

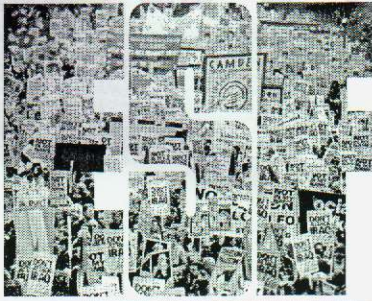
INTERNATIONAL VIEWPOINT

European Social Forum meets!



Dossier on the war drive
Imperialism in the 21st century

INTERNATIONAL VIEWPOINT



TO OUR READERS

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The nature of modern imperialism and the emergence of a new resistance to its aggressions are the central themes of this issue of International Viewpoint. In early November, the European Social Forum (ESF) in Florence will bring together tens of thousands of people from Europe and beyond to oppose war, racism and the free market policies which dominate the mainstream political agenda across Europe - we speak here with an activist in the European Marches Against Unemployment, Job Insecurity and Social Exclusions who will attend the ESF.

Meanwhile, the drive towards a US-led assault on Iraq continues. Charles-Andre Udry looks at some of the motives for the US commitment to this project and warns against any illusions in the maneuverings of European imperialism - realignment with the US position remains the most likely option.

Achin Vanaik, meanwhile, believes that whatever new and unforeseen problems another Iraq war may throw up, "such is the power that Washington believes it possesses that it is confident it can cope with and manage them. The world then is now a laboratory where the US can afford to 'experiment' with its exercise of power largely detached from the considerations of others, allies or opponents."

The government of Japan has taken advantage of the September 11 attacks to forge a closer military alliance with the US. Kan Takayuki explains here how a headlong rush towards militarization has been intensified under the Koizumi administration.

Contrary to expectations, 'Lula', the candidate of Brazil's Workers' Party (PT) was not elected in the first round of that country's presidential elections in

early October. A Lula victory in the second round still seems highly likely as IV goes to press, but Joao Machado Borges warns that the most difficult stages are yet to come.

Another country which has been to the Apolls lately has been Sweden - here, Goran Karmann argues that the result - a victory for the ruling Social Democrats, against the trend of recent European electoral results - can be regarded as a kind of victory given that the class struggle in Sweden is at a very low level.

The rise of the movement against capitalist globalization has led to a renewal of interest in the study of imperialism. In a major study, Claudio Katz assesses the relevance of the classic Marxist concept in a context of the aggravation of the social crisis of the Third World, the multiplication of armed conflicts and deadly competition among countries. He speculates that "perhaps the emergence of parties, leaders and thinkers comparable to the classical Marxists of the past century will be the surprise of the new decade."

Katz's analysis points out that a number of intellectuals who played central roles in the construction of the neoliberal orthodoxy of the past decade have recoiled in horror from their creation. Prominent among these penitents is Joseph Stiglitz, who was a member of the Clinton cabinet in the 1990s as well as senior vice president and chief economist of the World Bank. In our review section, Tony Smith examines a recent book by Stiglitz which questions the fundamental tenets of neoliberalism but, in Smith's view, fails to put forward a coherent alternative since "these problems are all rooted in the system of property and production relations that defines capitalism".

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EUROPE: AIMS WITHOUT FRONTIERS

INTERNATIONAL VIEWPOINT spoke to Michel Rousseau, a member of the secretariat of the European Marches Against Unemployment, Job Insecurity and Social Exclusions <www.euromarches.org> about the European Social Forum in Florence.

More than five years after the big demonstration against unemployment in Amsterdam in 1997, what is happening with the European Marches?

As luck would have it, the European Marches has just met in Amsterdam to discuss the situation of the unemployed and insecure workers in Europe as well as the network itself. After a short-lived relative fall, unemployment figures are rising again throughout the European Union (EU). The Lisbon and Barcelona summits have led to increased insecurity of work. Hence the necessity for the organizations of the unemployed to strengthen themselves on a European scale to fight against this mass long-term scourge. This is not easy; after the movements of 1997/1998, the unemployed organizations found it difficult to resist alone against ever more ferocious neoliberal offensives with the return of the hard right in EU governments.

Only a consistent relationship of forces can beat back the bosses and their governments. The general strike in Spain, just before the Seville summit and prompted by Aznar's measures against the unemployed, shows the necessary and possible convergences with the trade unions that are possible. It is no longer enough to mobilize for protests. We need to score some victories over those who create unemployment and poverty. If not, the most deprived layers will turn to populist demagogues, as seen at the elections in Austria, Italy or more recently in France.

Concretely, what are your perspectives for mobilization?

We think that to count at a European level, where the decisions are taken, we have to elaborate common demands capable of building unitary struggles beyond national frontiers. Easy to say, not always to do. Europe is really diverse. For example, how do we fight on the question of income whether you have a job or not, whether you are young or retired? If, on the eve of an unprecedented expansion of the EU, we want to oppose policies of wage, fiscal and social dumping, we need to demand the same social and wage minima in every EU country.

Therefore, we are organizing a European day of debate and mobilization on October 30, 2002 on the question of income. Apart from the income question, we have to fight on a European scale for all social rights. The new European constitution being prepared by the ad hoc convention has reached a total impasse on these rights. That means we face an unprecedented regression of everything won through long struggles in the national contexts. We want to intervene on this terrain and the European Social Forum in Florence should be an opportunity to reaffirm social rights; rights like the right to work, to income, to housing are not for sale in an EU reduced to a vast free trade area.

What do you intend to do in Florence?

We've waited a long time for this! We think that, while struggles in the national frameworks are still useful and necessary, we need to establish ourselves at the European level. The bosses have been constructing their Europe for more than 50 years and for our part we are very late, at

the associative as well as the trade union or political level.

At the ESF, for the first time tens of thousands of activists will meet together to think through and define an action strategy for another Europe in another world. Certainly the organizations of the unemployed, the organizations of those 'without' – without work, without housing, without papers, must make sure they are heard at such assemblies and we have to deepen the 'expertise', we have to trace perspectives of struggle.

So, at Florence we are proposing a 'European Assembly of Unemployed and Insecure Workers in the Struggle', with seminars on insecure work and income. We will participate in seminars organized on social rights, the convention, the conference of those 'without', in the final assembly of the social movements and so on.

We hope that Florence will allow us to elaborate unitary objectives of struggle for the social movements on a European scale. Already we feel this is being concretized: the very open process that our Italian friends have practiced for the preparation of this Forum has already borne its fruits.

We have been able to note that all the organizations now seek contacts in every country to transform themselves into 'European networks'.

We want to accelerate these convergences in Florence, coordinate our forces to oppose neoliberal policies which sow misery across the richest continent on the planet. In this 'unipolar' world, the task is urgent! □



BRAZIL: the next fight will be harder

JOAO MACHADO BORGES *

PHOTO:
Lula with Olívio Dutra

ADVANCE OF THE PT LEFT

The PT's results in the various elections that took place at the level of the states that make up the Brazilian federation varied considerably although there was a certain upwards tendency in the vote. There were some pleasant surprises; in Sao Paulo, where the candidate for state governor was José Genuino [considered to be on the left of the PT – ed] he won more than 32% of valid votes (the best score ever obtained by the PT in an election in this state). Thus, he will for the first time contest the second round, having beaten the rightwing candidate, Paulo Maluf, who won 21.38%. In some states, the results of the PT candidates were better than expected. However, there were also some worrying results. In Rio Grande do Sul, whose government has been the main showpiece for the PT, Tarso Genro went through to the second round but with only 37% of valid votes, while the candidate of the right, Rigotto, gained 41.17%.

The PT won the government of the small state of Acre (in the northwest of Brazil, near the frontier with Peru - Jorge Viana was the reelected candidate) and the state of Piaí (with the support of the former governor who had been dismissed for abuse of power) in the first round.

Turning to the results for deputies and senators, the PT increased its number, although not spectacularly, since in many places it ceded its posts to its ally, the Liberal Party.

Finally, we should draw attention to the results for the PT left; these were fairly good, taking into account that this left had to follow a national political orientation with which it disagreed completely.

To give a rough idea, of the 70 or 80 federal deputies elected for the PT, 10 participated in the list supported by the Socialist Democracy Tendency in the recent internal elections in the party to choose candidates, an increase of 15%. [Supporters of the Socialist Democracy Tendency include the current vice-governor of Rio Grande do Sol, Miguel Rossetto, the former mayor of Porto Alegre and current state deputy Raul Pont, and the state senator for Alagoas, Heloisa Helena – ed].

Also elected as senator was Ana Júlia, from the state of Pará. In total, the left of the party accounts for about 30% of federal deputies, a better percentage than before.

Joao Machado Borges

Contrary to expectations, Luis Ignacio da Silva ['Lula', the candidate of the Workers' Party (PT)] was not elected in the first round of the Brazilian presidential elections on October 6, 2002. The polls, with few exceptions, indicated that he was likely to receive the 50% + 1 of valid votes necessary for a first round victory.

Beyond this, the more certain victory seemed, the more Lula tended to win broader and newer support, both from sectors of other parties whose members abandoned their candidates and from big entrepreneurs. Prominent bankers and the heads of large financial companies expressed support, or at least sympathy for Lula's candidacy. The press stated that some of them had been asked [by the PT leadership] to be part of the future government's economic team.

Finally, the PT tradition of peaking in the final days of the campaign, thanks to the mobilization of its activists and electorate, boosted hopes.

However, Lula did not win in the first round. With nearly 99% of the votes counted, he had won nearly 39 million votes, or 46.5% of valid votes and 41% of those voting. Thus, he must face a second round against the candidate of the government, José Serra, who won nearly 19.5 million votes, 23.2% of the total – in other words, around half Lula's total.

If we admit that the polls are reasonably close to reality, which seems to be the case, Lula's support did not increase in the last days of the campaign and indeed fell back somewhat. How can we explain this?

In the first place, by the impact of the televised debate between the main presidential candidates, organized towards the end of the campaign on October 3. Following a strategy mapped out with his advisers on 'marketing', Lula avoided confrontation with the other candidates: even when subjected to direct and repeated questioning, he avoided coming out for or against any given proposal (he had previously declared his mood to be one of 'peace and love'). Invariably he replied that the problem was complex, and that it should be resolved through a 'discussion with the whole of society'. The impression given was that of a candidate who feared difficulties.

Secondly, this time the traditional PT mobilization was much less strong, even with the possibility of victory. Over the years, there has been a decline in participation in the PT's campaigns (which has accompanied the transformation of the party increasingly into the hands of an apparatus of 'professionals'). On this occasion, the demobilization was sharper than before: the changes that Lula and the PT leadership majority introduced in this campaign were viewed with distrust. It is understandable that the activists of a party that always defined itself as socialist did not regard with enthusiasm the prospect of a government working in close collaboration with the big employers, friendly towards the bankers, and committed to respecting agreements made with the IMF.

Lula himself indirectly recognized these difficulties. In one of the last meetings of the campaign, in Sao Paulo, he said, "the militants of the PT can rest assured that I am going to fulfill the programme of the party". Such an affirmation would have been completely unnecessary in other campaigns.

In any case, the second round will be more favourable for Lula. He starts with a big advantage and should receive the support of the three other main candidates (Garotinho of the PSB and Ciro Gomes of the PPS). José Maria of the PSTU (a Trotskyist grouping of the Morenista tendency), who won a frustrating 0.5% of the votes (which can in part be explained by pressure for a 'useful vote' so that Lula could win in the first round) will also probably give his support.

Even more importantly, the elections showed an enormous willingness on the part of the electorate to vote against the government of Fernando Henrique Cardoso and its neoliberal policies (to the extent that Serra, the government candidate, sought to present himself as a candidate for change).

On the other hand, it would be wrong to think that the election is all over bar the shouting; among other things, because it will be harder to maintain the strategy of 'peace and love' in the second round. □

* Joao Machado Borges is an economist and a member of the national coordination of the Socialist Democracy Tendency of the PT.

SWEDEN: a kind of victory

GORAN KARRMAN *



PHOTO:
Gerhard Schröder,
Göran Pedersson

The general election that was held in Sweden on September 15, 2002 had two main characteristics. First, contrary to the European trend, the incumbent Social Democrats not only did not suffer losses in support, but made substantial gains. Secondly, the question of immigrants as a threat to society was put on the table, thanks to the profound turn to the right made by the Liberal Party.

Given all the heated arguments between the rightwing opposition and the leftwing parliamentary majority, it is also interesting to note that the parliamentary relations after the election stand exactly as they did before. The big changes have been inside each 'wing', with the collapse of the conservative vote on the right being the most notable.

On the left, it is obvious that most of the working class votes that went from the Social Democrats to the Left Party in 1998 went back again this time.

In the municipal election, held at the same time, the self-proclaimed neoliberal showpiece, Stockholm municipality and region, was smashed in one blow, as the rightwing was cleared out. This showpiece has involved a massive privatization of transport, daycare, health, school, housing and street cleaning, to mention just some.

Apparently the rightwing had no idea how deeply unpopular this policy was and the opinion polls also indicated a continuing rightwing rule. However, the ordinary voter remembered what it was like last winter when the street cleaning of snow was privatized and the companies who took over were not paid for taking the snow away, just to put it off the roads. Nor did they forget the hundreds of thousands of commuters that were left stranded because privatized commuter trains were hopeless understaffed and arrived very late or not at all.

A particular feature of the 'showpiece' was the selling off of council flats and the banning of construction of new council housing. Instead, a number of big housing projects have started that cater only for the well off. A four room flat at 350,000 euros plus a monthly fee of around 800 euros will not be considered particularly expensive. With the resounding defeat of the Conservatives, this showroom was effectively cleared out.

The governing Social Democrats broke the trend of defeats that has haunted European social democracy for the last few years. A small but clearly visible step to the left in the last week of the campaign won back the mainly working class votes that went in 1998 to the Left Party. For those who voted for the Left Party in 1998 in order to "turn the Social Democrats to the left", the results were not impressive and why vote for a copy when the original seems to turn left?

The loss of voters from the Left Party should also be seen in relation to the 20% that was the goal for the campaign and - according to the party leadership - necessary in order to "turn the Social Democrats to the left".

The extreme-right Swedendemocrats - an attempt by fascists to create a party a la Front National in France - made substantial gains in the elections, not primarily by winning new votes, but through sucking the juice out of

several local rightwing groups. They succeeded in situating themselves as the only valid national alternative for the extreme right. This is particularly true in the southern county of Skane, where such groups have been present for a long time.

The Swedendemocrats won two seats in Malmö, the third city in Sweden, four seats in Landskrona, three seats in Helsingborg, just to mention some of the more spectacular results. Nationally they polled more than 70,000 votes (1.5%) and thereby succeeded in getting their ballot paper freely printed and distributed in the next election.

Even a superficial glance at the election shows not only that the number of voters dropped significantly but also that voting - or not voting - are class bound. In the well off areas where the bourgeois parties regularly win 80% plus of the votes, the turnout is well over the national average of 80.1%. In working class areas, the turnout is significantly lower. The poorest areas are also those with the lowest turnout, sometimes as low as between 50 and 60%. And strongholds for the parliamentary left.

The left of the left mainly contested the municipal elections and only in a very few municipalities. Substantial gains were only made by the Committee for a Workers' International group, RS, which took two seats in the northern

town of Luleå and three seats in Umeå.

A Stalinist party with some good local results lost two seats, but remain quite strong in two municipalities. For the Socialistiska Partiet (Socialist Party - Swedish section of the Fourth International) there were small advances but no seats except for the one held for a long period in the working class town of Köping. With a meager 3,200 votes in the parliamentary election, the Socialistiska Partiet became the least small among the small leftwing parties.

Given that the working class as a whole have been pushed out from the centre stage for many years - even the word 'working class' is all but forgotten - and the class struggle is at a very low level, it is significant that the working class vote goes overwhelmingly to the parliamentary left. And as long as the working class does not take action to defend the welfare state or to resist the neoliberal policies of the Social Democratic government, this has to be regarded as a victory in itself. □

* Göran Kärman is a member of the leadership of the Socialistiska Partiet (SP - Swedish section of the Fourth International) and was the central coordinator for its election campaign.

ELECTION RESULTS, 15 SEPTEMBER, 2002

Moderaterna (Conservative) 15.2% (- 7.2%)
 Folkpartiet (Liberal) 13.3% (+ 8.7%)
 Kristdemokraterna (Christian Democrats) 9.1% (-2.6%)
 Centerpartiet (Agrarian) 6.1% (+1.1%)
 Socialdemokraterna (Social Democrats) 39.8% (+3.5%)
 Vänsterpartiet (left Social Democrats) 8.3% (-3.7%)
 Miljöpartiet (Greens) 4.6% (+0.1%)

Turnout: 80.1%

Moderaterna is the classical rightwing party, with close ties to the German CDU and the British Conservatives. It has adopted a more outspoken neoliberal profile, especially during the last 10 years. It suffered the most astonishing collapse of votes ever recorded for a Swedish party.

Folkpartiet, the liberal party, took a step to the right of the Conservatives in this election, copying a number of their demands, mainly on getting tough on school dropouts and immigrants without jobs and on welfare. They hope to copy the vote-winning concepts of the Danish liberals (Venstre) but also Blair's New Labour and Chirac's French right.

