

The Rise of Chinese Imperialism

How it has exacerbated the
decay of world capitalism,
and the implications for the
class struggle today

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FIGHTING CAPITALISM AND ALIENATION

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Humanist Workers for Revolutionary Socialism
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Foreword

In this pamphlet, we deal with one of the most important developments in the history of world capitalism: the rise of a new imperialist power that is challenging the hegemony of the US - that is, China. The topic of whether China is an imperialist power is inevitably becoming a key question of debate inside the revolutionary socialist movement.

This debate ultimately caused a split in the FLTI (International Leninist Trotskyist Fraction) in which our organization, Humanist Workers for Revolutionary Socialism (HWRS) together with the Communist Workers Group of New Zealand (CWG), constituted a minority on the question of China. The majority claims that China is a semi-colony totally dominated by US and Western imperialism, and that there is no room for a new imperialism to emerge. The majority argues that the implication of our assertion that China is an imperialist country is that capitalism is still progressive and capable of developing the productive forces to flourish.

This pamphlet, which represents the views of the former minority, which has now left the FLTI, argues that China was able to become an imperialist country because it was a Deformed Workers State (DWS). China was a DWS based on a distorted (by the Stalinists) planned economy, but still a planned economy that was not subordinated to imperialist oppression and super-exploitation. Thus, China's economy developed much further than that of other semi-colonies. After the restoration of capitalism, the new capitalist ruling class in China was able to create a vast surplus capital from the State Owned Industries (SOEs) by the super-exploitation of the Chinese working class. The vast surplus capital is massive, requiring China to export and invest this capital in Asia, Africa and Latin America.

The minority has not abandoned Lenin's view of imperialism, but developed it further by explaining how an ex-DWS can use measures of state capitalism combined with the restoration of the law of value to become an imperialist country. This theory has proved to be correct. The acceleration of Chinese investment has reached a point where China, backed by the military strength of

Russia, is becoming the main competitor to the declining US imperialism.

The argument of the majority - that our theory is based on the progressive role of capitalism, still capable of developing the productive forces - is refuted by reality. The current deep economic crisis is expressed by inter-imperialist competition, which produced a severe glut of commodities throughout the world. In this pamphlet, we argue that the rise of China to the status of an imperialist country bears a lot of responsibility for the crisis. Chinese imperialism is based to a large degree on the super-exploitation of its proletariat in China's center, as well as on the extra super-exploitation of the ethnic minorities in the territories of greater China. This produces enormous pressure on American imperialism.

American imperialism must reduce the standard of living of its own working class to as close as possible to that of proletariat in the semi-colonies to remain competitive as it faces a giant competitor with significant advantages. We view the rise of Chinese imperialism as a huge catalyst for the international class struggle. As the living standards of the proletariat in the Western imperialist countries become closer to that of the semi-colonies (because of recent successful attacks on the workers in the US, for example), the world proletariat will have few choices. It will have to fight back and overthrow the imperialist/capitalist system or face devastation and unspeakable barbarism, because the intensifying imperialist competition is likely to lead eventually into a new world war.

Dave Winter
March 2010

“The Truth is Concrete!”

Minority Report on the Current World Situation

Note: The document says that Russia is a junior imperialist ally of China. This is a CWG position. HWRS has not yet had a discussion on Russia. While HWRS believes that Russia is becoming a sub-imperialist power in its “backyard,” e.g. Eastern Europe, HWRS has not reached a conclusion that Russia is a full blown imperialist country. HWRS has not yet had a chance to have a full discussion on this.

This report is written to show that unless the FLTI understands the changes that have taken place in China then we cannot understand their consequences for the world situation, and in particular for the inter-imperialist rivalry in this period of crisis that must lead to wars, revolutions and counter-revolutions. The “truth is concrete” said Lenin, and the most concrete manifestations of the class struggle today as in Iran, Honduras, or Southern Africa, cannot be fully explained except as the refraction of inter-imperialist rivalry. If we cannot analyze at the concrete level the determinants of class struggle in these situations we will remain theoretically barren, and programmatically weakened in the face of new wars and revolutionary situations.

China, backed by Russia, is the Asian Elephant in the room. We can see the movements around the elephant but cannot explain them unless we see the elephant itself. Against those who say that China is still a socialist state, we have to explain that it has restored capitalism. But against those who say that China is a capitalist semi-colony we have to explain that it is a new imperialist power and that we cannot defend it. While we cannot defend China as an imperialist country, we want to assure the majority that the minority did not change its positions on China. In other words, we still believe that China has a dual character of an emerging imperialist country, while remaining a semi-colony for super-exploitation by the imperialist powers. The minority does not deny the existence of maquiladoras in China, although it is unclear how many of them are owned by Western imperialists and how many are owned by Chinese capitalists. The minority, however, does not think that the maquiladoras are the main drive behind the Chinese economy. Yet

if the US attacks and invades China to transform it into a subordinated semi-colony, the minority without hesitation will defend China against the US imperialism. The only programmatic implications that could develop between the minority and the majority, for example, is in cases when Americans (or their allies) and Chinese troops clash in Iran or Africa over control of oil and raw materials; in other words, over imperialistic spheres of influence and control. Yet, seeing how difficult it is for the US to just maintain its military presence in Iraq and Afghanistan/Pakistan, it is highly unlikely that such wars will develop in the near future. [Note: *Since this section was written, the minority has changed its position to one of dual defeatism – see “For Revolutionary Defeatism on Both Sides” on p. 60 of this pamphlet.*]

What do we mean by saying that China still has the character of a semi-colony? In the rest of the article we argue and explain how the Chinese Bourgeoisie was able to remain independent from imperialism and accumulate surplus capital that enables it to become imperialist. In this sense China fulfilled the national tasks of the bourgeois stage of development. Yet the conditions of the proletariat and the peasantry remain the same as in other semi-colonies, and in fact, the proletariat in China is still one of the most super-exploited and oppressed. It is not clear how much better the conditions of the proletariat in the SOEs are in comparison to the maquiladoras. But it is certainly not enough to change its ongoing super-exploitation. It was the super-exploitation of the Chinese proletariat that allowed the accumulation of surplus capital. Thus in this sense China remains a semi-colony regardless whether its finances and the means of productions are in the hands of the Chinese bourgeoisie or Western imperialists. Thus the minority does not have a different program for the liberation of the Chinese proletariat than the majority's program. It is the Trotskyist program for the liberation of the most oppressed proletariat and peasantry, and it is essentially the same for China, India and the rest of the semi-colonies; taking into account, of course, national and particular variants.

How to account for this phenomenon of China becoming imperialist? It has to be their history as a deformed workers' state and degenerated workers' state (DWS's) that enables China, and

Russia respectively, to avoid becoming ‘re-colonized’ or ‘re-divided’ and that allows them to emerge as imperialist powers. If this is correct then our program for China (when it fights for re-division of the world among the imperialist countries) must be for its defeat and for its workers to turn all wars in which China is involved as an imperialist power into a civil war in China. With the proviso (as stated above) that an invasion determined to re-divide China, drive it back to the state of a semi-colony and subjugate it militarily to other imperialist forces or a bloc of forces would change the character of a war from inter-imperialist war to a war for imperialist subjugation and require proletarian defense of China.

These and other questions of the expansionary role of China can only be explained by recourse to Lenin’s theory of imperialism. In a global capitalist economy growth is only possible by means of capital accumulation. Expansion overseas into the existing markets or spheres of interest of imperialist powers must occur at the expense of the existing imperialist powers. It isn’t that China is replacing the US or even France or Japan, but rather that it is expanding at the expense of the weakest imperialists. This has direct effects on the workers and peasants over whose surplus value these powers are fighting. If we cannot explain what is driving China in its expansion, we are theoretically and programmatically weakened in our struggle against the super-exploitation and oppression of all imperialist powers.

The Character of the Current Crisis

The present situation is one of a global economic crisis of overproduction that can only be solved by the capitalists by a massive writing off of trillions of overproduced finance capital, and a massive devaluation of wages through mass sackings and huge wage cuts. Global capitalism is not a single entity. It is a system in which the major capitalist imperialist classes are divided nation by nation and must try to restore their profits by passing as much of their costs as possible onto their imperialist rivals and to their semi-colonies and colonies and ultimately the workers and peasants in those countries. This gives flesh to Lenin’s slogan that the

Imperialist epoch is one of crises, wars, revolutions and counter-revolutions.

Since this is a severe global crisis of overproduction, that calls into question the survival of the capitalist system, each imperialist power is forced to attack not only its rivals to unload its costs, but also the living standards of its own wage workers, in particular migrant workers. In this inter-imperialist struggle the strongest imperialist states with the most profitable production come out bigger and stronger, while the less competitive capitalists get weaker and smaller. And of course, whichever imperialist powers come out as the winners, the working class of the whole world ultimately pays with its labor and its lives.

