, Syria and Lebanon. It has given Saudi Arabia and Israel the leverage to extend their own territorial ambitions and, in abandoning the previous strategy of balanced control, an economically weaker US may face other challenges, including from Germany and the EU. For the Left it gives added priority to mobilising wider support for the rights of the people of Palestine and the full implementation of UN resolutions for a two state settlement.

PARAGRAPH BEIGINNING LINE 49

China and its global role

How far is China socialist – and how far will China play a more active political role in the coming period ?

China currently does not claim to have secured socialism. Its objective is to build a socialist society, to do so in China's specific circumstances and to have largely completed the first stage of this process over the next generation. Key sectors of the economy are state-owned and very considerable parts of the commercial sector have dominant shareholdings by provincial governments (most of which are bigger than the average European country but as a result of these investments also heavily indebted). The Chinese Communist Party has re-emphasised the ideological role of Marxism, is rigorously fighting corruption and, in a society that is still marked by very high levels of income inequality, seeks to hold entrepreneurs within the discipline of the party and its wider social goals. Real wages have increased three-fold since 2000 and there is a realistic target of eliminating absolute poverty by 2022. Technologically China is beginning to edge ahead of international competitors in a number of key areas: infrastructure construction, robotics, sustainable energy and artificial intelligence.

Will China play a more active role in world politics in the coming period ? China's explicit objective is peaceful cooperation, focused on mutually beneficial economic development, in circumstances where it is aware of rising tensions among the dominant imperialist powers and its own economic and military exposure. The Belt and Road initiative is one example of China's drive for cooperation.

Recent years have seen the remilitarisation of Japan, the third great monopoly capitalist power centre after the US and the EU and one that has been in incipient financial and

economic crisis since the 1980s. The political resurgence of its right-wing parties continues. US military strategy has been focused on China for the past two decades, was intensified by the 'pivot to Asia' under Obama and is evidenced by the creation of a ring of military bases usually underpinned by economic treaties. The division of the Korean peninsula has been a particular focus. The US has kept this conflict alive for over half a century – despite recent attempts by the government of South Korea to secure a settlement – and used it as the justification for heightened US military presence on China's borders.

China is therefore highly aware of the need to develop economic relations with all neighbouring countries, and with the US itself, on the basis of mutual benefit. Continuing such cooperation is likely to be the over-riding priority over the coming decade. At the same time, economic cooperation with countries in the global south is also likely to be seen as particularly important.

PARAGRAPH BEGINNING LINE 67

Developments in Latin America

The past two decades saw Left and Left-aligned governments winning and then losing power in a majority of Latin American states. Only Venezuela and Bolivia continue – alongside Nicaragua in Central America. How therefore should we understand the inability of these governments to sustain sufficient mass backing to prevent such reverses – and how far do these reversals prejudice Left developments in the future ?

Communists in these countries highlight a number of factors. The most important is the legacy of neo-colonialism: structural under-development, economic reliance on export revenues from a single source, minerals or cash crops, dependence on imports for many necessities, vast informal economies and the lack of a developed working class. This was the case in virtually all countries with Left oriented governments and meant they were very vulnerable to external economic intervention. These governments were also, in all cases, coalitions representing a broad spectrum of social groups and political trends, not all of them at all socialist, in societies where ownership of the economy, of infrastructure and media remained in the hands of minute oligarchies. While some elements within the Left governments understood the need to begin the dismantling of these neo-colonial state structures, to diversify the economy and build more powerful movements of working class organisation, such understanding was not universal. This lack of political cohesion was matched by an understandable but economically damaging tendency to use revenues for immediate poverty alleviation rather than investment in longer-term economic development.

This left these governments very vulnerable to external economic subversion once the prices of oil and other primary export produce declined. For the US the loss of its century-long dominance over the subcontinent had represented a major challenge. Cuba's isolation was ended. On a global scale Brazil's presence within the BRICS alliance strengthened its ability to demand technology transfer and an end to exploitative trade terms. For the US regime change became a priority.

Yet Venezuela and Bolivia survive and mass movements for democratic transformation are re-emerging elsewhere. Some of the gains, in terms of working class organisation, have been sustained and the striking down of welfare and trade union rights has resulted in a long series of mass strikes in Brazil, Argentina and Uruguay. Political lessons have also been learnt on the Left. At the same time the international balance of power is shifting. Cuba remains, despite blockade, a model of socialist development. China grows stronger and an economically challenged US is in sharper conflict with monopoly capitalist powers elsewhere.

PARAGRAPH STARTING LINE 94

The EU, populism and the rise of the right

The EU survived the credit crisis of 2008 and the currency crisis of 2011-12. But at great cost. Existing inequalities across the EU have been massively enhanced, capital ownership and control has been further drained to the centre, workers' rights and living standards attacked, social infrastructure degraded and growth limited. Countries of southern Europe have experienced unprecedented economic stagnation; countries of Eastern Europe emigration and depopulation.

Politically the consequence has been a sharp shift to the right. Social democratic parties, identified with the implementation of EU austerity, have suffered a dramatic decline, in some countries probably irreversibly. The far-right has made major gains in Eastern Europe and significant advances in the west. Populist parties, instable coalitions based around charismatic individuals, have won protest votes against EU political elitism without providing coherent alternatives.