Kristdemokraterna has managed to partly take over the role of a classical conservative party, hailing the traditional family, the teaching of 'Christian values' in school and so on, mixed with an anti-gay message.

Centerpartiet, the traditional agrarian party, has for many years been declining from a position as the main party of the parliamentary right, but with a more social democratic touch regarding the welfare state than the classical right. In this year's campaign, the Centerpartiet took the most left wing stance regarding Bush and Blair's war drive. While all the other parties, including the Left party, gave their support to whatever the UN decides to be the appropriate way to deal with Saddam Hussein, the Centerpartiet demanded proof of the existence of the supposed 'weapons of mass destruction' before even considering military action.

Socialdemokraterna had their worst election result ever at the last election - they fell to 36.3%, which says a lot about how strong this party is in Sweden. The party has been in government since 1932 with the exception of the periods 1976-82 and 1991-94.

Vänsterpartiet (Left Party), the ex-Communist Party, can most accurately be described as a left social democratic party today. It has been in the 'parliamentary majority' for the recent period and has been supportive of privatizations like the selling of shares in Telia, the state communications company. The party registered its best results ever in the last election, 1998, with 12% of the vote, mainly from the Social Democrats. It lost almost a third of its vote this time, mainly working class votes and almost entirely through defections back to the Social Democrats.

Miljöpartiet, the Greens, are also part of the 'parliamentary majority' They have a distinct petty bourgeois profile, with the support of small entrepreneurs and so on, but also a clear leftwing stance on international matters. They are a very distant relative of the German Greens.

Oiling the war machine

CHARLES-ANDRE UDRY*



When will the US-led war on Iraq begin? Instead of "if", 'observers' now ask "when". But hasn't this war already begun?

During August 2002 alone, US and British bombers carried out '10 sorties' over Iraqi territory to bomb 'command centres'. In the shadow of public debate – more exactly of a vast campaign of biased information – US military forces are deploying in a zone surrounding Iraq, at a faster rhythm than was the case during operation 'Desert Shield' (August 8, 1990-January 15, 1991), the preparatory phase for 'Desert Storm'. US troops are positioned – admittedly at varying levels of significance – in the Middle East, central Asia and the Horn of Africa: Pakistan, Afghanistan, Uzbekistan, Kirghizstan, Kazakhstan, Tajikistan, Georgia, Azerbaijan, Turkey, Jordan, Egypt, Kuwait, Saudi Arabia, Qatar, Bahrain, Oman, Yemen, Eritrea and Kenya. Add to that the US fleet in the Persian Gulf, the Oman sea, the Red Sea, the Mediterranean... In all of this, Israel plays a role of the first order.

Hardly astonishing then that US military specialists stress that the logistic set up for waging war on Iraq is qualitatively superior today to what existed in 1990-1.

The monopoly of power

A third stage of the war against Iraq is about to open. Following the war against

Afghanistan, it amounts to a new deployment of US imperialism after the phase of transition from the late 1980s to 2001.

The outlines of this policy were sketched in the early 1990s, by influential members of the circle currently around George W. Bush. Thus, on March 8, 1992, the New York Times leaked the content of a draft of what was called a Defense Planning Guidance, written for the Pentagon and covering the period 1994-1999. It sought to define the diplomatic and military policy of the US in the post-Cold War period. The authors? Dick Cheney (currently vice-president), Donald Rumsfeld (the current secretary of Defense) and Zalamy Khalilzad, now representing the National Security Council with Karzai in Afghanistan.

By the Times's account, the policy paper "asserted that America's mission was to ensure that no rival superpower emerged in any part of the world. The United States could do this, it proposed, by convincing other advanced industrialized countries that the US would defend their legitimate interests and by maintaining sufficient military might. The United States, the document stated, 'must maintain the mechanisms for deterring potential competitors from even aspiring to a larger regional or global role.' It described Russia and China as potential threats and warned that Germany, Japan, and other industrial powers might be tempted to rearm and acquire nuclear weapons if their security was threatened,

and this might start them on the way to competition with the United States"².

This orientation is astoundingly similar to that of the statements made by Condoleezza Rice, Bush's national security adviser, Donald Rumsfeld or Dick Cheney. Thus on September 20, 2002, the New York Times (NYT) reported on a document entitled "THREATS AND RESPONSES: SECURITY; Bush to Outline Doctrine of Striking Foes First". In other words, preventive war.

The NYT commented thus on this document: "it sketches out a far more muscular and sometimes aggressive approach to national security than any since the Reagan era; it includes discounting of most nonproliferation treaties in favor of a doctrine of 'counter proliferation'; calls strategies of containment and deterrence – staples of American policy since 1940's – all but dead; says America is threatened less by conquering states than by failing ones". One of the most striking elements of this document lies in its insistence that "the president will not allow any foreign power to catch up with the huge lead the US has opened since the fall of the Soviet Union". With Russia in deep financial difficulties, this doctrine seems aimed at powers like China that are increasing their conventional and military forces.

All this is in conformity with the theses developed in the Nuclear Posture Review of January 2002, with Rumsfeld's

speeches and with the recent interview given by Condoleezza Rice to the *Financial Times* (September 23, 2002). The British daily summed up thus: "In short, Ms. Rice and Mr. Bush believe they can both dominate other countries and build alliances with them. US military supremacy, they say, should dissuade other countries from pursuing their own military programmes and encourage them to collaborate in other areas".

It is in the light of this overall orientation of US imperialism that we



should approach the new war against Iraq. The disequilibria and political instabilities – at the level of a country or a region – that could be provoked by such a war are integrated in such a strategy. They offer opportunities to reconfigure the relationship of forces to the advantage of the US and/or its privileged allies, to ensure the taking of control of some countries ('regime change'), with their resources, to establish new alliances, to weaken the position of their actual and potential rivals.

The energy market in the 21st century

There is a characteristic imperialist undertaking based on 'zones of influence', conquest and pillage. All this in a context where finance capital has imposed its rules of 'deregulation' and where the 'pressures' of the dominated peoples of the 'periphery' as well as the US working class are lessened, in synchronicity with the implosion of the bureaucratic collectivist societies.

In the current conformation of US preeminence, the military dimension is key. It reshapes the inter-imperialist contradictions to the advantage of the US. Because, exceptionally in history, this

country is both the biggest power and the biggest debtor in the world. Financial transfers from Europe, Japan and the rest of the world finance the US deficits. Hence the interest in controlling other flows, like oil, a source of energy which is at the centre of a decisive industrial crossroads, stretching from chemistry to electronics via cars.

If the US is dependent on flows of finance channeled to Wall Street, it is also dependent on oil imports for its energy needs. The National Energy Policy Report of May 2001 – known as the Cheney Report – indicated two priorities: to increase and ensure, over the long term, access to the oil resources of the Persian Gulf region; to diversify supply.

Iraq holds the second biggest oil reserves of the world: 112 billion barrels. Moreover, for more than two decades, geological research has been interrupted and only 24 out of 73 wells are functioning. Several estimates put Iraq's reserves as high as 250 billion barrels (as against Russia's proven reserves of 49 billion)³. Moreover, this oil is of very good quality, its cost of extraction is very low, its transport easy. In other words, control of Iraq's oil resources would confer a determinant influence on the energy markets of the 21st century.

This oil, then, is at the centre of much maneuvering. During the UN debate on 'smart sanctions' against Iraq, in June 2001, France proposed a resolution allowing foreign investment in oil, which the US and Britain blocked. Despite these obstacles, various oil companies have entered into contracts with the Iraqi government. They have acquired rights of direct prospecting and extraction, thus breaking with the traditional policy of the Iraqi state company.

However, all these plans could go wrong. For the US is interested in 'regime change' in Iraq and the contracts of US, European, Russian and Chinese companies concerning the exploitation of certain oil fields – which account for 44 billion barrels according to the International Energy Agency in its 'World Energy Outlook 2001', that is a total equivalent to the joint reserves of the US, Canada and Norway – would be declared null and void in the case of such a 'regime change'. Ahmed Chalabi, leader of the Iraqi National Congress (an opposition grouping financed by US oil companies and supported by the Bush administration), has politely made it known that it favours the implantation of US consortiums and that the contracts signed by Saddam Hussein will not be considered as legally valid. Dick Cheney's company, Halliburton – with its acquisitions, Landmark Graphics and Numar Corporation, specializing in the evaluation of oil and gas reserves – will

be in the forefront of oil prospecting in vast regions.

'Get aligned'

James Woosley sheds light on another aspect of the US's policy of alliances with the view of 'eliminating weapons of mass destruction' and 'regime change' in Iraq. Woosley, a former director of the CIA, says unambiguously that the negotiations among the members of the UN Security Council take place on a basis of cold bargaining: those who align themselves with the US can share in the spoils, the others should look to their future alliances.

Indeed, control of Iraqi oil would not only allow the US to guarantee the regularity of supply in case of a crisis with Saudi Arabia, but would also provide it with an instrument of pressure on oil prices. OPEC would be weakened and with it Chavez's Venezuela. As for Saudi Arabia, if the price of oil fell below 18 dollars a barrel its financial stability will be shaken. The US will thus have an efficient lever to accompany another type of regime change. With lower prices, Russia's oil supplies could be rapidly devalued – the cost of extraction in Siberia being high. The entire Russian economy would feel it. Putin and his acolytes at Lukoil know it. The US has already succeeded in impinging on the Russian monopoly on oil transport with the Baku (in the Caspian)–Tbilisi (Georgia)–Ceyhan (Turkey) pipeline. Schröder's disquiet at Bush's muscular initiatives was obvious at the German elections, but his visit to Blair on September 24, 2002 marked the first stage of a realignment. The appeal by the CEO of the powerful Siemens group, Heinrich von Pierer, will be heard: "Germany's relations with the United States are particularly important: agreement on fundamental political values and economic orientation should not be lightly thrown aside... The recent remarks by Mr. Schröder on the US's Iraqi policy were undoubtedly made in the heat of an electoral campaign"⁴. Realignment around the US position will take place more quickly than some think. The maneuverings for position of the various European imperialisms do not merit the flattery of anyone on the left. □

* This article first appeared in the Swiss review *A l'encontre*.

1 *Los Angeles Times*, September 10, 2002.

2 See Frances Fitzgerald, 'George Bush & the World', *New York Review of Books*, September 26, 2002.

3 Raad Alkadiri, 'The Iraqi Klondike. Oil and Regional Trade', *Middle East Report*, 220, autumn 2001.

4 *Financial Times*, September 24, 2002.

The Iraqi puzzle

ACHIN VANAIK*



Iraqi oilfield under attack from USAF F-16s

The reaction in the Indian media to US preparations for launching a war on Iraq has been one of surprise. Why is the US diverting its attention from the war against global terrorism in this way and risking, through such unilateralist behaviour, its goodwill? However this is not the real puzzle. While the US after September 11 did become seriously concerned about possible future terrorist attacks on it, the real purpose of its 'war on global terrorism' was its value in providing a magnificent cover for the US pursuit of global hegemony. International endorsement of its attack on Afghanistan and of its general war on terrorism (in self-defence, no less!) both gave to the US, and legitimized for it, a new freedom and flexibility of military operation of a kind that it never had before. The US was now defining who its 'terrorist' enemies were as well as the goals, methods, forms, targets, scale and duration of attacks on them.

It was not as if the US ever hid its wider ambitions. Shortly after September 11, the US Ambassador to the UN, John Negroponte informed the Security Council that this was a limitless war: "We may find that our self-defence requires further action with respect to other organizations and states." In that sense, the planned assault on Iraq with or without the fig leaf of a UN manipulated endorsement, is very much in the logic of

things. Surprise is not called for, especially when there were many, who hostile to the US's post-September 11 behaviour, repeatedly warned that such an attack would be forthcoming in the near future as the US pursued unilaterally and aggressively its wider hegemonic ambitions. But nonetheless there remains a puzzle.

If all these years Washington did not feel impelled to unseat the Saddam Hussein regime why is it planning to do so now? The declared reason is but an excuse not the cause. Anybody familiar with the history of UN inspections on Iraq will know that not only has Hussein's military capacities in general, let alone his ability to produce weapons of mass destruction, been severely dismantled but that these very inspections were often suborned to CIA espionage purposes. No country in the whole of the twentieth century, even those suffering a defeat in wartime, has been forced to suffer so traumatically from peacetime sanctions. The idea that Iraq under Hussein, today or tomorrow, represents a serious threat to the US is so ludicrous that even within normally belligerent and supine Republican circles doubts and criticisms have been raised.

Nor is the claim that unseating Hussein represents 'unfinished business' at all convincing. To understand the falsity of this claim we need to step back into pre-and

post-1991 history to grasp why the US felt compelled to attack Iraq when it could have, by diplomatic means, restored the status quo ante before Iraq's invasion of Kuwait; and why after its Gulf War victory it deliberately chose not to overthrow Hussein when it could so easily have done so. Hussein, the benefactor of US support during his 1980-88 war with Ayatollah Khomeini of Iran, was himself astonished at the American reaction to his invasion of Kuwait, failing to realize that the very reason why Washington supported him against Iran also necessitated turning against him.

One of the key strategic purposes of the US in West Asia has always been to prevent any major regional power (let alone regional hegemon) emerging, which might destabilize its own web of alliances with Israel and the oil-rich conservative regimes of the Gulf region. The Iranian revolutionary danger was its paramount preoccupation from 1979 onwards till subdued by a combination of factors. The collapse of Communist East Europe and the deep turmoil in the USSR dramatically changed the relationship of forces worldwide and regionally (the second Intifada beginning in 1987 had ended) in favour of the US. The war with Iraq had bled and debilitated Iran when in the later years Iran's 'human wave' military counter-offensive was successfully resisted by Iraq. The latter's invasion of Kuwait, however, threatened the establishment of a new and major regional power with uncontrolled consequences (on other Arab client states) if Iraq went unpunished.

The US has also had two other strategic objectives in West Asia: first, to keep control not just of the key sources of oil production but of the vast rentier 'lakes' of oil revenues to be directed into the US financial system through petrodollar accounts. Second, to prevent entry into the region of any major rival, above all Russia. That is why when Baghdad agreed to a Russian plan to retreat

from Kuwait before the ground war started, this was promptly rejected by the US because it would have greatly raised the stature and importance of Russia in West Asia. Similarly, when Iraq called (very correctly) for the two occupations of Kuwait and Palestine to be treated according to common principles and offered to withdraw from Kuwait in return for the establishment of an international conference to discuss Palestine along these lines, this was again unacceptable to the US for it would have given great prestige to Iraq and undermined American determination to dominate West Asia.

Domination of the region remains the unchanged purpose whether under the elder or the junior Bush but the seeming paradox of defeating Saddam Hussein but not unseating him after the 1991 victory is easily explained. The basic problem has been the strength and coherence internally of the Baathist regime in Iraq. The US does not want the break up of Iraq nor so weak an internal leadership that Shia resistance in the South could erupt to dangerous proportions with inevitable effects elsewhere in the region, and/or Kurdish resistance burgeoning to the point where it causes serious problems to its Turkish allies or demands a redrawing of the regional map.

Without an alternative leadership from within the Baathist regime itself, the US had to settle for Hussein as the least bad alternative given its wider and deeper strategic concerns in the region. The US has done everything in its power to gravely weaken the Iraqi government but always remaining careful to allow it some level of military-political coherence so that it does not collapse or become too easy a prey for neighbours like Iran.

Eleven years after that Gulf victory, nothing has changed except the imposition of immense suffering on the Iraqi people. The US still does not want a break up of Iraq or too weak a regime in which internally fissiparous forces like the Kurds and the

Shias are emboldened. Moreover, despite efforts, there is no evidence whatsoever that they can set up an alternative regime that can command strong Baathist allegiance, nor can they destroy that Baathist framework and replace it with something as stable or coherent. Whether morally or in terms of international law it is not for Washington but for the Iraqi people to carry out a regime change.

When the US flouted such principles in its attack on Afghanistan, there were many people and governments outside the US who were prepared to justify this. This time there are fewer takers for the same argument - namely, that American self-protection demands the imposition of a 'regime change'. But this time it does not even make much sense, strategically speaking, from the US's own point of view, to attack Iraq as it is planning to do.

When a puzzle is not explainable through sound, rational argument then perforce we need to look at the less rational domain. An aggressive US unilateralism has become some kind of intoxicant in its own right. In such a situation, simplification of complex issues becomes the norm. If West Asia remains an area of turmoil and a breeding ground for generating hostility to the US, as it certainly does, then apparently the solution is to impose even more strongly than ever, an American fiat. Even if the war on Iraq creates new and unforeseen problems, apparently such is the power that Washington believes it possesses that it is confident it can cope with and manage them. The world then is now a laboratory where the US can afford to 'experiment' with its exercise of power largely detached from the considerations of others, allies or opponents. The enhanced American political insularity is not of geography but of the mind. □

* This article first appeared in *The Hindu* of September 16, 2002.

CNDP Statement:

NO TO WAR ON IRAQ

The Coalition for Nuclear Disarmament and Peace (CNDP), India, categorically opposes the US plans to attack Iraq. This would violate international law and all norms of civilized behaviour besides causing further suffering to the Iraqi people, of whom 1.7 million (including 500,000 children) are estimated to have died as a result of the brutal sanctions regime. It would also throw the region and the world into greater political turmoil and instability. The fate of the repressive Saddam Hussein regime is for the people of Iraq, not Washington, to decide.