This inter-imperialist struggle must eventually lead to a re-division of the world according to economic power. Lenin was very precise about this:

‘The capitalists divide the world, not out of any particular malice, but because the degree of concentration which has been reached forces them to adopt this method in order to obtain profits. And they divide it “in proportion to capital”, “in proportion to strength”, because there cannot be any other method of division under commodity production and capitalism. But strength varies with the degree of economic and political development. In order to understand what is taking place, it is necessary to know what questions are settled by the changes in strength. The question as to whether these changes are “purely” economic or non-economic (e.g., military) is a secondary one, which cannot in the least affect fundamental views on the latest epoch of capitalism. To substitute the question of the form of the struggle and agreements today peaceful, tomorrow warlike, the next day warlike again for the question of the substance of the struggle and agreements between capitalist associations, is to sink to the role of a sophist.’
(*Imperialism, The Highest Stage of Capitalism*, CW 22 p 252-3)

The current crisis is one in which the imperialist pecking order is at stake in the struggle to re-divide and plunder the world. The US came to world dominance as a result of WW II when it gained from the defeat of the Axis powers, occupying Germany and Japan, but also from the relative weakening of Britain and France. But in order

to come out the victor the US had to strike a deal with the Soviet Union in which the Stalinist bureaucracy became the executioner of the world revolution in exchange for a buffer zone to protect the Soviet Union. It took another 35 years before the US could restore capitalism to the Soviet Union and China and complete its historic counter-revolutionary mission. But instead of giving US imperialism a new lease on life, China and Russia have turned the tables and emerged as the main potential rivals to US hegemony. This has created huge confusion on the left where the majority of reformists see China as part of a progressive bloc with the Bolivarian states that are able to put pressure on US imperialism and drive it to the left. This creates illusions in populist national bourgeoisies and ‘democratic’ imperialism being able to overcome the crisis of capitalism without making the workers pay the price. In the face of this confusion, the new reality of the emergence of China needs to be explained on the basis of the method and theory of Marx, Lenin and Trotsky.

China as an Emerging Global Power

Since a difference in the FLTI has arisen over the question of China, let us deal with this country first. How do we explain the dynamic capitalist growth of China facing what is the systemic stagnation in the forces of production globally? Is there something specific to capitalist development in China that allows it to become the main driver of capitalist boom while the rest of the world is in a slump? During the crisis there has been a continued rapid Chinese economic expansion. Moreover this expansion has been at a time when most of the rest of the world was/is in recession.

- 1) FDI into China has fallen by over 17% for the first eight months of 2009
<http://timesofindia.indiatimes.com/news/world/china/Foreign-direct-investment-falls-for-11th-month-in-China-/articleshow/5012342.cms> due to the financial crisis in the US, Japan and the EU.
- 2) Therefore inward FDI cannot account for China’s growing share of global capital accumulation. Moreover the ‘decoupling’ of China shows that China is not dependent

on trade with the US, nor on Treasury bonds.
<http://www.rieti.go.jp/en/china/08102901.html>

- 3) The share of exports in China's GDP is much smaller than many on the 'left' assume at less than 10% and only accounting for around a 25% of China's GDP growth.
<http://www.permanentrevolution.net/entry/2357>.
- 4) If an average of 60% of exports across sectors are produced by foreign owned companies this represents a relatively small part of China's GDP and less than 20% of its growth.
<http://aede.osu.edu/Programs/Anderson/trade/60AkwoseGu.pdf>. Clearly incoming FDI does not account for more than a small share of China's rapid growth in recent years, and the fall-off in incoming FDI and trade in 2008 and 2009 coincides with a doubling of China's overseas FDI in the same period! <http://news.bbc.co.uk/2/hi/asia-pacific/8306052.stm>

The main sources of China's growth are not FDI but cheap Chinese labor and rising profits.

"Between 1978 and 2007 official mainland China GDP grew at an annual average of 9.7% – a world record. In the last five years China has grown at least 11% annually in real terms, as very high levels of capital investment and a rapidly growing urban population have spurred its tremendous growth... China's average saving and investment ratios from 1978 until 2007 were nearly 38% of GDP. In 2003 the ratios sky-rocketed, reaching an estimated 51% of GDP last year, while the share of income going to labour fell from 51% in 1991 to 38% in 2006, massively increasing profits." <http://www.permanentrevolution.net/entry/2357>

So why does China boom amidst a global slump?

"Over the past few months, China has capitalized on the financial turmoil that has paralyzed the world's "developed" economies by stocking up on cheap commodities, weeding out competition to its largest state-run companies, and acquiring even more foreign assets. Indeed, with China's economic growth projected at an enviable 8% for this year, that country's government has been able to spend less time promoting immediate growth and liquidity, and

more time preparing for the economic renaissance that almost certainly seems to be the Asian giant's destiny. By exposing Western free-market capitalism, undermining the United States economic clout, and eviscerating commodities prices, the financial crisis has offered China the perfect opportunity to advance its domestic agenda. That agenda begins with the recently unveiled \$586 billion stimulus plan – a plan primarily focused on infrastructure. China's financial institutions have little or no exposure to the toxic subprime assets that spawned this current global crisis. So instead of having to spend hundreds of billions of dollars to bail out its banks, China can choose to develop the stage on which it will display its future economic might. But before its plans for a massive infrastructure overhaul can be realized, China must first load up on the raw materials crucial to its execution.”
<http://www.moneymorning.com/2009/01/28/china-commodities/>

The continued growth of China (probably close to 10% in 2009) while the rest of the world, apart from India, is either stagnant or in recession, has been commented on widely on the academic left <http://www.japanfocus.org/-Mark-Selden/3105> and fake Trotskyist left <http://www.permanentrevolution.net/entry/2357>.

Those who think that China is state socialist, or mixed capitalist/socialist, put it down to its ability to avoid the worst effects of capitalist crisis. These fall into two camps. First, part of the imperialist bourgeoisie thinks that China is a totalitarian communist country which plays by “different rules” in relation to capitalism and hence is bent on the “Long March to the Oilfield” to challenge and destroy the US as the bastion of free market capitalism. http://business.timesonline.co.uk/tol/business/industry_sectors/natural_resources/article6859993.ece Yet it is clear that a growing and a dominating part of the imperialist bourgeoisie know and recognize the real reality: That China is a rising imperialist power that challenges Western imperialism.

The second camp is the Bolivarian Bourgeoisie behind Chavez who see China as a major ally of “21st century Socialism”, whose expansion is ‘progressive’ in funding the ‘development’ of globalization from below as in Latin America. Chavez openly states that China and Venezuela are “marching together to socialism”.

<http://www.earthtimes.org/articles/show/288249,we-are-marching-towards-socialism-chavez-tells-china.html>

On the extreme left of the Bolivarians are the former Trotskyists like the Spartacist current (e.g. IBT) who act as a left cover for the Stalinists by arguing that China remains a DWS despite large steps towards capitalist restoration. For them the expansion of China today is explained as a progressive aspect of the continuation of workers property. China's expansion is part of the growth of the forces of production in a workers state. It is necessary for a political revolution to prevent China from completing the restoration of capitalism.

Other former Trotskyists like the *Australian Green Left* argue that China is a capitalist semi-colony that wants to maintain its independence from imperialism:

"It is clear that China is now a capitalist country. Yet the imperialists are not totally satisfied. State-owned enterprises remain dominant in certain strategic industrial sectors and in the banking sector. The failure of China to fully apply the neoliberal model meant it could use the state-owned banks to quickly implement stimulus measures after the 2008 global financial crisis. The imperialists want complete privatization and full access to all areas of the economy. This contributes to the tension between the rulers of China and the US. It helps explain the hypocritical rhetoric from Western politicians and media about the need for "democracy" in China. The Chinese regime wants to maintain a certain degree of independence from imperialism. In the past, it has collaborated with imperialism to attack Third World revolutions, even invading Vietnam in 1979. However, at the moment it has good relations with revolutionary governments in Cuba and Venezuela." <http://www.greenleft.org.au/2009/811/41704>

Other left liberals say that it is China's powerful central state owned banks and SOEs that have been able to compensate for falling exports by pumping up the domestic economy. Thus China has been able to implement a full-blown Keynesian counter-cyclical policy to protect itself from the global recession while the Obama version of Keynesian stimulus is a Trillion-dollar-plus bailout of the banks and MNCs that further fuels speculation rather than

investment in production, and furthers military expenditure. The spending on health reform is held up by a right-wing racist backlash to social spending. The reformist left is envious and argues that the US and EU should nationalize their banks and follow China's example.

<http://www.globalresearch.ca/index.php?context=va&aid=14819>

What these positions all point to is the vast capital reserves of China. <http://www.rieti.go.jp/en/china/081226-2.html> We argue they are ultimately the result of China's history as a "post-capitalist" state that allows it to protect itself from exposure to the full forces of the causes of crisis in the global capitalist economy. We can see that the common position here that it is centralized state regulation by the CCP that enables China's expansion. In the language of Trotskyists, the aspect of China as a DWS that is isolated as the cause of growth is the role of the bureaucracy, not that of workers property.

For revolutionary Trotskyists the bureaucracy is a parasitic caste that cannot develop the forces of production in China. As Trotsky argued the bureaucracy destroys the planned economy because it creates shortages and represses workers resistance to bureaucratic management. The bureaucratic plan must therefore lead to stagnation of the forces of production and thus the basis for the bureaucracy's privileges. Therefore, the bureaucracy is forced to restore capitalism and transform itself into a new bourgeoisie or cease to exist as a privileged caste. So China's phenomenal growth in the last 20 years cannot be the result of state planning under a parasitic caste, but rather rapid capitalist accumulation in the interests of a new national bourgeoisie.