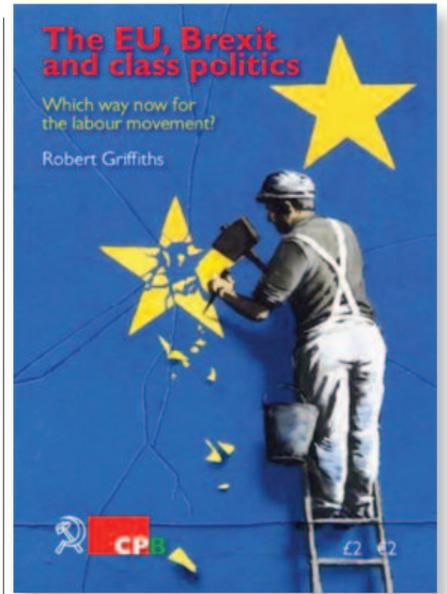
But the fundamental problems remain for the EU as a vehicle for German and French monopoly capital. The Single Europe model of 1986 sought to enforce free movement across a continent with grossly uneven development. It did so explicitly to use labour migration as an instrument of economic management, to stop 'overheating' and enhance growth for the big German, Dutch, French and Swedish monopolies. Then as now all calls for the redistribution of income to less competitive areas were rejected. Then as now the consequence has been still greater concentration of capital ownership.

This model has, as we have seen, enabled German monopoly capital to emerge as a direct rival to the US. But capitalist crisis now places great pressures on both. Low growth and austerity inside the EU has reduced its potential as a market base for the German monopolies. Growth and profit maintenance depends increasingly on external markets in direct competition with the US. Germany is far more directly dependent on exports than the US. Yet the US, in terms of its international financial dominance, also faces an export imperative. For the EU its own territorial expansion, for markets and high level levels of surplus labour extraction, is now focussed on the south Balkans and Ukraine

The situation in the EU therefore offers no grounds for complacency. Another global financial crisis will cause even greater economic and social dislocation than the last. Far right, and in some cases openly fascist, parties have already secured a significant foothold. Monopoly capital may look to their support if challenged. It already has in Ukraine.

This gives a key role to the Left and the Communist Left in particular. The Portuguese Communist Party has demonstrated how principled political and parliamentary interventions, sustained by working class and trade union mobilisation, can limit the advance of the populist right and win an understanding of the nature of the EU and the role of monopoly capital. This is also to some extent the case in some other countries. Elsewhere, as in Italy, Communists and their allies are reorganising coherent opposition. Across the Left in Europe great importance will now be attached to what happens in Britain. The ability of the British Labour Party and labour movement to carry forward Left economic policies freed from neo-liberal EU prohibitions would transform expectations. Asserting workers' rights, displacing the grip of finance capital and redeveloping the public sector would enable a much clearer challenge to dominant EU perspectives and the dangerous ideologies of populism and the racist right.

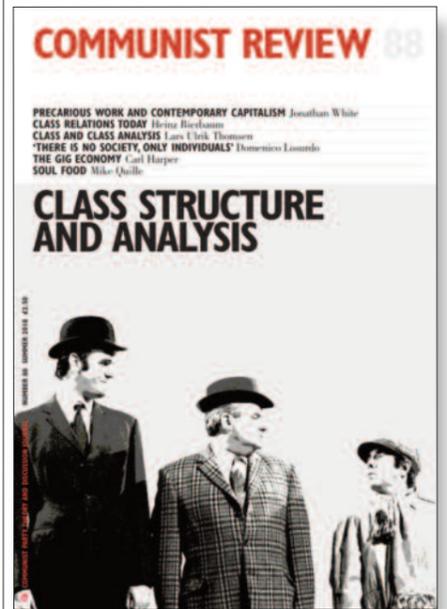
International Commission
July 2018



The EU, Brexit and class politics
Which way for the labour movement?

Communist Party general secretary Robert Griffiths – who chaired the Lexit campaign revisits the arguments set out in the *Left Exit from the EU* pamphlet issued during the referendum campaign which resulted in a decisive vote by the British people to leave the European Union. Revised and republished by the Communist Party the pamphlet brings readers up to date with the manoeuvres by the banks, big business, the state and an unprincipled alliance of pro EU elements in the parliamentary parties to subvert the popular vote. For a people's exit from the big business EU! Yes to international solidarity and cooperation! Clear the way for a left-led Labour government! £2

www.comunist-party.org.uk/shop/



COMMUNIST PARTY
THEORY AND DISCUSSION JOURNAL
NUMBER 88 SUMMER 2018 £2.50

EDITORIAL Martin Levy
PRECARIOUS WORK AND CONTEMPORARY CAPITALISM Jonathan White
CLASS RELATIONS TODAY Heinz Bierbaum
CLASS AND CLASS ANALYSIS Lars Ulrik Thomsen
'THERE IS NO SOCIETY, ONLY INDIVIDUALS' Domenico Losurdo
THE GIG ECONOMY Carl Harper
BOOK REVIEW Martin Levy
SOUL FOOD Mike Quille



★ **Jeremy Corbyn** "The Morning Star is the most precious and only voice we have in the daily media" £1 weekdays, £1.50 at weekends.
From newsagents or online at morningstaronline.co.uk