The claim that Iraq is preparing weapons of mass destruction, particularly nuclear weapons, does not stand serious scrutiny and is simply the excuse to justify intervention by the US, which may

now manipulate the UN into imposing such stringent conditions for inspections as would be unacceptable to Baghdad. In any case, there can be no double standards or selectivity in such matters. India and Pakistan have acquired nuclear weapons while it is an open secret that Israel has amassed a significant stockpile. Moreover, among all the nuclear weapons states that together are primarily responsible for casting the global shadow of a nuclear holocaust, the US has itself been the most criminally irresponsible. It is the only country to use such weapons on civilian populations for which it remains unapologetic. It is now aiming to nuclearize/militarize space as well as developing new kinds of mini- and micro-nukes.

The CNDP calls on the Indian government to come out clearly and unequivocally against the planned US action against Iraq regardless of whether or not this receives UN endorsement.

Admiral Ramdas, Achin Vanaik, Praful Bidwai, Prabir Purukayastha, J Sriraman, Kamal Chenoy, Chris Fonseca

Under the Koizumi Administration [Liberal Democratic Party leader Junichiro Koizumi has been Japan's Prime Minister since 2001], Japan is advancing headlong on a course toward militarization. In this context, militarization first means the preparation by the government of the social machinery allowing it to obtain the power to apply and activate military powers without restraint. Second, it means the preparation of the legal, political, social background for ensuring the smooth implementation of the above policy. Third, it means to enhance social systems to punish, expel, and retaliate against opposition, resistance, and obstructive groups within and without Japan, who are struggling against the above policies. Fourth, it means to propagate the ideology that it is 'just' to eradicate the 'enemies' of war, national security and the nation state. This is, of course, nothing other than an energetic call for xenophobia.

These policies are not recent, but were planned in a longer time span since the end of US Occupation. In a perspective of 20 years, they represent the 'sum total of the Post World War Two Politics' as exemplified by the Nakasone Administration in the 1980s, which came to power amid the dramatic ebb of the anti-government forces which had embodied the post WWII situation.

Japan's historical revisionism in early 90s

In a short span, in the second half of the 1990s, the precedents for the establishment of the Koizumi Administration were set up through a series of legislation. These laws included the revision of the Defense Guideline for the Japan-U.S Security Treaty, the Law for Military Emergencies in Areas Surrounding Japan, passed in August 1999; the Anti-Organized Crime Law, The Basic Resident Register Law; and the National Flag and Anthem Law.

However, the Koizumi administration has pushed the pedal to the floor in terms of these retrogressive policies of the nineties. The authorization of a junior high school history textbook written by revisionists who denied Japan's responsibility for the war of aggression, together with Koizumi's official visit to the Yasukuni Shrine (where war criminals are enshrined) on August 13, 2001 two days before the anniversary of the end of the war, marked the beginning of its militarization policies. Koizumi's display to the world of his close friendship with President George W Bush, on the other hand, was a sales pitch for his administration.

After September 11

Then, the events of September 11 happened.

Japan: militarization under the Koizumi Administration

KAN TAKAYUKI*

The suicide attacks on the World Trade Center in New York and the Pentagon were, regardless of who were the perpetrators, and whether they were right or wrong, expressions of political will, or symbols of the hatred and grudge against US control over the world, through globalization.

It is terrible that these attacks brought many casualties, including innocent civilians who had no responsibility for US supremacy. However, it may be inevitable there were many people who secretly cried 'hurray!' at the success of the attacks on the heart of the US military and financial establishments. This is because five-sixths of the world population have failed to share in the profits of US dominance over the world. Noam Chomsky very appropriately pointed out that it was precisely the US that is a 'rogue nation,' as he criticized Bush's policy and US domination.

The success of the US threat

America, the modern 'Empire,' declared a war of retaliation against the terrorists and their accomplice nations, and launched military actions to annihilate Osama Bin Laden and al-Qaeda. The US went on to threaten the whole world: it demanded that all countries be either on the side of good or of evil, or in other words either on the US side or on the other. The industrialized countries went along with this logic, and even China and Russia followed suit. Pakistan, the only nation that had recognized the Taliban Administration in Afghanistan, and even Libya, which was intimidated by the threat of being labeled a terrorist supporting country, joined in.

Bush labeled the remaining countries, which opposed the US, as an 'axis of evil.' As a result, Iraq and the People's Democratic Republic Korea will be declared the next targets of US military attacks after the restoration of order is completed in Afghanistan. This intimidation continues.

Why has this reckless blackmail been able to go on? There are two reasons:

1 US military technology has reached a level so advanced that it can now bomb targets in any areas of the world as long as it can set up a front-line base in a neighboring country. All countries of the world know this quite well.

2 Countries complying with America can expect some economic gain.

The former condition might apply to Libya, and the latter to Russia and Pakistan.

In the interstices of the mass media

Needless to say, not all articles in the media supported the argument for war. Although the number was very limited, some articles critical of the retaliatory war appeared in the mass media.

Among them, a report from the Asahi Shinbun Jerusalem office on September 16th highlighted the plight of Palestine which bin Laden believed to be similar to the Afghan situation. The reporter stated that "if the fight against terrorism is analyzed as a clash between West and non-West, it would just support Saddam Hussein and bin Laden. In the Islamic world, extremists like bin Laden are quite exceptional. As the connections between terrorism and Islamic extremists are made clear, it is easy to trumpet the Islamic threat. However, if anti-terrorist acts are enforced without resolving the difficulties of the Third World, such as oppression and poverty, more people would be driven to bin Laden's 'empire'."

As for arguments against war, a letter to the editor in the Asahi Shinbun by Sakamoto Ryuichi, an internationally known musician, had a limited but significant impact. In his letter, he stated that "Prime Minister Koizumi, as the representative of a nation with a pacific constitution, should not support any form of war. Furthermore, he should not be able to contribute to a war in which innocent citizens are being targeted.: Sakamoto's argument certainly brought fresh air to an atmosphere in which it was difficult to raise

voices of disagreement or criticism. His position as a musical celebrity made it possible for Sakamoto's opinion to appear in the newspaper. However, it was followed by sporadic criticisms against war in other regions in Japan, such as Nara, Nagasaki, Tottori, and Kyoto. Unfortunately, most of these articles appeared only in regional papers without being connected to one another; they were contained in the 'interstices' of the mass media.

No Future

The Japanese government has always 'cooperated' actively with US 'wars.' This means that it neglected the indignation against America of five-sixths of the world's population. Actually, the US did not even appreciate this Japanese 'cooperation' because the Japanese Army, or 'Self Defence Forces' as they are called, did not engage in combat directly. The US also felt that Japanese economic 'servicing' for US wars was insufficient.

Therefore, in order to obtain appreciation from the Bush administration, and to win economic gains, the Japanese government has been carrying out an endless series of 'services'. Since the European Union's cooperation with America began to diminish, Japanese support has been increasing. With regard to the reduction and reorganization of US bases in Okinawa, the government turned down people's demands for a review of the US-Japan Status of Forces Agreement (SOFA), and it is clear that Tokyo gives more weight to Washington than to the Okinawan people. I cannot totally disagree with the voices of the spirited right-wing nationalist

who call the government 'traitorous.'

Since joining the US war in Afghanistan, Japan seems to be losing the trust it once enjoyed among the people of Afghanistan and the Middle East countries, a level of trust which US and European countries never received. Consequently, it lost the chance to make non-military people's grassroots assistance for basic needs such as medical services, health, education, clothing, food, and housing. Moreover, because of its unwillingness to welcome refugees from Afghanistan, and to provide support for war damage and victims (apart from 'services' to the US), Japan invited ridicule and scorn from abroad. In the long run, this has been a huge and unrectifiable mistake. In this sense, the Koizumi administration's choices without future are 'traitorous.'

Muted criticism

However, criticism has been muted in spite of all these consequences. The media has also failed to make any fundamental criticisms to the government. This is not simply because the anti-government movement in Japan has stagnated for a long time, split into specific issues, and generally inclined to withdrawal. It is also because Japan is, as everybody knows, in a serious and chronic economic slump. People are concerned with social problems such as corporate bankruptcies, joblessness and suicides caused by economic distress.

Koizumi's reform program has failed to undo the collusion between politicians, bureaucrats and business, but rather has preserved the privilege of the powerful, who can get away with criminal offenses

and wrongdoing without facing prosecution. People have become aware that if the reform is pushed through, it will hit the economically weak directly. This has increased criticism against Koizumi, and his popularity has fallen from a high of 80% to 40%. However as a result of the events of September 11, voices against Koizumi's militarization have been toned down. The administration, taking advantage of this situation, has pushed forward with militarization.

Escalating militarization

Japan has been under strong influence from US military and political strategy since its defeat in 1945. During the Cold War period, this might have been excused as inevitable due to the international political structure. However, under the new international structure since the 1990s, it could have been possible for Japan to contribute to international politics following a spirit of 'demilitarization and democratization,' the ostensible slogans of the US occupation of Japan.

On the contrary, however, the Japanese government has become increasingly enslaved to America, and enhanced its war efforts. The following examples are instructive: the huge monetary contributions it made to the Gulf War in 1990; dispatching the Self Defense Forces to join UN Peace Keeping Operation in Cambodia in 1992; the revision of the Japan-US Defense Cooperation Guidelines and the preparation of related domestic laws in the late 1990s; active cooperation in US military exercises; and, in the name of cutting back on the bases, the coordination of Japan-US military forces in actually strengthening the bases in Okinawa.

Up until the Mori Administration (with the exception of the Nakasone government in the 1980s), however, the Japanese government has maintained restraints on militarization. This has been true since the policy of Yoshida Shigeru, who was prime minister in the late 1940s to early 1950s, to maintain a small military.

Koizumi Junichiro gained public support with his pledge to carry out structural reform and to change postwar politics as a 'mission.' The fact that he was sitting in the premier's chair in 2001 was very distressing to many Japanese and other people throughout the world who had been victimized by US supremacy. In terms of his reforms, because of opposition from powerful leaders of his own party, who had gained profits from postwar conservative politics, he could not carry out any social and economic reforms that were beneficial to marginalized people. So he turned to education, where he promoted a scheme to hollow out the democratic principles of the Basic Law on Education in order to bring competition into education.

The Emperor of Japan visits one of the US warships that got away





Japanese women demonstrating against the war drive

He also tried to abolish the 'control' that Article 9 (the peace clause) of the Constitution exerted over the government and military, who wanted a free hand in issues involving security. There is only weak lobbying in terms of education, whereas there is strong lobbying in terms of Article 9. Both involved 'Americanization' in areas where there was no fear of the opposition.

The Military Emergency Laws

Taking advantage of the September 11 attacks, the Koizumi Administration began to plot to rapidly change Japan into a nation capable of engaging in warfare in close cooperation with the US. The newspapers of April 8 printed some of the proposed text of the three Military Emergency-related Laws, which included sanctions to be meted out to people or organizations that opposed the use of civilian properties for cooperation with the US military under the Emergency laws. Later, clear language will be written on 'large scale terrorism' and countermeasures against 'suspicious vessels' or in other words, to use Bush's phrase, attacks from the 'evil axis.'

Therefore, the Military Emergency Laws, which will be discussed again in the extraordinary Diet session this fall, signify an assurance by government authorities that they will serve the interests of US and the 'Japanese Military' in war situations. Moreover, on the 'home front,' they will establish a 'National Mobilization System,' like the one that existed during World War II, in present-day Japan.

The special relationship between Japan and America since 9/11 has meant a change for Japan along the road to becoming a

nation that can wage war, by throwing away Article 9 of the Constitution.

Critical voices

In opposition to the 'cooperation' between US and Japanese government carried out in the name of retaliation for 9/11, there have been critical voices and activities from citizen groups and political parties (though as I said before, they have not been large in numbers). They have equally condemned the war and terrorism.

There is another view, however, which says that nearly all the terrorists of 9/11 as well as other suicide bombers thereafter, as well as people who had relationships with the terrorists, had no means to express their political opinions legally in the face of the military, political and economic violence directed against them. We should work before all to ensure that they have the means of free expression, so that they do not have to resort to terrorism, and to achieve solutions to the problems they face. If we do not do so, it will be a glaring injustice.

Sustainable development or massacre

In other words, people from the North should be aware that we have no right to blame terrorists when there is a terrible gap between the North and the South, a vicious cycle of poverty, and a Debt Crisis which widens the economic gap. People in the North should at least be aware that there are people who had no options than to resort to suicide bombing as an expression of desperate resistance against US supremacy, or against the tyranny of dictators in their

own countries. It is trivial to ask whether Bin Laden and his group are the real perpetrators, or even who Bin Laden is at all.

The international community should work to eliminate the poverty suffered by five-sixths of the world's population. We should try to realize an economics that enables sustainable development for the whole world. Through this process we should build a social environment where democratic politics can be realized. Once these conditions are guaranteed, we can launch debates and articulate the problems that exist between peoples: in economics and politics, religions and cultures. The question of whether the political structures of the countries in the so-called 'evil axis' are desirable or not seems irrelevant in this connection.

What is called 'war' by the US (its selfish activities in the Middle East), and what Israel calls 'war' (evil robbery supported by the US) are frontal attacks against the road to peace and justice. To comply with the US is a crime. Dr. Nakamura Tetsu, who has worked providing medical services in Peshawar, Pakistan, told us of the inevitability of becoming a terrorist for people born and bred in Afghanistan, who are only given the choice between dying in disgrace and becoming a suicide bomber, refusing to die in disgrace. There is some ground for choosing to be a bomber. If we deny both options, then we leave literally nothing but genocide. The US and Israel are going along that path.

A glimmer of hope

However loudly they may condemn terrorism, US policymakers may encourage further terrorism and suicide bombings, and the militarization of the Koizumi Administration is complying with the US.

The Japanese Government and its people are at a junction where we must choose whether we will go forward along the road to Hell, killing five sixths of the world in league with Bush and Sharon, or to turn around in order to seek an alternative road of co-existence with others.

If we do nothing, the structure today ensures that we will proceed in the former direction. It will take much time and energy to choose the latter. This is because it is difficult to find a quick and workable solution. To change the world, we must begin by changing ourselves. With the current historical background, it is very difficult for us to do so. All the same, I believe that the future, and the only glimmer of hope, lies in the latter. □

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Indonesia: permanent emergency in Aceh

PHOTO: Indonesian army patrol in Aceh

IV was going to press as news came in of the terrorist bombing in Bali which led to the deaths of almost 200 people. While the Indonesian government has been accused of laxity in its treatment of Islamic militants, it has been ferocious in its repression of genuine movements for self-determination like those in the province of Aceh. The article below was taken from the September 2002 issue of the solidarity bulletin Tapol. It has been shortened slightly for space reasons.

Since July a political issue constantly on the front pages in Jakarta has been the likelihood that a civil or military emergency/martial law will be declared in Aceh. However, all the talk about declaring a state of emergency in Aceh is beside the point because the Acehnese have been living in a state of emergency for decades. With the exception of a short interval of relative peace in 1999 and 2000, most parts of Aceh can be described as war zones. The death toll since the beginning of the year has risen to around fifteen people a day, most of them civilians. Clashes between the TNI (Indonesian armed forces) and/or POLRI (Indonesian Police) on the one hand and GAM (Free Aceh Movement) on the other are virtually daily occurrences.

The government's move to raise the issue of declaring an emergency in Aceh is more to do with the political situation in Jakarta where Cilangkap, the TNI headquarters, is increasingly calling the shots. The military leaders want to grab even more power than they already have. At the beginning of August, Major-General Djali Yusuf, the military commander of Iskandar Muda, the military command of Aceh, made a report to President Megawati, in which he spoke of the continuing violence in the region and accused GAM of great brutality. He also announced the creation of a special unit, Satgas Rajawali (Rajawali Special Unit), a combat unit trained and equipped for counter-insurgency and anti-guerrilla warfare. The Rajawali units include troops from the army (Kopassus), the navy (Marines), the air force (Paskhasau) and Kostrad, the army's strategic corps.

DOM and the emergency

In response, President Megawati instructed Major-General Djali Yusuf to 'act decisively' against all those involved in acts of violence. From that moment on, all the focus of attention was about declaring an emergency situation in Aceh.

Ever since the birth of the Indonesian Republic in 1945, the use of violence by Indonesian troops has been a regular feature. The resurgence of rebel movements such as the Darul Islam and the RMS (South Maluku Republic) in the fifties was met by Jakarta with swift military action, always accompanied by great brutality.

After the resurgence of GAM in the late eighties, the dictator Suharto turned Aceh into a DOM (Daerah Operasi Militer or military operations zone), which gave the military free rein to do whatever they thought fit. In practice this meant special forces, notably Kopassus, the red berets combat unit, using their intelligence agents to extract information from villagers. According to official figures, the death toll during DOM, from 1989 till 1998, was at least one thousand; a similar number disappeared and thousands were left physically disabled, widowed or orphaned. After the fall of Suharto, DOM was lifted but in 2000 the military started to apply the same violent methods again. DOM had again become the reality though no one was calling it that.