Is China Doomed to be a Big Semi-colony?

Among the Trotskyists who agree that China has restored capitalism many think that China's expansion via its domestic market and exports serve the interests of imperialist firms producing for export in China. The *Australian Green Left* puts it this way:

“China has increasingly become the imperialist West’s main workshop for the production of cheap consumer goods, draining China’s energy, water, other natural resources, and polluting its environment. Chinese-owned companies’ investments in Africa are largely driven by a basic agenda of seeking fuel and minerals inputs for the production in China of manufactures by Chinese firms working as subcontractors for big Western corporations, with the bulk of the profits going to the latter. In 2002, exports by Chinese subsidiaries of First World corporations accounted for 25.8% of China’s exports — up from 20.3% in 1997, according to the World Investment Report 2006. According to the WIR 2006, the value added in China by the subsidiaries of First World corporations amounted to US\$103.6 billion, and their pre-tax profits from such operations totaled \$22.7 billion. According to the November 29, 2004, China Business Weekly, the US-based Wal-Mart Corporation, the world’s biggest retailer, bought \$15 billion worth of products from China, mostly through a network of 5000 China-based firms. Today, Wal-Mart alone accounts for one-third of the \$60 billion in manufactures exported from China. No matter how big a share of the world’s low-technology processing and assembly work China takes on, the imperialist corporations will retain their monopoly of superior technology in the decisive industries. And while Chinese companies are becoming significant investors in some African countries, most of the continent’s industries are dominated by foreign direct investment (FDI) from US and European corporations. As the February 10 New York Times noted, “China is not yet an overwhelming presence in Africa. The juggernaut image aside, China imports less African oil, invests less money and spends less on aid than does the United States or Europe.” According to the most recent UN figures, total FDI holdings in Africa in 2005 were worth \$96 billion, of which European firms accounted for 61%, US firms 20%, Asian firms 8% and South African firms 2%. Of the \$29 billion of FDI that went into Africa in 2005, only \$1.2 billion (4.1%) came from China. From: International News, Green Left Weekly issue #701 7 March 2007. <http://www.greenleft.org.au/2007/701/36384>

While this is partly true (based on 2006 data that is already outdated) it cannot account for the fact that China does not fit the profile of a semi-colony. Semi-colonies have: 1) chronic trade

deficits, 2) capital deficits, 3) huge national debts, and 4) relatively low growth rates as surplus value is pumped out of the economy by imperialism. Compared with Mexico which has all of these features, China is very different. Despite the pumping out of surplus value from China by imperialist FDI, this is a relatively small part of the surplus value produced in China. China's rapid growth has created a massive trade surplus, capital surplus and annual GDP growth in excess of 10%. The argument that China's \$800 billion in US Treasury Bonds exposes it to US domination is ludicrous. Japan is second to China with \$725 billion in T-bonds. It is subject to the same threat of dollar devaluation. Japan may be dominated by the US but does that make Japan a semi-colony? A rapid devaluation of the dollar would hurt China but that is unlikely, and in the long run China as creditor will be the winner according to prominent bourgeois commentator Nouriel Roubini:

“China is a creditor country with large current account surpluses, a small budget deficit, much lower public debt as a share of G.D.P. than the United States, and solid growth. And it is already taking steps toward challenging the supremacy of the dollar. Beijing has called for a new international reserve currency in the form of the International Monetary Fund's special drawing rights (a basket of dollars, euros, pounds and yen). China will soon want to see its own currency included in the basket, as well as the renminbi used as a means of payment in bilateral trade...If China and other countries were to diversify their reserve holdings away from the dollar — and they eventually will — the United States would suffer. We have reaped significant financial benefits from having the dollar as the reserve currency. In particular, the strong market for the dollar allows Americans to borrow at better rates. We have thus been able to finance larger deficits for longer, and at lower interest rates, since foreign demand has kept Treasury yields low. We have been able to issue debt in our own currency rather than a foreign one, thus shifting the losses of a fall in the value of the dollar to our creditors. Having commodities priced in dollars has also meant that a fall in the dollar's value doesn't lead to a rise in the price of imports...This decline of the dollar might take more than a decade, but it could happen even sooner if we do not get our financial house in order. The United States must rein in spending and borrowing, and pursue growth that is not based on asset and credit bubbles. For the last two decades America has been spending more than its

income, increasing its foreign liabilities and amassing debts that have become unsustainable. A system where the dollar was the major global currency allowed us to prolong reckless borrowing.
<http://www.nytimes.com/2009/05/14/opinion/14Roubini.html>

The decline of the Dollar in fact reflects the decline of US imperialism. The bankers and the oil barons in the Middle East do not trade exclusively with petro-dollars anymore. Petro-dollars are indeed no longer the god for oil buying and selling, and US competitors are in a “united front” against the petrodollars for now:

“In the most profound [financial](#) change in recent Middle East history, Gulf Arabs are planning – along with China, Russia, Japan and France – to end dollar dealings for oil, moving instead to a basket of currencies including the Japanese yen and Chinese yuan, the euro, gold and a new, unified currency planned for nations in the Gulf Co-operation Council, including Saudi Arabia, Abu Dhabi, Kuwait and Qatar. Secret meetings have already been held by [finance](#) ministers and central bank governors in Russia, China, Japan and Brazil to work on the scheme, which will mean that oil will no longer be priced in dollars.”
<http://www.independent.co.uak/news/business/news/the-demise-of-the-dollar-1798175.html>

As noted already, despite falling FDI during the current crisis, despite the devaluation of China’s massive dollar reserves, China’s expansion continues. China is not only boosting its growth by the half-trillion stimulus to domestic spending. In the middle of the world recession it has made a “great leap forward” in foreign investment; i.e. capital export, the critical characteristic of imperialism. What this means is that China has not only sufficient accumulated surpluses to spend on domestic infrastructure, social spending on the unemployed etc., it has accumulated surpluses in the profits of the massive SOEs and in its Sovereign Capital Fund that enable it to rapidly expand its foreign investment, either as outward FDI in foreign companies, such as Joint Ventures like that with Venezuela for oil production, and loans for oil in a number of countries. As we shall see below this is Chinese finance capital, not

the FDI of other imperialist countries using China as a proxy in capital re-export.

“In 2002, China’s outbound investment was just \$2.5 billion. By 2007, the figure had reached \$18.6 billion, which more than doubled in 2008 to \$52.2 billion. Standard Chartered estimates that the tally this February alone was \$65 billion. The bank predicted that Chinese outward FDI in 2009 would hit \$150-\$180 billion—compared to inward FDI of \$80-100 billion. According to the UN World Investment Report 2008, only the US, UK, Germany, France and Spain invested more than \$100 billion abroad in 2007. In 2008, China’s cumulative overseas FDI was just 0.6 percent of the world’s total, but it could rise rapidly. China has the world’s highest rate of savings (about 50 percent of GDP, compared to around 25 percent of Japan), large current account surpluses (more than 10 percent of GDP in 2008, compared to Japan’s record high of 4.3 percent in 1983) and the world’s largest currency reserves of \$US1.95 trillion.”

<http://www.wsws.org/articles/2009/may2009/chin-m19.shtml>

In other words China has turned the crisis of US and EU finance capital and the global recession into an opportunity to export its own finance capital and to establish imperialist spheres of influence. As a result, China is now entering directly into competition with the existing imperialist powers as an emerging imperialist rival, in particular posing a major challenge to the US, the UK, Germany and France and Japan. What accounts for this amazing performance when the rest of the imperialist states are in recession or stagnating?

The answer can be found by going back to the salient point that the secret of China’s “success” rests in its highly centralized state banks and SOEs which can act to take advantage of the global recession. And while we argue that China is no longer a DWS we say its ‘advantage’ is a legacy of its history as a deformed workers’ state (DWS). In other words if China had not been a DWS it could never have become a dynamic capitalist country. It would have been fated to be divided and ruled by imperialism from the early 20th century to the early 21st century. Like all other semi-colonies,

China would never have been in the position to accumulate sufficient capital to force its ruling class to export surplus finance capital and emerge as a new imperialist power.

This would be what Trotskyists would expect on the basis of Lenin's theory of imperialism which in the epoch of imperialism – capitalism's highest stage – spoke of imperialist powers competing to re-divide the world. New imperialist powers could only arise on the basis of expanding into parts of the world as yet not dominated by other imperialist powers. Once the world was divided, imperialists could only advance by re-dividing it at the expense of other imperialist powers. Japan did this at the expense of other imperialist powers, mainly Britain and France. And Japan was made to pay the price for its expansion and defeated in war and subordinated to the US. So while imperialist powers may win or lose in imperialist wars, there is general agreement that there is no possibility of colonies and semi-colonies oppressed by one or other imperialist power transforming themselves by means of national revolutions into imperialist powers. Therefore, if one ignores the special characteristics of the former DWS's one could easily conclude that in the epoch of imperialism there is no room for new imperialist powers to emerge. Two World Wars were proof of the correctness of this theory.