During the Wahid presidency several new constructions were initiated. A special autonomy law which renamed Aceh as NAD (Nanggroe Aceh Darussalam) was enacted by parliament but it has made little difference on the ground. In 2001 two presidential instructions or Inpres (Instruksi Presiden) were issued to deal 'comprehensively' with the situation in Aceh but in practice only the security measures as prescribed by TNI/Polri were implemented. After becoming president in July last year, Megawati issued yet another Inpres this year which, like its predecessors, claims to be aimed at seeking a 'comprehensive' solution but all that has happened is that violence has increased significantly since the beginning of the year. The Inpres was due to expire on 31 July and this has been used as the justification by the TNI to press for a stronger military solution.

It is more than obvious that the military wants something more than just an Inpres. Firstly, they want more troops in Aceh, and secondly, with their experiences in East Timor still fresh in their minds, they want to be given a legal umbrella that would protect them from facing charges of gross human rights abuses or crimes against humanity.

Despite the successes of the recent military campaign in Aceh, GAM guerrilla units are still present in large numbers in the countryside. Members of the security forces openly admit that it is very difficult to distinguish GAM people from the local population, thereby giving credence to the popularity of GAM among the population. The call for an increase in the number of troops is the army's way of dealing with this situation.

The demand for an emergency situation in Aceh coincided with the start of the ad hoc trials on East Timor, where a few highly-placed TNI officers are facing trial. Although no Indonesian human rights activist is convinced that the generals responsible for the mayhem in East Timor will be duly punished, the trials are nevertheless a humiliation for the armed forces. No one denies that the ad hoc trials would never have happened without strong international pressure.

On the opening day of the first trial, top generals demonstratively sat in the first row of the public gallery and embraced their colleagues when they arrived in court as defendants. TNI headquarters, represented by spokesperson Major General Syafrie Syamsuddin, whose own hands are stained with East Timorese blood, made it clear that the armed forces do not accept the present situation. TNI basically wants absolute impunity in Aceh and don't care whether it is called a military emergency, a civilian emergency or whatever. The DOM situation introduced in 1989 by President Suharto gave TNI the kind of security they are now seeking.

The political process

The idea of declaring an emergency in Aceh created quite a stir in Indonesia. Outspoken NGOs were strongly against it while most public figures and political commentators warned against it. Some members of parliament said that the government had basically failed to handle the situation in Aceh properly and concluded that TNI/POLRI had failed to create a conducive situation for security for the Acehnese.

The bottom line regarding an emergency situation is that it will only worsen the situation, that it will increase violence while at the same time jeopardising the negotiations between GAM and the Indonesian government. In an attempt to sort things out, Coordinating Minister for Political and Security Affairs Susilo Bambang Yudhoyono (SBY) paid a brief visit to Aceh to consult different sectors of society. Yet the trip was hardly necessary because it was obvious that everyone in Aceh, even including the governor, Abdullah Puteh,

Inclusive Dialogue (AID, original in English), should be pursued. Although the modalities of AID have not yet been worked out, the general assumption is that Acehese civil society as a whole will take part, which means plural representation of society on both sides of the negotiations. Agreement was also reached on the need to have a cease fire.

Major western powers including the US and the UK have given clear signals to the government that negotiations is the way ahead..

Iskandar Muda, was established in Aceh, another major victory for TNI. But their demands went much further, demanding foolproof impunity for their military operations. Instead of being seen as the culprit, TNI is emerging as the 'guardian' of law and order in Aceh, or as the generals define it, the only force capable of guaranteeing the preservation of NKRI (Negara Kesatuan Republik Indonesia, the Unitary State of the Indonesian Republic).



Business bonanza

In economic terms, the conflicts in Maluku and Aceh have produced a bumper harvest for the army and the police. With the swift approval of parliament, the government allocated a generous budget increase for the TNI and POLRI, each getting an additional 1 trillion rupiahs (about US\$ 115 million). This was quite a feat, considering the economic problems still besetting the Indonesian economy, including a heavy domestic debt. The two territorial commands in Aceh and Maluku now have a tri-function: military, political and last but not least, an economic function.

The funding of the armed forces is usually described as 25 per cent

known as a prominent member of the Jakarta elite, rejected the suggestion that an emergency should be declared.

There is a difference of opinion between political generals like SBY and the military top brass on Aceh. SBY is trying to maintain a balance between the negotiation strategy and the military strategy. During his brief visit to Aceh, civil society there used the opportunity to express total rejection of an emergency. Every day demonstrations took place in Banda Aceh and in a closed meeting with NGO representatives, a Position Paper by Acehese NGOs was handed over expressing the view that the conflict should be resolved by just and democratic means while avoiding the military approach.

What SBY succeeded in doing, whether intentionally or otherwise, was to turn the issue into a major political issue. The very idea of declaring a military emergency gave Acehese civil society across the entire political spectrum an opportunity to speak out, saying that dialogue is the best way to proceed. Articles and comments in the media drew attention to the fact that at the latest round of negotiations in Geneva in May/June, mutual agreement was reached that a new approach, called All

The TNI general staff have made it clear in a number of statements that they reject negotiations. The generals argue that the talks have produced nothing and make it clear that they resent the very idea of the Jakarta government sitting round a table with 'separatists'.

Overall TNI Strategy

But there are indications that all the fuss being made by TNI stalwarts about Aceh is part of a wider strategy to gain a greater role at the heart of Indonesian politics again. Some military analysts argue that the Aceh conflict is being used by the TNI as a stepping stone back to power.

The Maluku conflict erupted in January 1999 while the reputation of the TNI was at its lowest ebb. TNI's involvement in starting and fostering the conflict is well known. The longer the Maluku conflict has continued, the more public opinion has shifted, from seeing the security forces as part of the problem to seeing it as part of the solution.

The same trend can be seen in Aceh. In February this year, despite a wave of protests, a new military command, Kodam

against 75 per cent, the former being what they receive from the state budget while the latter is what they must find from other sources. In conflict areas like Maluku and Aceh, the figures are more extreme and are put at 10 to 90 per cent. The war economies in Maluku and Aceh involve security officers in practically every economic sector including a wide range of illegal activities such as illegal taxes, extortion, trafficking in women, prostitution, gambling and so on. In both places the military and police are also up to their necks in illegal logging, fishing and smuggling luxury goods into the country.

The TNI has a multiple agenda in Aceh. While the military top in Jakarta repeatedly promise to wipe out GAM, it is clear that many sections of the security forces are benefiting from the war economy and it is in their interest to keep the conflict going. The Aceh issue is also being used to blackmail the political elite in Jakarta, up to and including President Megawati, by insisting that they need all the manpower, equipment and money they can lay their hands on while enjoying impunity, allowing them to step up their brutality without fear of facing charges of human rights violations. □

Economy: imperialism in the 21st century

CLAUDIO KATZ*

The renewal of interest in the study of imperialism has changed the debate on globalization, previously centred exclusively on the critique of neoliberalism and on the new features of globalization.

A concept developed by the main Marxist theorists of the 20th century — which enjoyed a wide diffusion in the 1970s — has again attracted the attention of analysts because of the aggravation of the social crisis of the Third World, the multiplication of armed conflicts and the deadly competition among countries.

The notion of imperialism conceptualizes two types of problem: on the one hand, the relations of domination in operation between the capitalists of the centre and the peoples of the periphery and on the other the links which prevail between the great imperialist powers at each stage of capitalism. What is the contemporary relevance of this theory? To what extent can it contribute towards clarifying contemporary reality?

An explanation of global polarization

The polarization of incomes confirms the importance of the theory in its first sense. While the wealth of three multimillionaires exceeds the GDP of 48 nations and a person on the periphery dies of hunger every four seconds, it is difficult to ignore the widening of the gap between the advanced and underdeveloped countries. Today nobody could believe that this asymmetry is a temporary phenomenon, to be ultimately corrected by the benefits of globalization. The peripheral countries are not simply the "losers" from globalization; they are also subjected to an intensification of the transfers of income that have historically held back their development.

This drainage has led to the intensification of extreme poverty in the 49 poorest nations

and major deformations of partial accumulation in the dependent semi-industrialized countries. In this second case, the prosperity of those sectors inserted in the international division of labour is bought at the expense of those economic activities centred on the internal market.

The analysis of imperialism does not offer a conspiracy theory of underdevelopment nor does it absolve the local governments of responsibility for this situation. It simply presents an explanation of the polarization of accumulation on a world scale and the reduction of the possibility of its evening out among different economies. The accelerated margin of development which in the 19th century allowed Germany and Japan to acquire the status of great power, held until then by France or Great Britain no longer exists today for Brazil, India or Korea. The map of the world thus modeled is characterized by a 'stable architecture' of the centre and a 'variable geography' of underdevelopment, the only possible modifications being those of the peripheral status of each dependent country¹.

The theory of imperialism attributes these asymmetries to the systematic transfer of the value created in the periphery towards the capitalists of the centre. This transfer is concretized through the deterioration of the terms of trade, the extraction of financial resources and the transfer of industrial profits. The political effect of this drainage is the loss of the political autonomy of the peripheral ruling classes and the increasing level of US military intervention. These three aspects of contemporary imperialism can be clearly observed in the reality of Latin America today.

The contradictions of the peripheral economies

Since the mid 1990s, Latin America has suffered the consequences of the collapse of the 'emergent markets'. Most of the

nations affected have suffered sharp crises, preceded by the flight of capital and followed by devaluations that have strengthened inflation and reduced purchasing power. These crises have led to banking failures and the subsequent state bailouts have worsened the public debt, rendering any policies of reflation more difficult and accentuating the loss of monetary and fiscal sovereignty.

These crises stem from imperialist domination and not merely from the implementation of neoliberal policies, since the latter have also been applied in the countries of the centre. The collapses

Nonetheless, the advance of globalization has accentuated this fragility by deepening the segmentation of industrial activity, by concentrating qualified labour in the countries of the centre and by widening the differences in levels of consumption.

Imperialist domination allows the developed economies to transfer a part of their own disequilibria to the dependent countries. This transfer explains the asymmetric and non-generalized character of the current international recession.

Although a crisis equivalent to that of the 1930s has already taken place in the

devastated Ecuador. These differences stem from the structurally central or peripheral character of each country in the world order.

Dependence is the main cause of the great regression in Latin America since the mid 1990s, despite the brief respite generated by the influx of hot capital. The region is reverting to the crisis situation of the 'lost decade' of the 1980s. The Gross Domestic Product (GDP) of the region stagnated around 0.3% last year and will be around 0.5% in 2002. After four years of net outflow of capital foreign investment has dried up and productive specialization in basic activities has ensured the deterioration of the trade balance (in numerous countries the sums remitted by emigrants to the US already exceed the currency earnings generated by exports). The result of this crisis: only 20 out of the 120 stocks of Latin American companies which were quoted on the world stock exchanges 10 years ago are still trading today.

Imperialist domination is at the origin of the big economic disequilibria that have led to the trade deficit (Mexico), the loss of fiscal control (Brazil) or the depression of production (Argentina). Currently these upheavals have provoked a succession of crises that have spread across the Southern

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in the Latin American periphery are much deeper than the disequilibria observed in the US, Europe or Japan, for they are characterized by periodic crises in the prices of raw materials exported, the periodic cessation of debt payments and the disarticulation of local industry. The periphery is more vulnerable in the face of international financial turbulence, for its economic cycle depends on the level of activity of the advanced economies.

periphery, such a situation is only one of the possibilities for the centre. The same policies of privatization have not led to the same losses in every region. Thatcherism increased poverty in Britain, but in Argentina it has led to malnutrition and immiseration; the widening of the gap in incomes has reduced wages in the US, but in Mexico it leads to poverty and massive emigration; opening up to free trade has weakened the Japanese economy but has

Capping the black gold in a Kuwaiti oilfield



Cone, destabilizing the Uruguayan economy and threatening Peru and Brazil. The neoliberal economists try to analyze the particularities of this crisis, not understanding the general rule of these disequilibria. Ignoring imperialist oppression, they have a tendency to change their opinions frequently and to denigrate with an extraordinary rapidity the economic models they previously lauded.

But since the launch of the Free Trade Area of the Americas (FTAA), it has become practically impossible to avoid the analysis of imperialism. This strategic project of domination seeks the expansion of US exports to block European competition and consolidate US control over all the lucrative transactions of the region (the remaining privatizations, privileged contracts in the public sector, payment of patents).

The FTAA is a neocolonial treaty that imposes 'free trade' on Latin America without any counterpart from the US. To obtain 'fast track' authorization (permission from Congress to negotiate rapid agreements with each country without referring back to the legislature), Bush recently introduced new clauses which block the transfer of high technologies to Latin America and which hinder the entry of 293 regional products to the US market. These customs barriers relate primarily to steel, textile and agricultural products. Moreover, Bush is committed to an aid programme for agriculture that, in the course of the next decade, will deal a deathblow to Latin American exports of soya, wheat and maize².

The FTAA typifies the imperialist doubletalk that consists in preaching free trade to others while practicing protectionism itself. The signature of the agreement would provoke the collapse of the more industrialized countries like Brazil and the regional associations like Mercosur. After a decade of neoliberalism, the imperialist message of free trade no longer convinces anybody. It is obvious that the prosperity of a country depends in no way on its 'global presence', but rather the modalities of its insertion. For example, foreign trade as a proportion of GDP is much higher in Africa (45.6%) than is the case with Europe (13.8%) or the US (13.2%) although it is the poorest region of the planet³. This extreme case of unfavorable subordination in the international division of labour illustrates a situation of general dependence which afflicts the peripheral economies.

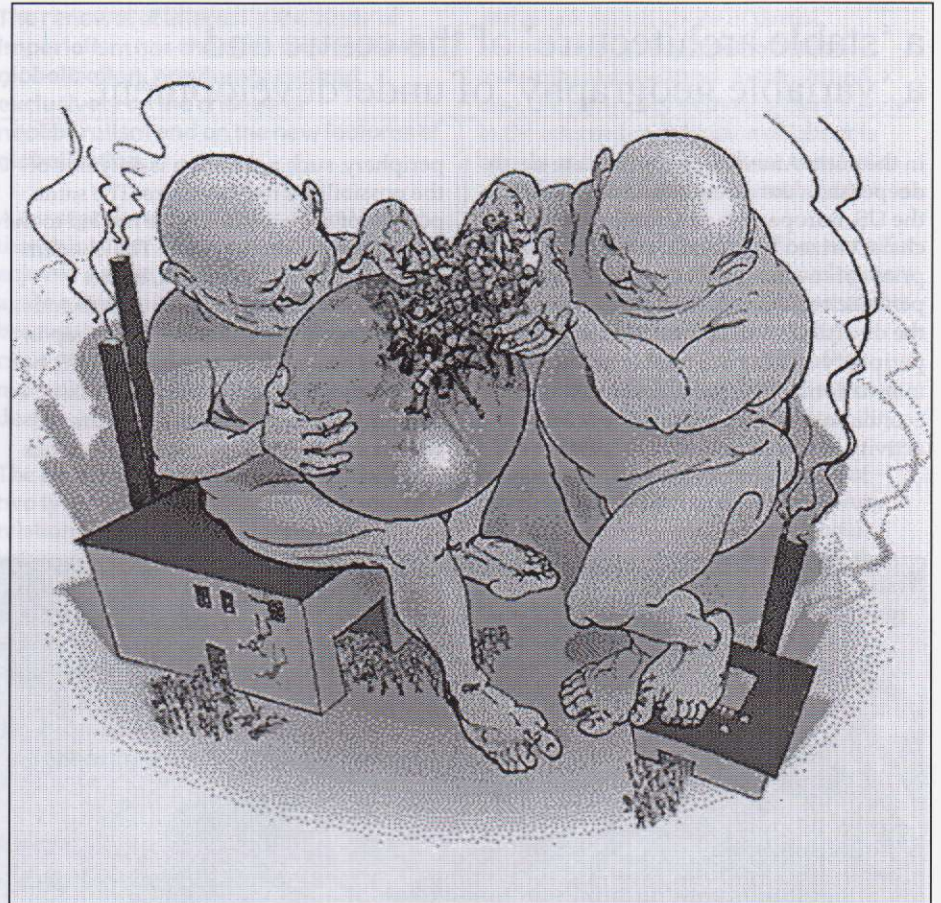
Political recolonization

The recolonization of the periphery constitutes the political face of imperialist

economic domination. It is based on the growing association of the local dominant classes with their northern equivalents. This intertwining is the consequence of financial dependence, the surrender of natural resources and the privatization of strategic sectors in the region. The loss of economic sovereignty has given the International Monetary Fund (IMF) a direct grip over macro-economic management and the US State Department a similar influence on political decisions. Today no Latin American president would dare to take any significant decision without consulting the US Embassy. The preaching

careers are more dependent on these institutions than on the effective functioning of the states they govern.

However, this generalized recolonization also accentuates the crisis of the region's political systems. The loss of legitimacy of the governments under IMF orders has led in the last two years to a crisis of regime in four countries (Paraguay, Ecuador, Peru and Argentina). Following a long process of erosion of the authority of the traditional parties, the governments are growing fragile, the regimes tend to disintegrate and some states are decaying. This sequence completes the hollowing



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Unlike the period 1940-1970, Latin American capitalists no longer envisage strengthening the internal markets through import substitution. Their priority is to link up with foreign companies, for the regional dominant class is also partially a creditor of the foreign debt and has benefited from financial deregulation, privatization and the deregulation of labour. There is also a layer of civil servants that is more faithful to the imperialist organisms than the national states. Educated in US universities, tied up with the international bodies and the big companies, their

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This line was clearly apparent in the recent attempted coup in Venezuela. The replacement of the nationalist government of this country is a priority for the US government so as to strengthen the embargo against Cuba, undermine Zapatism, prepare for an electoral victory of the Workers' Party (PT) in Brazil and

teach a lesson to the Argentine popular rebellion. US diplomacy has already begun to evaluate the possibility of restoring the old protectorates in what it considers to be 'failed states'.

Military interventionism

Colombia and Haiti are the two main candidates for this neocolonial rehearsal,

Not everyone gets a place on the gravy train



which could also be implemented in practice in Yugoslavia, Rwanda, Afghanistan, Somalia and Sierra Leone. Recently Argentina has begun to figure among the nations included in this project of vice-regal administration⁴. Such alternatives would involve a significant direct intervention by the US.

'Plan Colombia' is the main test run for

this bellicose intervention in Latin America. The Pentagon has already put aside the pretext of the narcotics trade and by forcing the end of the peace negotiations has initiated a military campaign against the guerillas. The decision to minimize the direct presence of US troops, to reduce US losses (the 'Vietnam syndrome'), leads to greater bloodshed among the 'natives'.

The war in Colombia is about restoring the authority of a dismembered state and restoring the conditions of imperialist appropriation of strategic resources. As shown by the conspiracy in Venezuela, these actions are also intended to guarantee US oil supplies. To ensure these supplies the CIA has also set up a strategic centre in Ecuador and has set up listening posts capable of covering the entire territory of Mexico.

Imperialism is committed to the modernization of its military bases with rapid mobility forces. With this in view it has decentralized the old Panamanian command installing new bases in Vieques, Mantas, Aruba and El Salvador. Through a network of 51 installations across the planet, US troops are carrying out exercises that involve the simultaneous mobilization in the course of a few days of a force of 60,000 soldiers in 100 countries⁵. Aggression against Cuba, through terrorist sabotage or a renewed plan of invasion, remains an ever-present objective.

This bellicose course has deepened since September 11, 2001, for the US is gambling on the reactivation of its economy through rearmament and envisages potential wars against Iraq, Iran, North Korea, Syria and Libya. With 5% of the world population, the US now accounts for 40% of total military spending and has just begun the modernization of its submarines, the construction of new planes and the testing, through the 'star wars' programme, of new applications of information technologies.

Military aggression is the imperialist response to the disintegration of states, peripheral economies and societies, provoked by the growing US domination over this periphery. That is why the current 'war on terror' has some similarities with old colonial campaigns. Again, the enemy is demonized to justify the massacres of the civilian population on the front line and restrictions on democratic rights in the homeland. However, the more the destruction of the 'terrorist' enemy advances, the more one witnesses a political and social dislocation. The generalized state of war perpetuates the instability provoked by

economic pillage, political balkanization and the social destruction of the periphery⁶.

These effects are most visible in Latin America and the Middle East, two zones of strategic importance for the Pentagon since they possess oil resources and represent important disputed markets for European and Japanese competition. Because of this strategic importance they are at the centre of imperialist domination and endure very similar processes of state disarticulation, economic weakening of the local dominant class and the loss of authority of their traditional modes of political representation.

Neoliberal fatalism

Economic expropriation, political recolonization and military interventionism are the three pillars of the current imperialism. Some analysts limit themselves to describing this oppression as an inexorable destiny, in a resigned manner. Some present the fracture between 'winners and losers' of globalization as a 'cost of development', without explaining why this price persists over time and is still being charged to those nations who have already paid it in the past.

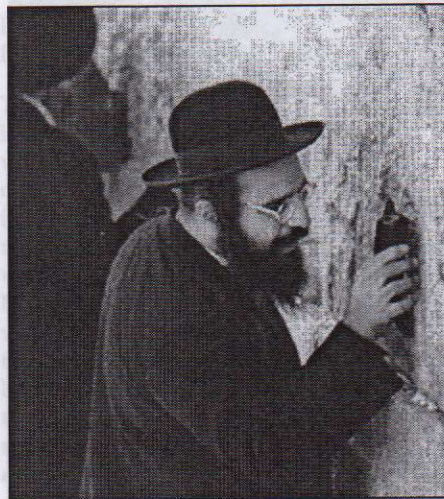
The neoliberals tend to prognosticate that the end of underdevelopment will happen in those countries that gamble on 'attracting' foreign capital and the 'seduction' of companies. However, the dependent nations who have entered on this road in the past decade by opening their economies up are now paying the heaviest price in the 'emergent crises'. Those who were the most committed to privatization have lost most on the world market. In providing every facility to imperialist capital, they have lifted the barriers that limited the pillage of their natural resources and they are paying for it today by more asymmetrical trade exchanges, growing financial instability and a sharpened industrial disarticulation.

Some neoliberals attribute these effects to the limited application of their recommendations, as if a decade of negative experiences had not furnished enough lessons as to the result of their recipes. Others suggest that underdevelopment is a consequence of the temperamental inadequacies of the population of the periphery, the weight of corruption or the cultural immaturity of the peoples of the Third World. In general, the colonialist argument has changed style, but its content remains invariable. Today the superiority of the conquerors is no longer justified by their racial purity, but by their superior knowledge and patterns of behaviour.

Imperial transnationalization

In arguing that globalization dilutes the frontiers between the First and Third World, Toni Negri and Michael Hardt⁷ mount a serious challenge to the theory of imperialism. They believe that a new global capital acting through the UN, the G8, the IMF and the WTO (World Trade Organization) has created an imperial sovereignty, linking the dominant fractions of the centre and the periphery in one system of world oppression.

This characterization supposes the existence of a certain homogenization of capitalist development, which seems very



Globalisation of the spiritual: absent friends praying by mobile at the Wailing Wall, Jerusalem

difficult to verify. All the data concerning investment, saving or consumption confirms on the contrary the amplification of differences between the central and peripheral economies and shows that the processes of accumulation and crisis are also polarizing. The US prosperity of the last decade contrasts with the generalized crisis of the underdeveloped nations, while the social crisis of the periphery has for the moment no equivalent in Europe. In the same way there is no sign of a convergence in the status of the US and Venezuelan bourgeoisie, nor of a similarity between the Argentine and Japanese crisis. Far from uniformizing the reproduction of capital around a common horizon, globalization deepens the duality of this process on the planetary scale.

It is clear that the association between the dominant classes of the periphery and the big companies is a closer one, as it is clear that poverty is spreading at the heart of advanced capitalism. But these processes have not transformed any dependent

country into a central one, nor have they brought about the Third Worldization of any central power. The greater interlinking between the dominant classes coexists with the consolidation of the historic gap that separates the developed from the underdeveloped countries. Capitalism does not level out differences, nor does it fracture around a new transnational axis; it rather strengthens the growing polarization which appeared in the preceding century.

The power held by the capitalists of about 20 nations over the other 200 is the main evidence of the persistence of the hierarchical organization of the world market. Through the UN Security Council, they exercise a military domination, through the WTO they impose their trade hegemony and through the IMF they ensure the financial control of the planet.

In analyzing the predominant links between the dominant classes, the transnationalist thesis confuses 'association' and 'sharing of power'. The fact that a sector of the capitalist groups of the periphery is increasing its integration with its allies in the centre does not mean it is sharing in world domination and does not suppress its structural weakness. While US companies exploit Latin American workers, the Ecuadorian or Brazilian bourgeoisie does not participate in the expropriation of the US proletariat. Although the leap recorded in the internationalization of the economy is very significant, capital continues to operate within the framework of the imperialist order that establishes a fracture between centre and periphery.

Classes and states – I

Some writers argue that the transnationalization of capital extends to classes and to states, thus creating a new structure of global domination that cuts across all countries and social strata⁸.

This thesis identifies the process of regional integration with social and state 'transnationalization', without perceiving the qualitative difference that separates the association between imperialist groups and the recolonization of the periphery. The European Union and the FTAA, for example, are not part of the same tendency towards 'transnationalization' but are the expressions of two very different processes. We should not confuse an alliance between dominant sectors on the world market and the neocolonial plan of a given power.

In reality, only the higher bureaucracy of

the peripheral countries who also belong to the international organisms constitutes a fully 'transnationalized' social group. The loyalty of this sector towards the IMF or the WTO is stronger than that they feel towards the national states that they lead and it might be thought that the behaviour and perspectives of these functionaries anticipate the future course of the dominant classes of the Third World. But such an evolution constitutes at most a possibility and does not represent today a verifiable reality, in particular in the countries of the higher periphery (like Brazil or South Korea), where the dominant class is more linked to processes of accumulation dependent on internal markets. The situation is totally different in the smaller countries (for example in central America) which are highly integrated in the market of a great power. These differences refute the existence of a general or uniform process of transnationalization.

Some defenders of the imperial thesis affirm that the degree of effective unity between the central and peripheral classes is greater than allowed for by the obsolete parameters of national accountabilities. It is true that these categories are already insufficient to evaluate the current course of globalization but they are accompanied by other undeniable indicators of the fracture between centre and periphery. The deepening of these inequalities can be seen at every level of productivity, of income, consumption or accumulation.

It is on the other hand false to suppose that the 'new global State' has erased the distinction between dominant and recolonized states. This difference leaps to the eyes when one sees the influence of the bourgeoisies of the Third World on the decisions of the UN, IMF and WTO or the World Bank. The dominant classes of the periphery are not the victims of underdevelopment and profit greatly through exploiting the workers of their own countries. But this does not bring them any closer to world domination.

The thesis of Empire ignores this marginal role and underestimates the persistence of imperialist domination in the strategic sectors of the periphery. It does not acknowledge that this subjection is not currently purely colonial, nor is it centred exclusively on the appropriation of raw materials or on the direct control of territory, but subsists as a mechanism of metropolitan control of the strategic sectors of the underdeveloped countries⁹.

This domination is not exercised by a mysterious 'world power' but through means of the military and diplomatic actions of each power in its main areas of

influence. The role of the US is more prominent in 'Plan Colombia' than in the Balkans conflict and the task of Europe is better defined in the Mediterranean crisis than in the development of the FTAA. This specificity relates to interests that each imperialist group channels in the geopolitical actions led by its states, something the theoreticians of Empire do not perceive.

Return to industrial capitalism?

The majority of the critics of neoliberalism in the periphery see that dependence

capacity to fulfill such a goal today.

Their pro-imperialist attitude limits even the viability of regional projects like Mercosur. This association is foundering after a decade of setbacks for attempts seeking to set up common economic and political institutions. All proposals for concerted action (currency, organisms, arbitration bodies) have been shelved as crisis envelops the entire zone. This failure has been deepened with the policies of 'differentiation' attempted by all the governments to show to the IMF that they 'are not irresponsible'. The regional fracture thus repeats the history of Latin American balkanization and confirms the

A new internationalism has erupted with the movement for 'another globalization'

remains the central cause of underdevelopment. But they propose to go beyond this servitude by the construction of a 'different capitalism'. Today it is no longer about a strictly national project, autonomous and centred on 'import substitution' – as imagined by their predecessors in CEPAL (The Economic Commission for Latin America and the Caribbean) – but a regional model, regulated and based on internal markets. They advocate Keynesian schemas to build 'welfare states of the periphery', supported by institutional transformations (eradicate corruption, recompose legitimacy) and big changes in trade (greater protectionism), financial (limit the payment of the debt) and industrial (reorientation of production towards local activity) policies¹⁰.

But how can we build an 'efficient capitalism' in countries subjected to a systematic draining of their resources? How can we realize today an objective abandoned by the dominant class in the mid 19th century? What groups will build this system of social measures and profit maximization?

The partisans of the new peripheral capitalism have no reply to these key questions. They forget that the margins to realize their project are again reduced with the growing association of peripheral dominant classes with metropolitan capital. This liaison is an obstacle to internal accumulation, encourages capital flight and makes the application of policies seeking to revive internal demand more difficult. Bourgeoisies who have not attempted in the past to found an autonomous capitalism have still less

incapacity of the local bourgeoisies to lay down auto-centred accumulation policies.

Some authors explain this by the traditionally 'rentier' character of the bourgeoisie in the region and the consequent absence of entrepreneurs disposed to invest or take risks. But then one must conclude that this absence of impulsions for a sustained accumulation has been strengthened. Why then gamble on a project deprived of subject? What could be the meaning of building a capitalism without capitalists interested in competition and innovation?

Proposing to the workers that they substitute themselves for the dominant class in this task is equivalent to inciting them to manufacture the chains of their own exploitation. The hope that the other social sectors replace the entrepreneurs in the task of constructing a prosperous capitalism (bureaucracies, the middle class) has neither foundation nor empirical precedents.

Those who wish to build 'another capitalism' should remember that the model that prevails in each country is the product of certain historic conditions and not of the free choice of its managers. There is an objective dynamic to this process that explains why the development of the centre accentuates the underdevelopment of the periphery. It is obvious that all the members of the peripheral nations would have liked a destiny as developed powers, but on the world market, there is not much space for the dominant groups and very much space for the dependent economies. That is why the 'successful market economies' of the

periphery are exceptional or transitory. For to emerge from underdevelopment it is not enough to have anti-neoliberal policies. Also you need to develop anti-imperialist action by building a socialist society.

Three models under discussion

The strength of the classical theory of imperialism's ability to explain the relations of domination between centre and periphery is striking. But its ability to clarify the contemporary relations between the great powers is more subject to controversy. In this second sense, the concept of imperialism no longer seeks to explain the causes of the structural backwardness of the underdeveloped countries, but aims to clarify the type of alliances and rivalries predominant inside the imperialist camp. Diverse authors¹¹ have remarked on the importance of the distinction between the two senses, signaling that the modalities of domination of the periphery and those of the relations between the powers follow historically different courses.

The distinction between the imperialist phase and the free trade phase of capitalism, proposed by the Marxist theorists of the early 20th century, is the traditional point of departure to analyze this second aspect. With this distinction, they sought to characterize a new stage of the system, characterized by the reapportionment of markets between the great powers through war.

Lenin had attributed this tendency to open inter-imperialist conflict to the central place of the monopolies and finance capital, Rosa Luxemburg to the necessity of seeking external outlets to the contraction of demand, Bukharin to the clash between expansionist and protectionist interests on the part of the big companies and Trotsky to the aggravation of economic inequalities generated by accumulation itself. These interpretations claimed to explain why competition between the monopolist groups that had begun by trade confrontation and the establishment of monetary zones had ended in bloody conflict.

This characterization seemed inappropriate after the Second World War, when the perspective of armed conflicts between the powers tended to disappear. The hypothesis of such a clash was ruled out or at least rendered very improbable to the extent that economic competition between the various firms and their states was concentrated in more continental rivalries. These changes modified the terms of analysis of the second aspect of

the theory of imperialism.

During the 1970s, Ernest Mandel¹² synthesized the new situation through an analysis of three possible models for the evolution of imperialism: inter-imperialist competition, transnationalism (originally called 'ultra-imperialism') and super imperialism. Arguing that the dominant feature of accumulation is growing rivalry, he saw the first alternative as the most probable. He predicted also that intercontinental competition would deepen with the formation of regional alliances.

Mandel questioned the second perspective, anticipated by Kautsky and upheld by those who envisaged the constitution of transnational associations freed from the geographical origins of their components¹³. He argued that, although the internationalization of multinational companies weakened their national roots, a great succession of mergers between the owners of firms of different origins was not probable. Taking account of the competitive character of capitalist reproduction, he believed it was still less feasible that such a process would be supported by the constitution of 'world states'. Moreover, he thought it highly unlikely that companies would be indifferent toward the economic conjuncture in their countries of origin and the need for national anti-cyclical policies, which an integration of this type would suppose. He thus ruled out this scenario, arguing that the unequal development of capitalism and its crises created tensions incompatible with the long-term survival of transnational alliances.

The third alternative, super imperialism, supposed the consolidation of the domination of one power over the others and the submission of the losers to relations similar to those that existed for the peripheral countries. Mandel considered in this case that the supremacy attained by the US did not put Europe and Japan at the same level of dependence as the underdeveloped nations. He stressed that US political and military hegemony did not imply its long-term structural economic supremacy.

How can these three perspectives be analyzed today? What are the dominant tendencies at the beginning of the 21st century: inter-imperialist competition, ultra-imperialism or super imperialism?

The changes in inter-imperialist competition

The initial interpretation of the thesis of imperialism as a stage of warlike rivalry

between the powers has hardly any supporters nowadays. There exists however a diluted version of this vision, now centred not on the military outcome but on the analysis of economic competition.

Some analysts stress the active intervention of the imperialist states to shore up this competition and point to the operation of neo-mercantilist policies to weaken rival companies¹⁴. Other analysts point to the homogeneity of origin of the owners of firms and the priority given to internal markets in their activity¹⁵. This subordination of companies to their national basis allows us to explain, some studies argue, why the tendency to the formation of regional blocs is more significant than trade, financial or productive globalization¹⁶. The fact that US growth in the past decade has been realized at the expense of its rivals is also seen as the expression of a return to inter-imperialist competition. These viewpoints coincide in presenting globalization as a cyclical process of phases of expansion and contraction at the level of internationalization of the economy¹⁷.