To characterize China today as imperialist appears to contradict the logic of Lenin's theory of imperialism which states that no colony or semi-colony can make a national democratic revolution and emerge as a new imperialist power. However, if it can be proven that China did make its national revolution and win independence as a DWS and that the restoration of capitalism did not cause it to lose that independence then there is no contradiction with Lenin's theory. We would find that the essence of his theory explains the apparent anomaly that a former workers state can do what is otherwise impossible – become a new imperialist power.

The Law of Value (What the Spartacist Currents Ignore)

What distinguishes the DWSs from capitalist colonies or semi-colonies is its relative isolation and independence from the global capitalist market. Thus the DWSs have been “partitioned” by revolutions that overthrew capitalist social relations putting them outside the imperialist spheres of influence. Of course their isolation means they don’t escape capitalist imperialism entirely. It oppresses them indirectly by stopping them from developing the forces of production by means of new technology. But by definition DWSs are isolated from the direct effects of the law of value. The prices of production of state produced goods and services are not determined by the value of labor power as is the case in the capitalist market. Prices are determined by a plan.

Whether or not that plan is under the control of workers democracy or a bureaucratic caste makes a big difference. In the former case prices are used to signal the amount of necessary labor that workers democratically decide should be used to produce goods and services to meet their needs. In the latter case labor is allocated to produce goods and services that favor the luxury consumption of the bureaucracy and not that of the needs of workers. The forces of production stagnate and are relative to a democratic plan destroyed (wasted). But in both cases the planned economy develops the forces of production to a greater degree than is possible in a semi-colony where production is controlled by a division of labor imposed by imperialism. Such a planned economy requires a centralized production process and a centralized state. Hence the origins of the strong central state and state owned enterprises (SEOs) in the DWSs.

China’s revolution in 1949 was a national revolution led by Stalinist army of peasants in isolation from the working class that was forced to go on to become a (deformed) socialist revolution because the weak national bourgeoisie was aligned with imperialism and incapable of completing the national task. But from the outset, the ordinary peasants and workers never had control of the revolution, leading to the form of workers state that emerged being ‘deformed’ or bureaucratized from its birth. The

planned economy under the control of the party bureaucracy developed the forces of production beyond that of any semi-colony but never to the point that they could match that of capitalist imperialism. Added to the bureaucratic plan, the isolation of the economy from the world market prevented it from acquiring new technology to increase the productivity of labor other than by increasing its intensity.

The resulting stagnation meant that the privileges of the bureaucracy who lived a parasitic existence on the labor of the workers were threatened. This led the Communist Party to reintroduce private property rights (a sort of NEP) in agriculture to stimulate production and hence its share of the surplus product. Thus the Law of Value (LOV) was planted in the countryside. The LOV spread to industry and commerce and caused a full blown restoration of capitalism around 1992. As Trotsky had already predicted, the form of capitalism that is restored in a DWS will likely be a *state capitalism* that uses the existing state machinery and SOEs to reproduce the production of surplus value and profit. It does this by allowing the LOV (the market) to determine prices as opposed to the planning process. China's accession to the WTO in 2001 marked its full entry into the world capitalist economy.

To recap: China as a DWS 'partitioned' itself from the capitalist economy and developed the forces of production internally beyond that possible in a semi-colony oppressed by imperialism. Yet its isolation led to economic stagnation and the Communist Party planned the restoration of capitalism to stimulate growth and the transformation of the parasitic bureaucracy dependent on their control of the plan into a new national bourgeoisie in a restored capitalist economy. Thus, on this argument, capitalism that is restored in a former workers state has special characteristics which are critical in allowing it to escape the fate of a capitalist semi-colony and to emerge as a new imperialist power.

China's legacy was therefore a strong centralized state and massive SOEs under the control of a strong and relatively united new national bourgeoisie. China's re-entry into the capitalist world economy was managed in stages so that the new bourgeoisie

retained its independence from all imperialist powers. As the imperialists sought to use China as a semi-colony to re-locate their maquiladoras using cheap Chinese labor, the Chinese ruling class retained control of the key state sectors of the economy and restricted the freedom of entry of FDI, and in particular of the big imperialist banks. Incoming FDI was encouraged as a means of driving the development of Chinese capitalism without the national bourgeoisie losing control over the ownership and control of the means of production. The success of China in this transition is now viewed enviously by the Russian leadership which opened up its economy to imperialism and now wants to recover control over the economy by learning the lessons of China's strong centralized state transition.

“In truth, the Russians express no desire to return to Communism as a far-reaching Marxist-Leninist ideology, whether the Soviet version or the much attenuated one in Beijing. What they admire, it seems, is the Chinese ability to use a one-party system to keep tight control over the country while still driving significant economic growth. It is a historical turnabout that resonates, given that the Chinese Communists were inspired by the Soviets, before the two sides had a lengthy rift. For the Russians, what matters is the countries' divergent paths in recent decades. They are acutely aware that even as Russia has endured many dark days in its transition to a market economy, China appears to have carried out a fairly similar shift more artfully. The Russians also seem almost ashamed that their economy is highly dependent on oil, gas and other natural resources, as if Russia were a third world nation, while China excels at manufacturing products sought by the world.”

<http://www.nytimes.com/2009/10/18/world/europe/18russia.html?h=&emc=th&pagewanted=all>

In other words, US and other imperialist powers could not 'repartition' or 'redivide' a restored capitalist China as their own spheres of interest. The new Chinese bourgeoisie retained control of the national economy and could use the centralized state to monopolize the process of capital accumulation on the same basis as the existing imperialist powers. That is, it operated on the basis

of the law of value which sets prices in terms of labor power, but in reality it is extracting super-profits and monopoly rent on its own account – the defining feature of imperialism. Let us expand on this point.

Super Profits and Monopoly Rent

For Lenin, imperialism is characterized by monopoly which in the last analysis extracts super-profits in the form of monopoly rent. Marx defined monopoly rent as the difference between the price of production and market price where the latter is determined by a few firms that act as a cartel, or trust i.e. a monopoly. This concept simplifies our understanding of super-profits arising from so-called cheap labor as well as the plundering of raw materials and energy sources. The price of production consists of labor costs, raw materials etc., plus average profits where competition allows a redistribution of surplus-value. That is, in the epoch of competitive capitalism, the price of production reflects competition where average profits result from a process of the *equalization of profits* from the least efficient producers to the more efficient, given that there is sufficient demand.

Imperialist monopoly ends competition at the level of the market as a few firms control the prices by preventing the ability of more efficient firms to undercut their price. Prices of production now include not the average profit resulting from equalization but a monopoly price. The ‘equalizing’ of profits is done by “fixing” the price in advance of production and not by the market after production. This is why Lenin observed that the imperialist epoch is dominated by monopolies where a few large firms – cartels, trusts, monopolies – set the world prices in various sectors of production such as oil, steel, railways etc.

A short sidetracking is necessary here to distinguish between imperialist monopoly and the so-called monopoly of state planning in the DWSs. While the central state apparatus may in fact be formally the same, as the Communist Party is like a giant monopoly firm planning, or fixing, prices, the law of value separates out these two forms in their essence. Ideally socialist monopoly (i.e. in a

workers' democratic plan) sets prices without any reference to the law of value. Prices are just a means of allocating labor to different branches of production to meet collectively determined needs. Capitalist monopoly however, determines super-profits by calculating monopoly rent as value in excess of the 'real' market price of production set by the law of value. By 'real' I mean that monopoly looks for the lowest labor and raw material costs (this is the point of investing FDI in colonies and semi-colonies) so that the excess of monopoly price of production over the real price of production (assuming competition) is as great as possible. Nevertheless, when it comes to the changing class character of the central state, it is a relatively simple matter to switch the state monopoly over the allocation of workers labor in a Deformed Workers State like China to the monopoly of value produced in a capitalist economy.

If the above argument is correct, China has been able to use its legacy as a DWS to convert its centralized state apparatus into a monopoly capitalist state to escape the trap of semi-colonial partition, oppression and super-exploitation by the existing imperialist powers. It has done this by monopolising land which remains nationalised, and by heavily regulating FDI in terms of both relative and absolute share of value produced in China. Thus the Joint Equity Ventures law of 2001 (No. 48) states the basic criteria on which FDI enters China. FDI operates under 'business licenses' under Chinese law and can be "nationalised with payment of compensation". *Generally the FDI share in JVs is limited to less than 25%. However the Foreign Investors law of 2000 allows 100% FDI in companies that meet the criteria of "economic cooperation", "technological exchange" and "export orientation".*

The state retains a monopoly control over the key sectors of industry, energy, and banking via its State Owned Enterprises and State Banks. Typically the SEOs do not pass on their profits to the state but accumulate them for further reinvestment. Does FDI share in this bounty? The share of incoming FDI in SOEs is limited to around 20%. The fact that FDI does not control the SOEs is confirmed by attempts to block them from being taken over by established US and other monopoly firms. For example, the third

ranking oil and gas SOE and biggest offshore operator, CNOOC had its bid to buy the US oil major Unocal in 2005 rejected as US politicians feared the loss of a US oil major Unocal (which has the key role in the planned pipeline across Afghanistan) to a 100% China state owned SEO.

http://www.redorbit.com/news/general/194745/cnooc_withdraws_185b_offer_for_unocal/index.html

Interestingly, one conservative US commentator pointed to the hypocrisy of this rejection. Any state monopoly support gained by CNOOC in the process of this acquisition would be matched by state subsidies to big US oil corporations, including Chevron, which was the preferred buyer of Unocal at a lower price. It seems that the Chinese SOEs do not “play by different rules” but by the same rules of state monopoly imperialism!