This kind of argument contributes to refuting the neoliberal mythology of 'the end of states', the 'disappearance of frontiers' and the 'unlimited mobility of labour'. The thesis of inter-imperialist competition shows how this rivalry limits industrial relocation, financial deregulation and the abolition of trading barriers, bringing out the fact that competition between blocs demands a certain geographical stability of investment, restraining capital movements and the trade policies of each state.

However, while giving the lie convincingly to the simplifications of the globalizers, these contributions do not bring out the differences that exist between the current context and that extant at the beginning of the 20th century. It is certain that inter-imperialist competition continues to determine the course of accumulation. But why does competition between the powers not currently lead to direct warlike conflagrations? The same competition happens today in the framework of a strong capitalist solidarity given that the US, Europe and Japan share the same objectives as NATO and act in a common bloc of dominant states faced with various military conflicts.

It might be argued that the mutually destructive character of nuclear weapons has changed the character of wars, neutralizing the open conflicts. But such reasoning only explains the absence of a

clash between the US and the ex-USSR, without clarifying the fact that the three imperialist rivals have also avoided such a confrontation. Again, it is certain that the 'struggle against communism' diluted the competition between capitalist powers, but this conflict has not changed in nature since the end of the 'Cold War'.

In reality, the clash between the powers has been mediatized by the leap in globalization. International capitalist activity tends to interlink with the growth of trade surpassing that of production, the

formation of a planetary financial market and globalized management of affairs by the 51 companies which set the pace among the 100 biggest world enterprises.

The productive strategy of these firms is based on the combination of three options: supply of the factors of production, integral production for the local market and fragmentation of the assembly process with parts manufactured in different countries. This mixture of horizontal production (recreating in each region the model of the countries of origin) and vertical production

(division of the process of production in accordance with a global plan of specialization) implies a more significant level of association between internationalized capital¹⁸. The companies which define their strategy on a world scale tend moreover to predominate over the less internationalized, as shown, for example, by the weight of companies of the first type in the mergers of the last decade¹⁹.

This advance in globalization also explains why protectionist tendencies do not currently take on the dimension of the 1930s and do not lead to the formation of completely closed blocs. Neo-mercantilism coexists with the opposed pressure for trade liberalization, because internal exchange between the localized enterprises in different countries is growing significantly. This does not appear clearly in the current statistics, because operations between internationalized companies on a national market are generally counted as transactions internal to this country²⁰.

This advance of globalization, which weakens the traditional competition between the imperialist powers, expresses a dominant tendency and not only a cyclical feature of capitalism. The periods of national or regional retreat are movements contrary to this central impulsion of amplification of the geographical field of action of capital. The brake to this tendency comes from disequilibria generated by world expansion and not from the structural pendency of this process.

In the final instance, the globalizing pressure is the dominant force for it reflects the growing action of the law of value on the international scale. The more the transnational enterprises take on importance, the greater the field of valorization of capital on a global scale to the detriment of exclusively national areas. This is expressed in the tendency to the formation of world prices that represent new yardsticks of the labour time socially necessary for the production of commodities²¹.

The internationalized management of business erodes the vigour of the classical model of inter-imperialist competition. But this transformation is not perceptible if one observes the globalization underway as a 'process as old as capitalism itself'. This attitude tends to ignore the qualitative differences which separate each stage of this process; and this distinction is vital if we wish to understand why the internationalization of, for example, the East India Company in the 16th century, has little in common with the globally segmented production



of General Motors.

The contemporary rivalry between companies unfolds in a more concerted framework of activity. It is inside global bodies of political (UN, G8), economic (IMF, WB, WTO) or military (NATO) significance that this common activity is negotiated. Unlike in the past, the traditional activity of competitive blocs coexists with the growing influence of these institutions, which act in the interests of the internationalized companies.

This is why the contemporary remoulding of territories, legislations and markets takes place through high authorities and not through means of wars between powers. If it is obvious that the new imperialist configuration is nourished by systematic warlike massacres, the scene of these massacres is peripheral. The multiplication of these conflicts does not lead to inter-imperialist wars and this change is due to the qualitative leap of globalization; something the old model of inter-imperialist competition does not allow us to see or explain.

The transnationalist exaggeration

Some defenders of the transnationalist hypothesis argue that contemporary firms already operate in a manner disconnected from their country of origin²². Others²³ attribute the appearance of 'global capital' to the informatization of the economy, the substitution of industrial activity through the action of networks and to the expansion of 'immaterial' labour. They conclude that this conjuncture eliminates the centrality of the process of production, favours the birth of a planetary market and strengthens the 'extra-territoriality of the empire'.

This vision tends to interpret embryonic tendencies as established facts and to deduce from the growing association between international capitals a level of integration that in no way exists yet. The transnationalization of capital constitutes currently only the beginning of a process of structural transformation, which in the past has necessitated some centuries. No evidence of the last decade suggests that such a radical foreshortening of the historic rhythms of capitalism is likely²⁴.

Transnationalism exaggerates the rise of world capital, reflecting a certain media pressure to construct theoretical novelties to match the rhythm of journalistic consumption. It is enough to observe the parameter indicated by Mandel – the sensitivity of the globalized firms to each national economic conjuncture – to

invalidate the ultra-imperialist thesis. The four main economic features of the 1990s – US growth, European stagnation, Japanese depression and crisis at the periphery – illustrate the non-existence of a common evolution of 'globalized capital'. The profits and losses of each group of firms have depended on their situation in each region. The fact that US growth has been supported by the decline of their rivals confirms the existence of a winning bloc differentiated from the European and Japanese companies.

Certain forms of world association are beginning to emerge and for the first time trans-Atlantic and trans-Pacific structural alliances have emerged between European, US and Japanese companies. Connections of this type weaken the cohesion of the EU, oblige the US to fix their economic policy according to external financing and push Japan to grudgingly pursue the opening up of its markets. But these links do not eliminate the existence of structured competitive blocs around the old state bonds.

In its more moderate variants transnationalism ignores the fact that the

indiscriminate flows of investment on the world scale or unrestricted movement of labour. Their localization depends on the conditions of accumulation and valorization of capital, which oblige the 200 globalized firms to concentrate their operational centers in a small handful of central countries.

Classes and states – II

Some argue that the transnationalization of capital has led to a similar process at the level of the dominant classes and the states; as evidence of this change, they point to the increase in foreign investments, the internationalization of labour and the weight of the global bodies²⁵. Negri²⁶ considers as established the formation of a new legal order – inspired by the US Constitution – emerging from the transfers of sovereignty to the imperial centre represented by the UN.

Such a schema is completely forced for there is no indication of a complete globalization of the ruling class. Whatever its internal divisions, the US bourgeoisie constitutes a grouping that is clearly differentiated from its Japanese or

They meet in distant corners, their meetings are cut short, and they must always face the demonstrations

FTAA, EU or ASEAN express these rival poles. But in the extreme variant of Negri this conception also propagates all kinds of fantasies on the subject of geographical 'decentring', ignoring the fact that the strategic activity of firms continues to be based in the US, Europe or Japan. Global liaison has created a new common framework for competition, without however eliminating the territorial cement of this competition.

It is on the other hand certain that the information technology transformations favour the global interlinking of capital, for they tend to amalgamate financial activity, accelerate commercial transactions and accentuate the reorganization of the labour process. But the technological revolution also reinforces competition and the necessity of regional alliances between firms who compete for markets. 'The economy of networks' not only unifies but also accentuates the national domain. The application of new information technologies is guided by capitalist parameters of profitability, competition and exploitation that prevent

European homologues. These classes act through distinct governments, institutions and states, defending their own customs, tax, financial and monetary policies as a function of their specific interests. Even the integration of some bourgeoisies around a supranational state – as in the case of Europe – does not convert them into 'world capitalists' because they are not linked in the same way with their non-European competitors in the same state.

The eventual transnationalization of the management layers of some companies and the leading layers of the international bodies does not witness either to the emergence of a world ruling class. This staff of cosmopolitan bureaucrats forms a bureaucracy with high responsibilities, but it does not amount to a class²⁷. The main parameter to evaluate the existence of such a social formation – ownership of the means of production – indicates clearly a geographical fragmentation of the bourgeoisie following the old structure of nations. The owners of each transnational company are American, European or

Japanese and not 'citizens of the world'. The deeds of ownership of the 500 most important companies confirm this national connection: 48% of them belong to US capitalists, 30% to Europeans and 10% to Japanese²⁸.

Moreover, the IMF, WTO or World Economic Forum (WEF) are not homogeneous state structures, but centers of negotiation of the various firms who defend through their various state representatives various conceptions of trade agreements and treaties of investment. The firms rest on these structures to struggle against their rivals. When, for example, Boeing and Airbus dispute the world aeronautic market, they have more recourse to lobbyists in the US and Europe than to WTO bureaucrats. In inter-imperialist competition, it is states or regional blocs that count and not inter-company link ups of the Toyota-General Motors against Chrysler-Daimler Benz type.

The privileged role that the states retain shows that the main capitalist functions of this institution (guaranteeing the right of property, preparing the conditions of extraction and realization of surplus-value, assuring coercion and consensus) cannot be globalized as rapidly as business²⁹. Even if a transnational state could find the resources, experience and personnel needed to fulfill totally, for example, the repressive functions, it would lack the authority that each bourgeoisie has conquered in its nation over centuries to exercise this task.

Negri ignores these contradictions when he postulates the existence of a new UN imperial sovereignty. He deduces this capacity from a restrictive legalistic analysis that is totally disconnected from capital's logic of functioning. What is most surprising is his candid presentation of the

UN as a system which is oppressive at the summit (Security Council) and democratic at the base (General Assembly), forgetting that this institution – at all its levels – acts as a pillar of the current imperialist order. This rosy view rests on an apologetic attitude towards the US Constitution, misunderstanding how the elite of this country has built a political system of oppression, mediated by a mechanism of separation of powers intended to thwart the popular mandate³⁰. This vision of imperial sovereignty pushes to the extreme the errors of the transnationalist viewpoint, for it exaggerates its main weakness: the failure to grasp the fact that the greater world integration of capital is implemented in the framework of states and existing or regionalized dominant classes.

The errors of 'super imperialism'

The characterization of the absolute domination of the US is partially implicit in the thesis of Empire. Although Negri³¹ stresses that the Empire 'lacks a territorial centre' he also says that all the institutions of the new stage derive from US predecessors and are built in opposition to European decadence.

This interpretation converges with all the characterizations that identify the current US leadership with the 'predominance of a single power', a 'unipolar world' or the consolidation of the 'US era'. These visions actualize the theory of super imperialism that supposes the complete hegemony of one rival over its competitors.

The empirical support for this thesis stems from the US advance in the course of the last decade, in particular on the political and military level. While the action of the UN is aligned on the priorities of the US, the presence of the

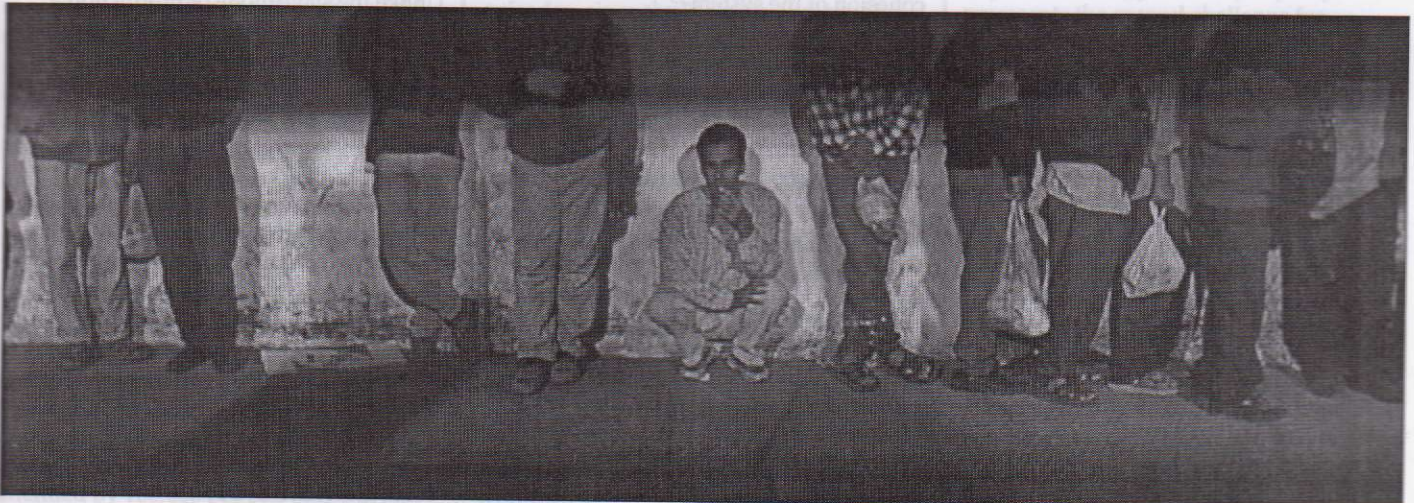
latter extends across every corner of the planet, through agreements with Russia and intervention in the regions – like central Asia or Eastern Europe – which were until now outside its control.

The US enjoys a clear technological and productive superiority over its rivals. This supremacy is shown by the current world recession because the level of world economic activity displays an extraordinary degree of dependence on the US cycle.

The US has resumed in the 1990s the leadership role held by Europe in the 1970s and Japan in the 1980s. Since the Reagan government the US has exploited the advantages that gave it its military supremacy to finance its economic reconversion with the rest of the world's resources. In certain periods it lets the dollar fall (to boost exports) while in others it allows it to rise (to absorb foreign capital). In the same way, it combines trade liberalization and protectionism in the sectors where it holds, respectively, a competitive advantage or disadvantage. This regained hegemony is explained both by the international implantation of US companies and because US capitalism has been oriented for the past centuries towards the penetration of the internal markets of its competitors.

Nonetheless, none of these facts proves the existence of super imperialism, as US supremacy has not led to the submission of Europe and Japan. The conflicts that oppose the great powers have the character of inter-imperialist conflicts and are not comparable to the clashes between central and peripheral countries. In its trade disputes with the US France does not behave like Argentina, inside the IMF Japan does not beg for credits but behaves as a creditor and Germany is the coauthor and not the victim of the G8 resolutions.

Imperialism's border guard: Palestinian workers queue through the night in hope of getting Israeli work permits



The relationship between the US and its competitors does not have the features of an imperial domination. US primacy in geopolitical relations is indubitable, but the 'the trans-Atlantic link' does not imply the subordination of Europe and the 'Pacific axis' is not characterized by Japanese subordination to every US demand³².

The super imperialist thesis exaggerates US leadership and underestimates its contradictions. Gowan³³ judges correctly that the US preference for a 'supremacist' form of domination (that is, to the detriment of its rivals) rather than a 'hegemonic' form (sharing the fruits of power) undermines its leadership. The strength of the US is moreover built on interlinking and not – as in the past – through the military crushing of its competitors. And this modality obliges the forging of alliances that are more fragile, since they do not originate in a military solution. The elitist character of

Dead but not forgotten: Richard Helms, the CIA's weapon of mass destruction against Allende's Chile



current imperialism – in the sense that is deprived of the massive chauvinist and patriotic support of the early 20th century – also serves to erode US superiority.

US supremacy is exercised practically through wars in the most unstable peripheral zones of the planet. Yet this very bellicosity weakens the super imperialist course because these systematic aggressions reinforce instability. The new doctrine of 'war without end' applied by the Bush administration deepens this loss of control, for it breaks with the tradition of limited confrontation involving a certain proportionality between the means employed and the ends pursued. In the campaigns against Iraq, the 'drugs trade' or 'terrorism' the US seeks to create a climate of permanent fear, of aggression without any time limits or precise

objectives³⁴.

This type of imperialist action not only dislocates nations, disintegrates states and destroys societies but also generates 'boomerang effects', such as the US has experienced with the Taliban. 'Total war' without legal scruples destabilizes the 'world order' and deteriorates the authority of its authors. It is for this reason that the perspective of super imperialism has not been realized and is threatened by the action of domination of the US itself.

A combination of three models

None of the three alternative models to that of classic imperialism allows us to clarify the currently predominant relations between the great powers. The thesis of inter-imperialist competition does not explain the reasons which inhibit military confrontation and ignores the advances that have taken place in the integration of capital. The transnationalist orientation does not recognize that rivalries between firms continue to be mediated by the action of classes and national or regional states. The super imperialist vision does not take account of the absence of relations of subordination between the developed economies comparable to those that prevail with the periphery.

These insufficiencies lead us to think that contemporary rivalry, integration and hegemony tend to combine in a new manner which is more complex than had been imagined in the 1970s. Studying this tangled web is more useful than asking which of the three models conceived is prevalent at this moment. In the course of recent decades, the advance of globalization has stimulated the transnational association of capital and has also led one power to assume leadership in order to maintain the cohesion of the system³⁵.

Recognizing this combination allows us to understand the intermediary character of the current situation. For the moment neither rivalry, nor integration nor hegemony predominate fully, but we can observe a change in the relationship of forces inside each power, which favors the transnationalized sectors to the detriment of the national sectors inside existing states and classes³⁶. This differs from one country to another (in Canada or Holland the globalized fraction is undoubtedly stronger than in the US or Germany) and from one sector to another (in the car industry transnationalization is greater than in steel). Capital

internationalizes while the old national states continue to guarantee the general reproduction of the system.