<http://www.scribd.com/doc/14495018/The-Downward-Flow-a-Business-Perspective-of-the-Failed-CNOOC-Unocal-Deal>

The big international banks do not own China.

<http://www.globalresearch.ca/index.php?context=va&aid=14819>

The biggest ‘Western’ stake is the Bank of America’s 20% shareholding in the China Construction Bank. But of course this cannot be a controlling shareholding in a predominantly state-owned bank: “CCB, with total assets of approximately \$1.1 trillion, is the second largest bank in China.² The government of China owns approximately 57.0 percent of CCB's shares.³ Bank of America Corporation⁴ and Temasek Holdings, a sovereign wealth fund owned by the government of Singapore, own 19.1 and 5.7 percent, respectively, of the shares of CCB. No other shareholder owns more than 5 percent of CCB's shares.⁵”

<http://www.federalreserve.gov/pubs/bulletin/2009/legal/q408/order12.htm>

China accumulates its capital on its own account and has a massive Sovereign Wealth Fund that has no need for large borrowings from international banks. It has a 10% share of Morgan Stanley and looks to buy up to 49%. <http://business.globaltimes.cn/china-markets/2009-06/434144.html> It has shares in other banks and equity funds such as a 10% stake in Blackstone private equity fund.

As noted China is a large US creditor with around US\$800 billion in Treasury bonds and other securities which creates a potentially large sovereign fund for FDI.

Is China just a giant maquiladora for foreign imperialists? No. China was never just a maquiladora.

1) We have seen that exports only account for around 25% of China's GDP growth.

2) Nearly half of FDI in China originates in Hong Kong and much of it is 'round-tripping' Chinese capital taking advantage of tax breaks for exporters. [The proportion is unknown, but foreign companies do not gain any advantage by hiding their FDI as originating in Hong Kong e.g. the next largest source of FDI is Taiwan. The recent lifting of tax breaks may see Chinese capital round-tripping through Hong Kong cease].

3) While US, EU and Japanese imperialism benefits from FDI and cheap Chinese imports, its profitability comes from tax breaks, and cheap labor, rather than any advantages from buying Chinese inputs.

4) Chinese manufacturers do not sell inputs cheaply to foreign exporters. A recent analysis showed that China's return from FDI in copper mining in the Democratic Republic of Congo was higher than that of the giant US mining firm Freeport.
<http://heartofdiamonds.blogspot.com/2009/05/china-gains-congo-loses-in-mine-deal.html>

5) The super-profits of the FDI manufacturing export sector in China are therefore dependent on cheap labor and tax breaks that do not represent a major drain on the super-profits of Chinese state monopoly capitalism.

If it were not the case then how do we explain the rapid capital accumulation in China? This drain on China's potential super-

profits may be greater with FDI in Joint Ventures (JV) where foreign investors have an equal share and produce *for the China market*. For example General Motors has as 50/50 partnership with the SOE Shanghai Automotive Industry Corporation. But this profit sharing is a tradeoff for long-run benefits flowing from “spillovers” in new technology that result from JVs in the domestic market. Ironically, the GM parent company is currently 61% owned by the US Treasury, 17% by the UAW union, and 11% by the Canadian state following a Chapter 11 bankruptcy! Thus the strong growth of GM expected in China in 2009 will help rescue GM in the USA but it will also boost the share of profits by the SOE partner SAIC.

<http://online.wsj.com/article/SB10001424052748704107204574472474011172820.html>

So while this type of JV may increase the share of FDI profits by producing for the domestic market, it is still a relatively small share of total FDI and does not prove that China is a semi-colony. On the contrary, GM and SAIC have set up a JV to produce autos in India.

<http://online.wsj.com/article/SB10001424052748704112904574476831222511364.html>

Two Opposed Imperialist Blocs

The ability of China to ride out this depression by using their overproduced capital in the form of state sovereign funds and SOE surpluses to invest in expansion of FDI into energy, cash swaps for oil etc in Asia, Africa and Latin America, proves that they are in a strong position to compete successfully in displacing bankrupted imperialist powers whose finance sectors have had to be bailed out by massive state debt creation. This means that the greatest points of conflict as the imperialists jockey for position during this crisis will be between the US imperialist bloc and the new bloc based on the emerging Chinese imperialism.

<http://www.globalresearch.ca/index.php?context=va&aid=15732>

The rise of China (backed by Russia) is not only a problem for the US, it is also a big problem for the other imperialist powers, in particular Britain, France, Germany, Japan, Spain and Australia because these are more or less subordinated to the US and are the

ones most likely to lose out in the rise of China and Russia. But the old rivalry between Europe and the US has not vanished. It is not clear what France and Germany will do as the tension between the US and China rises. France has a temporary pact with the US in regard to Iran, while it is making deals with China in Venezuela.

Germany is a wild card. It appears to be in the US camp, while it is making deals with Russia behind the US's back. Germany just made a deal with Russia for the pipeline that will go directly from Russia to Germany. It is the [The new Nord Stream pipeline](#) that will be traveling more than 750 miles underwater, from Vyborg, Russia, to Greifswald, [Germany](#), bypassing the former Soviet and satellite states, thus it will give Russia a separate supply line to the West, in particular to Germany. According to *The New York Times*,

“Currently, Russian gas has to be piped through Eastern Europe to reach Western Europe. If Russia shuts off the gas to pressure a neighbor in the east, it is felt in the more powerful, wealthier countries to the west, where it touches off loud protests.

“[The new Nord Stream pipeline](#) will change that equation. By traveling more than 750 miles underwater, from Vyborg, Russia, to Greifswald, [Germany](#), bypassing the former Soviet and satellite states, it will give Russia a separate supply line to the west.

“As a result, many security experts and Eastern European officials say, Russia will be more likely to play pipeline politics with its neighbors.”

http://www.nytimes.com/2009/10/13/world/europe/13pipes.html?_r=1

So gas will flow to Germany, without going through the Eastern European countries i.e. Ukraine etc. Germany will have a special deal with Russia in regard to the supply of gas, while Russia can use the old pipeline to control its backyard (cut off supply to Eastern Europe if necessary while Germany can still get it). Even though now most European imperialists line up behind the US, that can change and to some degree it is already changing. Germany always had close relations with Russia, and as the tension between all imperialist countries increase there is no reason why Germany will not join the China-Russia bloc. As overproduction becomes

more and more acute, it will difficult to predict which side French imperialism will take. At the moment it defends its interests in Iran by lining up behind the US, but at the same time China's CNPC is part of a JV with Total (France) in Venezuela. Ultimately it is not our business to predict exactly how the different imperialist blocs will line up against each other in the future.

While the US has rejected Chinese SOE bids for US firms, [e.g. Unocol] China has increased investment in Australia [e.g. Rio Tinto and BHP] where Chinese ownership could see Australian imperialism become subordinated to China rather than the US. Japan, currently the No. 2 imperialist economy by GDP, is being overtaken by China.

“For years, [Japan](#) has been readying itself for the day that it is eclipsed economically by [China](#). But as a result of the global slowdown, Japan's difficulty in managing its economy and China's rise — on vivid display Thursday as Beijing celebrated the 60th anniversary of the founding of the People's Republic — that day may come sooner than anyone predicted.

Though recent wild currency swings could delay the reckoning, many economists expect Japan to cede its rank as the world's second-largest economy sometime next year, as much as five years earlier than previously forecast.

At stake are more than regional bragging rights: the reversal of fortune will bring an end to a global economic order that has prevailed for 40 years, with ramifications across arenas from trade and diplomacy to, potentially, military power. China's rise could accelerate Japan's economic decline as it captures Japanese export markets, and as Japan's crushing national debt increases and its aging population grows less and less productive — producing a downward spiral.”

<http://www.nytimes.com/2009/10/02/business/economy/02yen.html?th&emc=th>

This means that the crisis is one that will see some imperialist powers decline and others fight for their survival, so the stakes are high and the consequences for the exploited masses are huge. Each imperialist power in attempting to force its rivals into submission also drives down the wages and conditions of its own proletariat

and enlists them as cannon fodder in their military adventures. It is the weakest imperialists that have to pass on the highest costs to their own workers or risk extinction. Thus Britain, Spain, Denmark and Australia (along with numerous other semi-colonial and client states) offered troops to the US invasion and occupation of Iraq in the hope that the US could protect their imperialist status. Japan has had so-called 'non-combatant' troops in Iraq and has provided logistic support for the war in Afghanistan. France and Germany refused to participate in the Iraqi war. Germany has also been reluctant to put frontline troops in Afghanistan, while France has only just rejoined NATO as a full member after 30 years even though it has had around 2000 combat troops in Afghanistan since 2000.

http://www.rpfrance-otan.org/article.php3?id_article=447

However, there is no guarantee that these US rivals will gain any advantage or that the US junior imperialist partners will survive by selling the lives of their soldiers. It was no accident that another minor imperialist power subordinate to the US, Greece, facing bankruptcy, tried to impose a massive austerity program on its workers at the end of 2008 and was then faced with an uprising. It is French imperialism, now weakened and in a temporary alliance with the US, that has lagged behind in its market reforms which means that to restore its competitiveness it has to attack the past gains of its workers and finds itself facing strikes and occupations at home, and semi-insurrections in the Antilles. Despite a polite non-aggression pact, which saw France observe the US sanctions on Iran, the rivalry between France and the US goes on in proxy fronts as we saw in Madagascar, a former French colony, that came under the influence of South Korea, a proxy of Japan and the US, but was met with an insurrection in which the workers, farmers and ranks of the military united. Similarly the rivalry between the US and Russia over control of the oil rich Caucasus sparked a war over South Ossetia and Abkhazia at the expense of the people on both sides used as cannon fodder in this war. In Latin America, France's Total is now in JV with Chinese SOEs to develop Orinoco oil in Venezuela, thus the temporary pack between the US and France can fall apart.

But, while every lesser imperialist power is now fighting to retain its share of the world market, the US has the most to lose from the rise of China backed by Russia. This is what explains Obama's military aggression towards Afghanistan, his bombing of Pakistan, his backing of Africom in Ghana, his keeping the pressure on Iran, his complicity in the US backed coup in Honduras (Cuba is of course a big factor here), etc. All of these are instances of the US using its vast military superiority to stake out territory so that it can command spheres of influence that are vital for future supplies of raw materials – in particular oil, gas and minerals. The US finds that it is not its historic rivals, now reduced to secondary powers that are its chief rivals, but China backed by Russia. Instead of breaking up the old Soviet Union and Republic of China, these states remain relatively intact under strong military state capitalist regimes. They retain control over their former territories as DWSs that comprise most of Central Asia (or Eurasia), which is rapidly becoming the biggest battleground between the two imperialist blocs.

<http://www.globalresearch.ca/index.php?context=va&aid=15686>

The Battle for Central Asia

Thus the Middle East is the US launching platform for Central Asia and the struggle to take over the huge sphere of influence of Russia and China over the former Soviet republics of the USSR and the Autonomous regions of China: Xinjian Uygur, Ningxia Huia, and Gansu and Shaanxi Provinces. And it is over control of these vital raw materials that we can expect new imperialist wars, in particular proxy wars, is in the making. This is because China and Russia have been able to keep control over the former territories of the their respective DWSs.

<http://www.unctad.org/Templates/webflyer.asp?docid=11883&intItemID=2068&lang=1>

The key to the battle for Eurasia is its oil and gas. The Brazilian journalist Pepe Escobar has a series on “Pipelineistan” in the Asia Times. One article details the huge political investment of the US and its allies in the only pipeline out of Central Asia not controlled by China or Russia:

“History may judge it as one of the capital moves of the 21st

century's New Great Game: May 25, the day high-quality Caspian light crude started flowing through the Caucasus toward the Mediterranean in Turkey. The Baku-Tbilisi-Ceyhan pipeline (BTC) - conceived by the US as the ultimate Western escape route from dependence on oil from the Persian Gulf - is finally in business... This BTC state slices Azerbaijan in half from east to west, then slices Georgia in half almost from east to west, before taking a dip south, bypassing secessionist Ajaria and slicing Turkish Anatolia diagonally from the northeast toward the south. The founding stone is at British Petroleum's (BP's) gleaming terminal at Sangachal, half an hour along the Caspian south of Baku. The state is 44 meters wide, snaking 1,767 kilometers across three countries, two of those (Azerbaijan and Georgia) extremely volatile, and the other (Turkey) faces potential trouble from dispossessed Kurds. To understand the scope and ambition of BTC, one must visit Villa Petrolea, the Baku headquarters of BP. The BTC's major shareholders are BP (30.1%) and the Azerbaijani state oil company SOCAR (25%), followed by Unocal (US, 8.9%), Statoil (Norway, 8.71%), Turkish Petroleum (6.53%), ENI (Italy, 5%), TotalFinaElf (France, 5%), Itochu (Japan, 3.4%), ConocoPhillips (US, 2.5%), Inpex (Japan, 2.5%) and Delta Hess (a joint venture of Saudi Delta Oil with American Amerada, 2.36%). BP has invested at least \$15 billion in the country (exploration, exploitation, pipeline construction)... Azerbaijan, Georgia and Turkey were all desperate to finish BTC on time. Turkey owes a fortune to the International Monetary Fund. Georgia survives thanks largely to American handouts. Azerbaijan at least set up a state oil fund to use oil revenues to the benefit of future generations...In terms of no-holds-barred power politics and oil geopolitics, BTC is the real deal - a key component in the US's overall strategy of wresting the Caucasus and Central Asia away from Russia - and bypassing Iranian oil and gas routes. Kazakh President Nursultan Nazarbaev, for instance, has just announced that Kazakh crude will also flow through the BTC before 2010. He even proposed to add Aktau - the Kazakh Caspian oil Mecca - to a new acronym (ABTC?). It's interesting to remember that BP always denied that it needs Kazakh oil to fill its pipeline...Anyway, what really matters is positioning in the New Great Game. The Caucasus, the Caspian and Central Asia are up for grabs. European customers for Azeri (and Kazakh) oil and gas might rely on BTC for some of their supply. But the

Russian counterpunch will come: President Vladimir Putin will not cease to seduce the European Union with loads of Russian, Caspian oil - plus strong protection - in return for loads of European Union investment.

http://www.atimes.com/atimes/Central_Asia/GE26Ag01.html

[http://www.alternet.org/world/139983/pipeline-istan: everything you need to know about oil, gas, russia, china, iran, afghanistan and obama/](http://www.alternet.org/world/139983/pipeline-istan:_everything_you_need_to_know_about_oil_gas_russia_china_iran_afghanistan_and_obama/)

Today the most immediate war threat in the battle or Central Asia involves US/Israel and Iran/China/Russia in the Middle East and Iran. Behind the fiction that Iran is breaking an agreement over nuclear arms is the reality that Iran has one of the largest reserves of oil and gas in the world. More from Escobar's tales of "Pipelineistan":

"Every time I've visited Iran, energy analysts stress the total "interdependence of Asia and Persian Gulf geo-ecopolitics". What they mean is the ultimate importance to various great and regional powers of Asian integration via a sprawling mass of energy pipelines that will someday, somehow, link the Persian Gulf, Central Asia, South Asia, Russia and China. The major Iranian card in the Asian integration game is the gigantic South Pars natural gas field (which Iran shares with Qatar). It is estimated to hold at least 9% of the world's proven natural gas reserves. As much as Washington may live in perpetual denial, Russia and Iran together control roughly 20% of the world's oil reserves and nearly 50% of its gas reserves. Think about that for a moment. It's little wonder that, for the leadership of both countries as well as China's, the idea of Asian integration, of the Grid, is sacrosanct.

http://www.atimes.com/atimes/Central_Asia/KE14Ag01.html

What is more Iran is hostile to the US world domination and its Middle East Gendarme Israel, and is increasingly aligned economically and politically to China and Russia. Some of the reasons for this growing alliance are spelled out here:

<http://www.atimes.com/atimes/China/GF04Ad07.html> .

So if it is not Iran's main allies, China and Russia who are the main rivals of the US and EU imperialists competing for Iran's oil and gas, who is it? France and Japan have complied with US pressure to back off from actively pursuing its interests in Iran. France has a large FDI stake in Iran so it cannot afford to let its rivals steal a march. Nor can Japan afford to allow China to push it out of Iran's gas reserves. So both France and Japan are backing the US in its global battle to block China's rapid emergence so as to protect their respective stakes.

Who is left? Germany? Germany's main interest in Iran is to get an alternate supply of gas via Turkey in the Nabasco pipeline due for completion in 2015. On the other hand, Germany agreed to [The new Nord Stream pipeline](#) that will be traveling more than 750 miles underwater, from Vyborg, Russia, to Greifswald, [Germany](#). But even though Germany is an important client of Russian gas, Germany also competes with Russia. Russia has agreed to buy all gas not sold to EU, with India (pipeline planned across Baluchistan) with China (3rd largest customer) and Japan for Iranian gas supplies in the future. Germany's FDI in Iran is behind that of China. During 2001-2007 French companies were the leading investors in Iran at \$30.2 billion, followed by China at \$29.5 billion, Germany at \$26 billion, Italy at \$23.7 billion, and Japan at \$18.3 billion. But clearly Germany is one of many competitors who are losing out to the growing influence of China in Iran. Because of the sanctions China became Iran's number one trading partner in 2005 after four consecutive years as number two.

http://www.forexyard.com/en/reuters_inner.tpl?action=2009-09-30T133406Z_01_LU110188_RTRIDST_0_IRAN-CHINA-OIL-TIMELINE

Today China has become the major partner in developing Iran's gas production and distribution and is stepping up the scale of its FDI in Iran which totals around US\$120 billion.