The new combination of rivalry, integration and imperialist supremacy forms part of the great recent transformations of capitalism. It is part of the framework of a stage characterized by the offensive of capital against labour (higher unemployment, poverty and deregulation of labour), its sectoral (privatization) and geographic (towards the ex-'socialist countries') expansion, the information technology revolution and financial deregulation.

These processes have altered the functioning of capitalism and multiplied the disequilibria of the system by weakening the state regulation of economic cycles and stimulating rivalry between firms. The old political institutions are losing authority to the extent that a part of real power is displaced towards the new globalized organisms, which lack both legitimacy and popular support. Moreover, imperialist military escalation leads to collapses in the peripheral regions, deepening world instability³⁷.

These contradictions are characteristic of capitalism and do not present in any way the similarities with the Roman Empire postulated by numerous authors. Such analogies point to the similarity of the mechanisms of inclusion or exclusion of the dominant groups in the imperial centre³⁸, the institutional similarities (Monarchy - Pentagon, Aristocracy - Firms, Democracy - UN Assembly)³⁹ or the decadence common to the two systems (the fall of Rome - the 'rottenness' of the current régime)⁴⁰.

However, contemporary capitalism is not being eroded by an over ambitious territorial expansion, or corroded by a failing agriculture, unproductive labour or the wastefulness of the dominant caste. Unlike the slave mode of production, capitalism does not generate the paralysis of the productive forces but their uncontrolled development (subject to cyclical crises).

The contradictions derived from the accumulation and extraction of surplus value, the valorization of capital or the realization of value lead to crises but not to the agony of Antiquity. However, the crucial difference resides in the role played by social subjects with capacities of historic transformation that did not exist in the era of Roman decadence.

The domains of

popular resistance

The workers, exploited and oppressed of the entire planet are the adversaries of imperialism in the 21st century. Their action has in recent years modified the climate of neoliberal triumphalism that prevailed among the elite of the dominant class from the beginning of the 1990s. A sentiment of disorientation has begun to set in among the globalizing 'establishment', as shown by the critiques of current economic policy formulated by the popes of neoliberalism.

Soros, Stiglitz and Sachs are now writing books that denounce the absence of control of the markets, the excess of austerity or the inconvenience of extreme structural adjustments. Their characterizations are as superficial as the overflowing eulogies they previously addressed to capitalism. They contribute no valuable reflection but witness to the malaise that has appeared at the summit of imperialism in the face of the social disaster created during the years of privatizing euphoria.

These challenges to 'wildcat capitalism' reflect the advances of the popular resistance, because the masters of the world can no longer confer in peace. They meet in distant corners, their meetings are cut short, and they must always face the demonstrations of the movement for another globalization. They cannot isolate themselves in Davos, flee the scandalous repression of Genoa, or ignore the challenge of Porto Alegre. There is longer a 'single system of thought' or 'sole alternative' and with the development of popular skepticism, the image of the all-powerful imperialist recedes.

The participants in the movement for another globalization are the main protagonists of this change. This resistance has already gone beyond the media impact provoked by the boycott of the summits of presidents, company bosses and bankers. Seattle marked a big step forwards for the development of this struggle that has not been beaten back since September 11, 2001. The predictions of a great reflux have been rapidly disproved and 'anti-terrorist' intimidation has not infected the ranks of the demonstrators. Between October and December of 2001, 250,000 youth mobilized in Perugia, 100,000 in Rome, 75,000 in London and 350,000 in Madrid. In February the second meeting of the World Social Forum in Porto Alegre surpassed the attendance at previous meetings and a little after a march in Barcelona attracted 300,000 demonstrators. The mobilization in Seville against the 'Europe of capital' was attended by 100,000 people. These events

confirm the vitality of a movement that tends to incorporate in its action the struggle against militarism. An anti-war movement begins to emerge, in the image of the struggles against the war crimes in Algeria in the 1960s and in Vietnam in the 1970s⁴¹.

The working class stands out as the other adversary of imperialism, both through its convergence with the movement against capitalist globalization (very significant in Seattle) and the renewal of its own struggles. The stage of severe downturn in struggle inaugurated by the defeats of the 1980s (FIAT-Italy in 1980, the British miners in 1984-85) has tended to reverse since the mid-1990s, driven by important mobilizations in Europe (strikes in France and Germany) and in the most industrialized areas of the periphery (Korea, South Africa, Brazil). The extraordinary mobilization of millions of Italian workers last May and the powerful general strike in Spain confirm this resurgence of the working class.

The popular uprisings in the periphery represent the third challenge for imperialism. The examples of this resistance in South America are incontestable, beginning with the significant extension of the Argentine rebellion. While the 'economic contagion' has spread to the neighbouring nations (capital flight, bank failures and a fall in investment), there is also the 'political contagion' with demonstrations and 'caceroleos' in Uruguay, the big peasant mobilizations in Paraguay and the massive uprisings against privatization in Peru.

On the other hand, the popular intervention against the coup in Venezuela marks the beginning of a massive reaction against the pro-dictatorial policy promoted by US imperialism. This success for the oppressed constitutes only the first round of a confrontation which will see many episodes, since the State Department has embarked on an escalation of provocations against any government, people or policy that does not meekly comply with its demands.

On the world scale the most dramatic case of such aggression is the massacre of the Palestinians. The level of imperialist savagery in the Middle East recalls the great barbarisms of colonial history and that is why the popular resistance in this region is symbolic and awakens the solidarity of all the peoples of the planet.

The movement against capitalist globalization, the resurgence of the working class and the rebellions at the

periphery show the limits of capital's offensive. At the end of a decade of social savagery, the relationship of forces is beginning to change and this opens a new ideological space for critical thought that would render the ideas of socialism attractive. To the extent that neoliberalism loses its prestige, socialism ceases to be a forbidden word and Marxism is no longer regarded as an archaic system of thought. This renaissance poses anew various questions of socialist strategy.

Four political challenges

A new internationalism has erupted with the movement for 'another globalization'. These mobilizations are marked by a challenging of the principles of competition, individualism and profit and have already generated an advance in anti-capitalist consciousness, reflected in some of the slogans of the movement ('the world is not for sale'). Helping to transform this embryonic critique of capital into an emancipatory proposal is the first task that falls to socialists.

This alternative is already being debated in the world forums, when one analyses the social perspectives of the spontaneous internationalism of the movement. In this movement, there is a consistent opposition to the fundamentalist reactions against imperialist atrocities and a similar rejection of ethnic or religious confrontations between the exploited peoples, provoked by the right. This internationalist solidarity is incompatible with any kind of capitalist project, for such a project can only promote exploitation and thus stimulate national confrontations. Only socialism offers a perspective of real community between the workers of the world.

The generalized revival of the anti-imperialist struggle at the periphery represents the second challenge for socialists. Some theorists ignore this eruption, because they have decreed the end of nationalism and celebrated this disappearance without being able to distinguish between the reactionary and progressive currents of this movement. These authors declare, moreover, the uselessness of any tactic, strategy or political priority towards the new 'horizontal struggles' for according to them these are combats between capital and labour without any form of mediation⁴².

This vision constitutes a crude simplification of the national struggle, for it puts in the same bag the Taliban and the

Palestinians, the executors of the ethnic massacres in Africa or the Balkans and the artisans of the wars of liberation of recent decades (Cuba, Vietnam, Algeria). It does not distinguish or situate progress and reaction. For this reason it does not understand why the peoples of the Third World fight for the abolition of the foreign debt, the nationalization of energy resources or the protection of local production.

Defining tactics and conceiving specific strategies is all the more important in that the national demands of the exploited of the periphery have no meaning for the workers of the central nations. The transnationalist viewpoint

repeats the old neoliberal hostility towards the concrete forms of popular resistance in the underdeveloped countries, employing a more radical language. Its imprecision diffuses a sentiment of powerlessness in the face of imperialist domination, for in the world they describe – without frontiers, centers and territories – it is impossible to localize the oppressor or choose the method of confronting them.

The third challenge for socialists is conceiving the strategies of seizure and radical transformation of the state to open the road to emancipation. This objective demands the demystification of the neoliberal questioning of the utility of state

intervention and neutralist faith of constitutionalism which masks the control by the dominant class over this institution. In particular, the opposition between neoliberal deregulators and the advocates of regulation only hides a common capitalist management of the state. This maneuver is the cause of the growing divorce between society and state. The more public affairs depend on entrepreneurial profits the greater the weight acquired by the apparatuses and bureaucracies distant from the needs of the majority of the population.

But the transcendence of this fracture demands the inauguration of a new collective management allowing an

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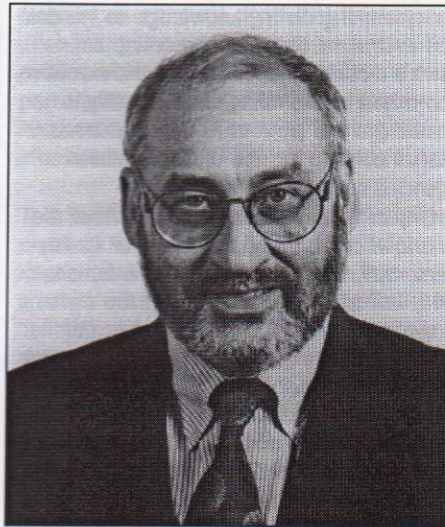
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Neoliberalism's fatal flaws

REVIEW BY TONY SMITH

Globalisation and Its Discontents (New York and London: WW Norton & Company, 2002)
by Joseph Stiglitz



Joseph Stiglitz is the author of dozens of seminal papers in the most prestigious journals of mainstream economics. He has been a cabinet member in the Clinton administration, chair of the President's Council of Advisors, and senior vice president and chief economist of the World Bank. And, oh yes, he won the Nobel Prize. It is a remarkable development indeed when an economist of Stiglitz's stature proclaims that in many ways the critics of neoliberalism have a deeper understanding of the global economy than elite policy makers: *"Globalization today is not working for many of the world's poor. It is not working for much of the environment. It is not working for the stability of the global economy"* (p 214).

It is not surprising that most reviews of Stiglitz's book in progressive publications have been quite enthusiastic. Nonetheless,

it is as important to comprehend the limits of his perspective as it is to appreciate the force of his criticisms.

Stiglitz's arguments can be grouped under three main headings. He exposes a series of profound flaws in the theoretical framework of neoliberalism. He provides considerable empirical documentation of the practical failures of neoliberal policies. And he attempts to explain why the neoliberal agenda continues to be pursued, despite its fairly obvious shortcomings.

The theoretical foundation for neoliberalism is the dogmatic belief that markets automatically lead to optimal results whenever they are allowed to operate without interference. Government ownership of enterprises, and restrictions on trade and investment, are taken to be paradigmatic instances of external obstructions undermining this remarkable property of markets. The policy implications follow at once: publicly owned state enterprises must be privatised, trade barriers must be removed, capital markets must be deregulated, government spending must be kept within strict limits, and so on, and all of these transformations should be undertaken as rapidly as possible.

Stiglitz, in contrast, insists that markets function properly if and only if a suitable set of background institutions is already in place. In the absence of adequate laws enforcing competition, privatisation will result in oligopolies and monopolies that harm the interests of consumers. The unemployment that inevitably follows the dismantling of protectionist trade barriers will generate immense social suffering if adequate safety

nets and job creation programs have not been established. While wealthy economies can handle stampedes of capital inflows and outflows, these stampedes will wreck havoc on smaller developing economies. When economic downswings occur, their duration and harmfulness cannot be minimised unless the state is capable of undertaking expenditures to stimulate the economy. The main policy implication that follows from Stiglitz's alternative theoretical framework is the need for sequencing. Privatisation should only occur after an effective set of antitrust laws been put into place. Openness to trade should only be instituted after an apparatus addressing the social costs of free trade has been established. And capital controls should only be dismantled after a national economy has attained a critical mass.

In Stiglitz's view the empirical evidence clearly supports his perspective. He provides a comprehensive account of the International Monetary Fund's interventions in response to financial crises in East Asia and Eastern Europe in the late 1990's. The Fund encouraged the premature deregulation of capital markets in these regions, which often led to stampedes of speculative capital into already overheated stock and real estate markets. When the all but inevitable crashes and reverse stampedes of capital outflows occurred, austerity programs were then imposed by the Fund (pp 98 ff.). Governments were forced to restrict credit and spending, despite the fact that downswings are precisely the time when access to credit and government spending are most needed.

Motivated by the fear that currency devaluation would raise the cost of imports and lead to inflation, the IMF also provided funds to troubled economies to help them maintain the given exchange rate. As Stiglitz notes, these funds in effect bailed out international investors, while granting local elites an opportunity time to protect their financial assets by capital flight on a massive level (95). Soon enough the exchange rates were devalued anyway. The subsequent burden of paying back these IMF loans then fell on the very group that benefited least from them, working men and women.

Finally, privatisation programs were vigorously pursued in Russia and elsewhere despite the fact that only local gangster capitalists had funds available for the purchase of privatised assets, and despite the fact that the on-going economic slowdown enabled these gangsters to buy privatised enterprises and natural resources for a song.

Why were neoliberal policies pursued (and continue to be pursued today with only minor modifications) when they are so obviously

inadequate from the standpoint of both theory and historical experience? Stiglitz's main explanation invokes the overwhelming power of ideology. Defenders of the 'Washington Consensus' are so convinced by the tenets of market fundamentalism that they literally cannot conceive of any alternative or accept any negative evidence. They apply its precepts in any and all circumstances, however inappropriate they might be in the particular circumstances at hand, and however dismal their past record of success.

Stiglitz, however, also draws our attention to the numerous ex-IMF and US Treasury Department officials who have taken ludicrously lucrative positions in the very financial firms that profited most from their policies. One would have to be naïve indeed, he implies, to think that this 'revolving door' between government and Wall Street has absolutely no effects on policy making. To my knowledge no 'insider' has ever come closer to conceding that Marx's dictum that the state is the executive committee of the ruling class just might have a grain of truth to it. Stiglitz extends Marx's point to include the international agencies such as the IMF as well:

"Many of its key personnel came from the financial community, and many of its key personnel, having served these interests well, left to well-paying jobs in the financial community. Stan Fischer, the deputy managing director who played such a role in the episodes described in this book, went directly from the IMF to become a vice chairman at Citigroup, the vast financial firm that includes Citibank. A chairman of Citigroup (chairman of the Executive Committee) was Robert Rubin, who, as secretary of Treasury, had had a central role in IMF policies. One could only ask: 'Was Fischer being richly rewarded for having faithfully executed what he was told to do?'" (pp 208)

Stiglitz's analysis echoes that presented by Theodore Veblen in the beginning of the twentieth century. In Veblen's account of the capitalism of his day, the most significant social division was that between producers (industrialist entrepreneurs and the workers they employed), on the one hand, and financial speculators, on the other. While the actions of the former bring about long-term technological progress, the latter are primarily concerned with short-term profits from trades in financial assets. The more power and prestige claimed by financiers relative to producers, the less likely it is that society will undertake the long-term investments in fixed capital necessary for social dynamism. Veblen's central thesis, in brief, was that there can be a tension between what is rational from the standpoint of financial capital and what is rational from the standpoint of society as

a whole. Institutional reforms must be undertaken to ensure that the operations of financial capital are strictly subordinate to industrial development.

In an exactly parallel fashion Stiglitz argues that the neoliberal policies pursued by the U.S. Treasury Department and the I.M.F. have furthered the interests of financial capital to the detriment of the overall social rationality of the global economy:

"Trade liberalization accompanied by high interest rates is an almost certain recipe for job destruction and unemployment creation – at the expense of the poor. Financial market liberalization unaccompanied by an appropriate regulatory structure is an almost certain recipe for economic instability – and may well lead to higher, not lower, interest rates, making it harder for poor farmers to buy the seeds and fertilizer that can raise them above subsistence. Privatization, unaccompanied by competition policies and oversight to ensure that monopoly powers are not abused, can lead to higher, not lower, prices for consumers. Fiscal austerity, pursued blindly, in the wrong circumstances, can lead to high unemployment and a shredding of the social contract." (p 84).

Institutional reforms must be undertaken restricting the financial sphere. His suggestions include:

- Standstills on debt repayment when financial crises occur, giving otherwise healthy firms an opportunity to recover from financial crises (p 130).
- Special bankruptcy provisions that kick in when exceptional macroeconomic disturbances break out, providing management a chance to restructure ailing companies (p 130).
- Greater reluctance by the IMF to lend billions in bail out packages.
- Improved regulation of banking, including, for example, restrictions on speculative real estate lending.
- The use of short-term capital controls and "exit taxes" to protect countries against "the ravages of speculators" (p 211).
- Granting more seats at the I.M.F. to countries from poor regions in the global economy.
- More open discourse at the I.M.F., the World Trade Organisation, and other international agencies.
- A narrowing of focus at the I.M.F. to managing crises, leaving policies of development and transition to other institutions such as the World Bank
- The developed countries and international financial institutions should provide loans enabling developing countries to buy insurance against

fluctuations in the international capital markets.

- Improved safety nets.
- Debt relief and a more balanced trade agenda.

Many of these policy proposals are deserving of support. But I believe that the 'institutionalist' critiques of Veblen and Stiglitz are beset by a series of profound difficulties. A first point to note is the manner in which institutionalists, no less than the market fundamentalists they oppose, use fundamental categories such as 'money' and 'capital' in an uncritical fashion. Neither Veblen nor Stiglitz comprehend that money is the alien form of appearance of abstract labor, or that capital is the alien form of appearance of collective social labour. And so neither calls into question the reign of the money fetish and the capital fetish over human life.

Even if we put this absolutely crucial point to the side, it is still astounding that Veblen categorises 'producers' as a homogenous group, failing to appreciate the immense class divide between industrial capital and wage labour. In Stiglitz's account class divisions within the industrial sector of the global economy are occluded as well. It is true, of course, that global financial markets and international agencies often harm the interests of industrial capital and their workers simultaneously. IMF austerity programs, for instance, force otherwise profitable firms into bankruptcy and wage labourers into unemployment.

But one of the most profound historical developments associated with globalization today is the formation of cross-border production chains. These chains were established by transnational capital in the hope of implementing a 'divide and conquer' strategy vis-à-vis the global workforce. General Motors workers in Michigan for example, face a plausible threat of production being shifted to plants in Mexico; workers in these Mexican plants face the threat of capital flight to Guatemala, or now even Vietnam or China. In the absence of effective organizing on the international level, the balance of power in the capital/wage labour relations tends to shift in favor of capital, with increased economic insecurity and a higher rate of exploitation resulting. From a class perspective Stiglitz's ultimate policy objective can be described as the systematic reproduction of the capital/wage labour relation on the global level, freed from the irrational disruptions imposed by the financial sector. This is equivalent to the systematic reproduction of exploitation on the global level.

It must also be emphasized that even if for the sake of the argument we imagine a

capitalist world market purged of financial excesses, it would still be characterised by uneven development. A systematic exploration of this topic is not possible here. A brief discussion must suffice.

The heart of inter-capital competition is the drive to appropriate surplus profits through temporary monopolies from product or process innovations. The research and development process is obviously a crucial element in innovation. Units of capital with access to advanced (publicly or privately funded) R&D are best positioned to win this form of surplus profits. They are thus also best positioned to establish a virtuous circle in which surplus profits enable a high level of future R&D funding, which provides important preconditions for the appropriation of future surplus profits, and so on. In contrast, units of capital without initial access to advanced R&D tend to be trapped in a vicious circle. The resulting inability to introduce significant innovations prevents the appropriation of surplus profits, which in turn tends to limit participation in advanced R&D in the succeeding period. This then limits future innovations and future profit opportunities.

This fundamental dynamic of capitalist property relations has profound implications. Units of capital with the greatest access to advanced R&D almost by definition tend to be clustered in wealthy regions of the global economy. Units without such access tend to be clustered in poorer regions. The former are in a far better position to establish and maintain the virtuous circle described above, while the latter have immense difficulty avoiding the vicious circle. When units of capital in poorer regions engage in economic transactions with units of capital enjoying temporary monopolies on process and product innovations, they thus necessarily tend to suffer disadvantageous terms of trade. In other words, there is a redistribution of the value produced in the production and distribution chain from the periphery of the global economy to the centre. In this manner the drive to appropriate surplus profits through technological innovation – an inherent feature of capitalist property relations – tends to systematically reproduce and exacerbate tremendous economic disparities in the world market over time.

In Stiglitz's account of the world market there is no hint of a systematic tendency to uneven development. At crucial places in the book he refers to the historically unprecedented rates of economic growth and increases in per capita income attained in a number of East Asian countries in recent decades. He clearly implies that this 'East Asian miracle', based on the ability of industries in these countries to compete

successfully in global export markets, provides a devastating refutation of the uneven development thesis. The heart of Stiglitz's position is the claim that in principle all poor countries can enjoy success in the world market, if only they follow intelligent policies and are not impeded by the dogmas of neoliberalism.

A first difficulty Stiglitz must address has to do with the fact that the relative handful of countries that have escaped from poverty in the last decades did so through 'the development state' model, which is characterised by three main features. First, savings in the national economy are 'intermediated' – that is, deposited in the national banking system. Second, the allocation of capital to the non-financial sector of the economy is determined in a process of formal and informal negotiations between banks, state agencies, and industrial corporations. Third, the banks hold a high portion of the equity of the corporations to which they lend. The problem is that this model is now in the process of being dismantled.

Stiglitz fully comprehends the extent to which this model is under now attack by the policy elites in the US and the IMF, who hope to force the countries that have implemented it to open their financial sectors to Wall Street. But he both underestimates and overestimates this factor. He underestimates it in the sense that he fails to comprehend just how central the dismantling of the developmental state model is to the United States, the hegemonic power in the global system. Peter Gowan correctly places this development in the context of the 'great global counteroffensive' by the US in response to the demands for a New International Economic Order articulated by third world states in the late 1960's and 1970's. The debt crunch of 1982 provided the opportunity to launch the counter-offensive in much of Latin America and Africa, aiming at the following two objectives:

- 1 To replace a national industrial strategy for development through import substitution, and the development of the internal market, with a strategy based upon western MNC direct investment and exports from the target country to the world market.

- 2 To replace a state-centred financial and industrial system within the country with private financial markets, ownership of economic assets in the hands of private capital, deregulated labour markets and a strong role for western FDI [Foreign Direct Investment] and portfolio investment.

In East Asia, the continuing Cold War motivated the US government to accept

high levels of exports from countries that allowed neither imports from US manufacturers (unless they were needed by their exporting firms) nor portfolio capital investments from the US. With the end of the Cold War this arrangement ceased being acceptable to US political and economic elites.

From this standpoint the neoliberal project does not merely reflect the temporary power of one faction of capital in the state apparatus. It represents the fundamental interest of the hegemonic power in the world market. And from this standpoint it is not sufficient to complain that the US-controlled IMF has imposed policies that had the unanticipated consequence of leading to slump rather than growth, for "the IMF approach requires slumps rather than growth as the favoured context for restructuring since the slump provides powerful pressures on key economic actors and it destroys the social power of labour in economic and political life."

Lacking a theory of hegemony and hegemonic interests in the global economy, Stiglitz underestimates the force of US/IMF pressure to dissolve the developmental state model. But he also overestimates it in other respects. He implies that if only this pressure could somehow be neutralised all would be well, and the 'miracle' could recommence in East Asia and elsewhere. This drastically downplays the extent to which the transition away from the bank-centred financial systems of the developmental state model is a general trend of the present historical epoch. It is supported by most leading sections of both industrial and financial capital in almost all regions of the world market, quite apart from the machination of US and IMF policy makers. Wealthy depositors throughout the global economy now seek better rates of return from international capital markets than they can attain from deposits in national savings systems. The biggest corporations prefer reliance on impersonal markets to the much more intrusive oversight that arises when they are dependent on a specific bank for credit. The biggest banks in the global economy wish to be freed from long-term ties to corporations, in order to avoid being brought down when those corporations have difficulty adjusting to rapidly changing technological and economic environments. The increasing number and scope of cross border production chains and cross border mergers and acquisitions also make the developmental state model less feasible in the global economy. And the promise of profitable opportunities to extend extending cross-border production chains and participate in cross border mergers and acquisitions in the future makes this model less attractive to more and more units of capital.

Another crucial consideration when attempting to assess the claim that the successes of the developmental state model in East Asia refute the theory of uneven development is the systematic tendency to overaccumulation crises in the world market. This issue is also far too complex to discuss adequately here. For our purposes it must suffice to note that while the drive to appropriate surplus profits necessarily tends to lead more efficient plants and firms to enter a given sector, established firms and plants do not all automatically withdraw when this occurs. Their fixed capital costs are already 'sunk', and so they may be happy to receive the average rate of profit on their circulating capital. They also may have established relations with suppliers and customers impossible or prohibitively expensive to duplicate elsewhere in any relevant time frame.

Further, their management and labour force may have industry-specific skills. Or governments may provide subsidies for training, infrastructure, or R&D that would not be available to them if they were to shift sectors. When a sufficient number of firms and plants do not withdraw as a result of these factors, the result is an overaccumulation of capital, manifested in excess capacity and declining rates of profit. In more traditional Marxist terms, insufficient surplus value is produced to valorise the investments that have been made in fixed capital. In certain circumstances this dynamic may lead to an economy-wide fall in profit rates for an extended historical period.

When overaccumulation crises break out, previous investments in fixed capital must be devalued. At this point the entire system becomes convulsed in endeavours to shift the costs of devaluation elsewhere. Each unit, network, and region of capital attempts to shift the costs of devaluation onto other units, networks, and regions. And those who control capital mobilise the vast economic, political, and ideological weapons at their disposal in an attempt to shift as many of the costs of devaluation as possible onto wage labourers through increased unemployment, lower wages, and worsened work conditions. As the concentration and centralisation of capital proceeds in the course of capitalist development, both overaccumulation and the resulting need for devaluation necessarily tend to occur on an ever-more massive scale. Global turbulence and generalised economic insecurity increasingly become the normal state of affairs.

These considerations strongly reinforce the thesis that the so-called 'East Asian Miracle' does not refute the theory of

uneven development. While it may be true that at some points in time some developing countries may enjoy great success in certain export markets, it does not follow that all developing countries can do so at any time in any market. As more and more developing countries enter into global export markets, excess supplies necessarily tend to arise. In other words, the more the developmental state model succeeds, the closer it is to failing.

Also, the East Asian miracle was at least partially premised on exports to the United States that could be absorbed due to a historically unprecedented rate of credit expansion. The limits of this credit expansion – that is, the failure of this credit expansion to remove overaccumulation difficulties – have revealed the limits of the ability of US markets to absorb exports from East Asia.

Stiglitz does not once refer to the overcapacity problems that afflict almost every major sector of the global economy today, or to the fact that only massive devaluations of capital on the global level can resolve these problems. As a result he fails to appreciate the extent to which the policies of the IMF are rational from the standpoint of the dominant capitals and states. The devaluation of capital occurs through processes such as firms going out of business and being bought up by competitors. When the IMF imposes conditions forcing corporations to fold and countries to open their economies to outside investors, this is part of a rational strategy to shift the costs of devaluation to these vulnerable corporations and countries. To ask leading capitals and states – and the international agencies they control – to act otherwise is to ask the capitalist world market to not be the capitalist world market.

Thus far I have been arguing that capitalist rationality would still conflict with social rationality, even if we assume for the sake of the argument that financial crises can be avoided. Even then the systematic tendencies to uneven development and overaccumulation crises would continue to beset the capitalist world market. But there are good reasons to believe that Stiglitz's hope is a fantasy that will never be fulfilled. Financial crises, like uneven development and overaccumulation crises, are not contingent occurrences in the capitalist global market. They are not due to the power of ideology over economists and public policy experts, nor are they adequately explained by the revolving door connecting the IMF and the US Treasury Department to Wall Street. They are instead rooted in the logic of capitalist property and production relations.

The financial sector is intimately implicated in both the formation of overaccumulation crises. Flows of financial capital from across the world market tend to be centralised in a few points at the centre of a global financial order, and then allocated across borders. With credit money and fictitious capital the provision of funds can be a multiple of the temporarily idle profits, depreciation funds, and precautionary reserves pooled in the finance sector. In this manner financial capital "appears as the principal lever of overproduction and excessive speculation in commerce."

Once an overaccumulation crisis commences, the rate of investment in sectors suffering overcapacity problems slows significantly. A large pool of investment capital is formed once again, now seeking new sectors with a potential for high future rates of growth (that is, with an expectation of being able to appropriate future surplus value for an extended period of time in the future). When such sectors are found, financial capital from throughout the world market tends to flow in their direction. If the flows of investment capital to these new sectors are high enough, a systematic tendency to capital asset inflation results. Expectations of future earnings eventually become a secondary matter, as financial assets are

purchased in the hope of profits from later sales of these assets. This tendency is then reinforced as previous (paper) gains in capital assets are used as collateral for borrowings to fund further purchases of capital assets, setting off yet more rapid capital asset inflation. Throughout the course of this speculative bubble it remains the case that financial assets are in essence nothing but claims on the future production of surplus value. When it becomes overwhelmingly clear that the ever-increasing prices of these assets are ever less likely to be redeemed by future profits, the speculative bubble collapses, and a financial crisis ensues.

The intertwining of the tendencies to overaccumulation crises and financial crises implies that the impact of concentration and centralisation on the former extends to the latter as well. The devaluation of loans and fictitious capital following in the wake of financial crises necessarily tends to occur on an ever-more massive scale. The pressure on units, networks, and regions of capital to shift the costs of this devaluation on to other units, networks, and regions thereby increases as well. Most of all, capital's attempts to shift as much of the cost as possible onto wage labourers and their communities intensify.

Now let us reconsider the list of Stiglitz's policy proposals given earlier.

Would they transform the financial sector so that it would not play a role in the formation of overaccumulation crises? No.

Would they rule out speculative bubbles in the financial sector? No – many of the measures Stiglitz calls for were already in place in the US, and they did not prevent one of the greatest speculative bubbles in history from arising.

Would any of these measures prevent the greatest burdens of financial crises from being inflicted on the very groups that benefited the least from financial excesses, working men and women and their communities? No.

Finally, and most importantly perhaps, is there any item on this list that would reverse the structural mechanisms generating uneven development? No.

These problems are all rooted in the system of property and production relations that defines capitalism. To recognise this is to recognise the limits of Stiglitz's framework, however admirable and even courageous his break from neoliberalism has been. □

We print here excerpts from a statement from 'Action in Solidarity with Asia and the Pacific' (ASAP) on the Bali bombings of October 15, 2002 (to read the full statement, visit ASAP's website on <<http://www.asia-pacific-action.org>

Action in Solidarity with Asia and the Pacific condemns outright the barbaric bombing that took place in Bali on October 13 and that took the lives of at least 200 people from Bali, Indonesia, Australia and around the world. This was an act of mass murder carried out against defenceless people. ASAP extends its sympathy and solidarity to the families of all those killed and injured.

ASAP is also concerned that such events do not happen again. However, ending this kind of violence is not essentially a security problem but a social and political problem. The solution lies not in cultivating a climate of fear to justify increased state repression, but in addressing the root causes.

The use of violence in politics has been employed on a massive scale by the ruling governments and elites of the world.

For decades the Suharto New Order regime used terror to control Indonesia and East Timor. During those decades Australian governments, both Labor and Liberal, gave full support to this terrorist regime. Suharto used the Indonesian armed forces and police, as well as para-military groups, to conduct secret operations of murder and terror against the pro-democracy and independence movements.

Terror, carried out by both the state and groups originally created by the state, became an everyday part of Indonesian political life under the Western-backed Suharto regime. In the midst of Suharto's use of terror for repression, PM John Howard once called Suharto a 'caring and sensitive' leader.

Now Australians and other foreigners have fallen victim to the same violence that have taken the lives of hundreds of thousands of Indonesians, including Balinese, during the Suharto period.

Such violence is bound to increase in this region while state violence continues to be used as a means of asserting and defending the privileges

and interests of Western and local elites. Murder and torture continue in Aceh, Papua and West Papua with Western, including Australian acquiescence.

Violence is used to suppress peaceful protests by workers, peasants and students throughout the rest of Indonesia, again with Australia's acquiescence. Many activists remain in jail in Indonesia as a result of state repression.

Meanwhile, the Australian government suggests escalating military ties with Jakarta's repressive apparatus.

While such state terror and Western support for state terror against the Indonesian, Acehnese and Papuan people continues with impunity, every and any kind of violent act may be contemplated by every and any kind of group or individual.

Society is in the process of disintegrating in Indonesia as a result of the economic crisis that began in 1997, now made worse by the accelerated plunder of the Indonesian society and economy under the supervision of the IMF. As poverty,

suffering and uncertainty increase, then so will desperation, frustration and irrationality, as well as scheming and plotting among the elite.

This is the society that Suharto's New Order created and which was defended, justified and assisted by Australian governments, including and especially that led by the hypocrite, John Howard.

The violence will end only when this situation is reversed.

Bali: the world they have created

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After a good response to our appeal in September IV's income has fallen back again in the first weeks of October, leaving us once again facing a deficit of 3,000 euros, imperiling our goal of producing another issue in 2002.

International Viewpoint is one of the most important projects of the Fourth International. As a world organization, it gives life, political direction and decisive financial subsidies. However, that irreplaceable driving role is not sufficient to keep the magazine on track. The magazine relies on the

national organizations of the Fourth International, and individuals, who sell the magazine. More sales, more readers will also help us. However, if sections and supporters of the Fourth International can simply pay for International Viewpoint they sell more promptly, then the magazine will stay on schedule.

At IV's editorial meeting in early October, there were two pieces of good news. Firstly, we are on schedule in meeting our target for 2002 in terms of increasing circulation - 100 extra new paid issues. Secondly,

supporters of the Fourth International in the United States have appointed an IV organizer, are opening a bank account for IV in the US and will be advertising the magazine in US left journals. In future, then, money for renewals and new subscriptions in the United States should go to: PO Box 721, Trenton, NJ 08604, USA.

With more efforts by our supporters to organize in this way to support the magazine International Viewpoint can continue to expand, improve and reach an ever-wider audience.

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