<http://www.nytimes.com/2009/09/30/world/asia/30china.html?th&mc=th> One of the incentives for the Iranian capitalists to welcome China with open arms is the Chinese's promise to build oil refineries in Iran. This is a huge winning card in the competition between Europe and China over the control of oil in Iran. Western imperialism kept Iran under its thumb by preventing the

construction of oil refineries in Iran. China is willing to do it, which makes China irresistible to the Iranian capitalists. “In June, China National Petroleum signed a \$5 billion deal to develop the South Pars natural gas field in Iran. In July, Iran invited Chinese companies to join a \$42.8 billion project to build seven oil refineries and a 1,019-mile trans-Iran pipeline. And in August, almost as the Americans arrived in China, Tehran and Beijing struck another deal, this time for \$3 billion, that will pave the way for China to help Iran expand two more oil refineries.”

http://www.nytimes.com/2009/10/13/world/europe/13pipes.html?_r=1

We cannot understand the standoff over Iran’s nuclear weapons without recognizing the Chinese elephant in the room. Iran is surrounded by US client regimes in Iraq, Afghanistan, and Pakistan. Iran can only resist the US because it has the backing of Russia and China. Everybody knows this to be the modern version of the “great game” to take control of Eurasia away from China and Russia. China is the economic powerhouse, and Russia is the nuclear arsenal. Iran has agreed to send its enriched uranium to Russia to be turned into fuel hoping to dodge severe sanctions. China is not going to obey the US and pull out of Iran like France or Germany might. It works closely with Russia in trying to water down US sanctions in the Security Council.

<http://www.nytimes.com/2009/09/30/world/asia/30china.html?th&mc=th>

Like Russia, China is opposed to tougher sanctions.

<http://www.nytimes.com/2009/09/25/world/asia/25beijing.html>

Moreover, in Iraq, China with BP has won a big concession to extract oil in Rumaila. China now risks a rift with the US in the Middle East:

<http://nz.news.yahoo.com/a/-/world/6128534/china-u-s-risk-rifts-in-middle-east-former-chinese-envoy/>

The Battle for Africa

A second arena where competition for oil and minerals looms large is Africa. The major rivals are no longer Britain and France but the US and China. Britain and France still have huge investments in Africa and also stand to lose out to China. But the main losers will

be the minor imperialists like Portugal and Belgium whose spheres of interest are being taken over by China. Playing supporting roles are the Russians on the side of China, and Israel on the side of the US. A new scramble for Africa is well under way. Each rival attempts to use its economic and political influence to win over the national bourgeoisies as junior partners in their spheres of influence.

In Angola, China has replaced Portuguese imperialism which abandoned Angola in 1975 (China's biggest trading partner; Angola is the biggest oil supplier to China, as also to the US. This is a hot spot in Africa where US / China rivalry will surface first. Angola will replace Nigeria as main oil producer, China FDI in oil
http://www.nytimes.com/cfr/international/slot2_011806.html

This is reflected in a WSJ article which recounts the attempts led by Chevron etc to regain control over Angola's oil.
<http://online.wsj.com/article/SB124984624739017513.html>

It also explains the PR visit by Hilary Clinton. The IMF after years of neglect just loaned 1B to Angola. Thus the rivalry over China's biggest stake in Africa is heating up!
<http://ipsnews.net/news.asp?idnews=41125>

In Nigeria, China has big oil investments, rail investments, and most recently a deal to rival or displace the oil majors in a 49% JV with the Nigerian National Petroleum Corporation (NNPC) worth \$50bn. This is being resisted by oil majors
<http://allafrica.com/stories/200910070265.html> This is blowing up into the biggest confrontation between the Chinese SOEs and oil majors (the biggest stake is held by Shell, followed by Exxon-Mobil, Chevron, and last TotalfinaELF) in Africa and around the world. <http://blogs.ft.com/energy-source/2009/09/28/china%E2%80%99s-oil-talks-with-nigeria-the-unanswered-questions/>

In the Democratic Republic of Congo, (DRC) China has replaced Belgium, the former imperialist power. In 2007 it made a massive deal to build infrastructure for copper, cobalt and nickel (mining?)

in the infamous Katanga region. China has done a political deal with Kabila for this major joint venture. See especially the China DRC Coltan connection!

http://project2049.net/documents/china_and_congos_coltan_connection.pdf As for who wins from these deals, according to one energy analyst's blog, China wins.

<http://heartofdiamonds.blogspot.com/2009/05/china-gains-congo-loses-in-mine-deal.html>

In Ghana, China's CNOOC has done a deal the GNPC (the state oil company) for oil exploration to develop its oil potential. A long relationship, technical assistance, JVs dam and telecoms, fisheries are a distant second to Britain FDI (143m cf 4.3 b) but it has the most projects. Thus Britain has big FDI stock in Ghana, but China's policy is to develop oil production. This has brought it into conflict with Exxon-Mobil over who wins the support the Ghana state oil company. In South Africa the global recession has made China the biggest trading partner, 50% bigger than the US which is No 2. Imports from China have grown 10 times since 2000. SA has a trade surplus with China. For China's interests in Sudan

<http://www.npr.org/templates/story/story.php?storyId=92282540>

Uganda <http://africannewsanalysis.blogspot.com/2009/10/cnooc-in-talks-to-enter-5b-uganda-oil.html>

<http://www.nytimes.com/2005/07/24/world/africa/24iht-zimbabwe.html> and Zimbabwe.

There is a debate in the liberal left about whether China's interests in Africa (and elsewhere) are beneficial to the partner countries.

"International audiences are beginning to recognize the geopolitical significance of the recently burgeoning relationship between Africa and China, but there has been scant scholarly research concerning the realities and implications of this alignment, particularly from the African perspective. This paper offers a preliminary examination of whether the enhanced relations between Africa and China do, in fact, achieve "equality and mutual benefit." Or, do the pre-existing political, economic, and strategic inequalities between China and African states result in relations that are characterized by neocolonialism, dependence, and African insecurity?"

http://belfercenter.ksg.harvard.edu/events/1427/africa_and_china.html

The Bolivarian left has also taken different positions. The *Green Left* takes the view that China is a maquiladora getting raw materials for the benefit of the foreign imperialists who produce for export in China.

“Chinese-owned companies’ investments in Africa are largely driven by a basic agenda of seeking fuel and minerals inputs for the production in China of manufactures by Chinese firms working as subcontractors for big Western corporations, with the bulk of the profits going to the latter. In 2002, exports by Chinese subsidiaries of First World corporations accounted for 25.8% of China’s exports — up from 20.3% in 1997, according to the World Investment Report 2006. According to the WIR 2006, the value added in China by the subsidiaries of First World corporations amounted to US\$103.6 billion, and their pre-tax profits from such operations totalled \$22.7 billion.”

<http://www.greenleft.org.au/2007/701/36384>

Disagreeing with Chavez and his left cheerleaders the *Green Left*, James Petras (a critical supporter of Chavez) says that China is an “emerging imperialist power”.

“China’s ruling class, its outward billion dollar investments in western capitalist enterprises via its sovereign wealth funds, its billion dollar investments in overseas extractive enterprises, is driven by the mass of capital accumulated that is extracted via intense levels of labor exploitation and the elimination of state funded pensions, health plans and education. China’s role as an emerging imperial power is rooted in the imbalance between global power and social welfare decay. The fact that western capitalist writers, policymakers and their academic camp followers point to the same social imbalances in China as its domestic working class critics should not obscure a basic point. The Wall Street critics are defending the AFA financial elite against China’s export industrialists’ greater productivity; while the domestic working class critics are criticizing the capitalists and the state for their high rates of exploitation and concentration of wealth.”

<http://www.globalresearch.ca/index.php?context=va&aid=15670>

Of course China and its partners promote the benefits of soft loans and infrastructure deals for the ‘development’ of Africa as distinct from the old colonizers. However the Financial Times points to China offering “cash” and getting “bargains”. For example China’s deal in the Congo is said to be more profitable than Freeport - the US world No 1 giant copper miner.

“The Chinese stand to gain in several ways from the deal as announced. In addition to their nearly \$1.8 billion in annual profit from the mine, they’ll earn perhaps \$4.5 billion in interest on the development loans—more if they carry an interest rate higher than two percent. There also looms the very large question of who will get the profits from the contracts to build the promised infrastructure. My assumption is that China’s Sinohydro Corp and China Railway Engineering Corp will be awarded those contracts on a no-bid basis, which means they’ll take home another billion or so in profits on the project.”

<http://heartofdiamonds.blogspot.com/2009/05/china-gains-congo-loses-in-mine-deal.html>.

If China can extract more profits than Freeport then it is clearly competing here as an imperialist power, not a proxy for the US or any other imperialist powers, or with ‘humanitarian’ or ‘socialist’ motives. Thus China is competing with Big Oil (Exxon, Shell etc) in Nigeria and getting hostile responses from other imperialist powers. It has sold arms to many countries, such as Zimbabwe, and has made huge loans to military regimes such as that of Guinea which are hardly out of concern for the wellbeing of the African masses.

China’s hardnosed investment explains why the US and other imperialist powers see China as an emerging rival. The US AFRICOM is reported as being set up in part to contain China’s moves in Africa. This would seem to be backed up by the fact that while it is based in Ghana (as a ‘democracy’) AFRICOM is training African armies in Uganda, Congo and Senegal. AFRICOM is also in Kinshasa training journalists, military, and MPs on how to use the press to advance policy in an area where China has its biggest mining investments in the DRC. We can safely say that the US

military presence in Africa is to protect its interests facing growing competition from China's expansion on that continent.

"An understanding of US interests is crucial for Ghana if it is to capitalize on the immense opportunity provided by the President Obama's July visit, writes Asare Otchere-Darko. Following a deepwater oil find in 2007, Ghana's pending oil-rich status has made it the subject of strategic US energy and military interests, and raising the stakes of Ghana-US relations, Otchere-Darko argues. As the US's preferred physical location for the US African Command (AFRICOM) headquarters and with the superpower concerned not to cede strategic ground to China in the region, Ghana has an unprecedented hand to play in this round of international diplomacy."

<http://africannewsanalysis.blogspot.com/2009/06/ghana-what-us-wants.html>

The Battle for Latin America

Latin America is the third area of inter-imperialist conflict between the two blocs. The recent coup in Honduras proves that it is not the conflict between the US and France or Spain that is central to LA inter-imperialist rivalry, but that between the US and China. It's clear that China is involved in every aspect of LA politics because its cash and its demand for commodities are keeping LA afloat during the crisis. China's JVs with Bolivarian regimes played a role in the removal of Honduras president Zelaya. (It is also important to note that the IFLT's position that the coup was staged to prepare a military offensive against Cuba, thus restore capitalism by military means, was also behind the coup). It was cheap Venezuelan oil that made Zelaya convert from a right-wing US backer to a 'Bolivarian' triggering his removal. Venezuela can afford to offer cheap oil because its oil production is underwritten by China's huge demand and multi-billion dollar investments.

For the US the Bolivarian threat is tied to China's ascendancy and its growing influence in Latin America. The US ruling class recognizes the reality of competition with China. It is a zero sum game. We cannot explain this as a disturbance caused by agreements between semi-colonies, or of China acting as a proxy for the US. If this was the case then the US would have nothing to

fear from the growing influence of China in the US backyard. And unlike Chavez we don't see China and Venezuela "marching towards socialism" so the real threat is not a Bolivarian scenario of a global state socialist bloc:

"Hugo Chavez says he admires the libertarian legacy of the People's Republic of China, adding that the Asian giant can count on Venezuela as a friend. In a message to Chinese President Hu Jintao on the 60th anniversary of the People's Republic of China, Venezuelan president Chavez said that "we are marching towards socialism. In the name of the revolutionary spirit that unites us, we congratulate the honorable Chinese people and celebrate by its side its unbreakable will to emerge as a free and sovereign nation. To celebrate this popular victory is to say, the Chinese people have stood up," Chavez said in a statement. He underlined the "infinite admiration" he has for an event that "encourages global revolutions." Chavez said that China has given ample evidence "that you do not need to be an empire in order to be a great power."

<http://www.presstv.ir/detail.aspx?id=107618§ionid=351020704>

We don't agree with Chavez that it is possible to be a "great power" without being an "empire". Therefore to make sense of China's rise in Latin America we have to understand both its imperialist expansion, and the role of the Bolivarians to provide a cover for this. This, by the way, explains Chavez's support of the current regime in Iran). Hugo Restall writes in *China's Latin American Gambit*:

"Americans tend to see China's economic rise through the prism of the bilateral trade deficit and competition for manufacturing jobs. But the real story is that Chinese institutions are buying equity stakes and making loans to increase their influence in natural resources. And Latin America is the most important arena for China's investments. Some observers portray this as a threat in the U.S. "backyard." The truth is that the developing trade between China and Latin American countries represents an opportunity—if the U.S. plays its cards right. There are several reasons to be relatively sanguine about China's increasing involvement in Latin America. Most obviously, the Chinese interest in the region is

pragmatic rather than ideological. The goal is to further economic growth at home by opening new markets and guaranteeing a supply of necessary inputs... The more China invests, moreover, the greater the risk of an eventual backlash. Already there are murmurings from vested interests in Latin countries that Beijing is a neocolonial power, buying raw materials and flooding the region with its cheap manufactured goods. Certainly competition from Chinese goods has had a much greater effect in Latin America than in the U.S., hurting the textile industries in Brazil, Argentina and Mexico. This has brought a wave of antidumping suits.”

<http://online.wsj.com/article/SB10001424052970203706604574368602807031942.html>

In *Deals help China expand sway in Latin America* the authors write:

“As Washington tries to rebuild its strained relationships in Latin America, China is stepping in vigorously, offering countries across the region large amounts of money while they struggle with sharply slowing economies, a plunge in commodity prices and restricted access to credit. In recent weeks, China has been negotiating deals to double a development fund in Venezuela to \$12 billion, lend Ecuador at least \$1 billion to build a hydroelectric plant, provide Argentina with access to more than \$10 billion in Chinese currency and lend Brazil’s national oil company \$10 billion. The deals largely focus on China locking in natural resources like oil for years to come. China’s trade with Latin America has grown quickly this decade, making it the region’s second largest trading partner after the United States. But the size and scope of these loans point to a deeper engagement with Latin America at a time when the Obama administration is starting to address the erosion of Washington’s influence in the hemisphere.”

<http://www.nytimes.com/2009/04/16/world/16chinaloan.html>

The Economist, in *The Dragon in the Backyard* argues that while China’s influence is still small, it is becoming a major trading and investment partners with Brazil, Venezuela, and Ecuador:

“Chinese investment has so far been overwhelmingly concentrated in mining and oil. (An early and still unusual exception is a joint venture with Brazil, dating from the 1980s, to produce

communications satellites, in which China provides 70% of the finance and the technology.) Toromocho is just one of three big investments in copper projects in Peru. Chinese companies have become the biggest foreign investors in Ecuador's oil industry. But it is China's stake in Hugo Chávez's Venezuela that is potentially most contentious. The China Development Bank has lent two-thirds of the capital for a \$12 billion joint fund which Chinese companies could tap for investment projects in Venezuela. Most of these are likely to be in oil: CNPC, a Chinese company, is operating several smallish oilfields and is investing in the Orinoco tar sands. The United States has long been the main foreign market for Venezuelan oil. Venezuela provides about 10% of American oil imports, and Petróleos de Venezuela (PDVSA), the state oil monopoly, owns Citgo, an American oil distributor which has several refineries specially adapted to process the country's heavy and sulphurous crude. This mutual dependence has long been a discomfort to Mr Chávez, and he has repeatedly said that he wants to divert Venezuelan oil to China (though transport costs would be much higher). So far Venezuelan oil exports to China have risen from a negligible level to 398,000 b/d. But PDVSA has announced that it wants to increase the flow to 500,000 b/d by December. That could be done only by reducing shipments to the United States."

http://www.economist.com/displaystory.cfm?story_id=14209932

The US is concerned about rise of China (and Iran) in its backyard
"Secretary of State Clinton told a meeting of State Department officers:

"What we are doing hasn't worked very well and in fact, if you look at the gains, particularly in Latin American, that Iran is making and China is making, it is quite disturbing. Of course, there will be political and economic competition, even between the closest of allies". But Clinton whipped out some Cold War memories to warn of a new Axis of Challenge: "We are looking at how to deal with [Nicaraguan President Daniel] Ortega. The Iranians are building a huge embassy in Managua. You can only imagine what it's for." This seems to be a bit of posturing, balancing President Obama's recent appearance at the Summit of the Americas, but it does raise the question: if Washington wants to frame relations with Latin America as a battle with outside powers, how exactly does it propose to wage the political contest?"

<http://enduringamerica.com/2009/05/02/video-clinton-warns-iran-china-latin-america-at-state-department-town-hall-meeting/>

China and US competition in Latin America is heating up but the US will not be overtaken by China in Latin America anytime soon: *“Ten-fold growth is stunning, but how does it compare to the champ? US-Latin American trade last year was US\$560 billion, four times more than Sino-Latin trade. European-Latin American trade stood at US\$280 billion, twice as much. In addition, with foreign investment in Latin America, China will not pass the US anytime soon. US companies invested US\$350 billion in Latin America and the Caribbean in 2007, compared to only US\$22 billion by Chinese firms... Regardless of who you have your money on, if the US and China are locked in for a title bout over Latin America, we’re only in round one.”*

<http://www.doublehandshake.com/2009/07/23/the-us-china-bout-for-latin-america/>

A research paper on China’s energy policy in Latin America makes the same point in terms of China’s economic performance. It focuses on the small size and limited growth of China’s interests. It concludes:

“While there is a select group of elected officials and scholars who believe China to be an imminent threat to American interests in the region, the prevailing opinion is one of cautious optimism.

Deepening Sino-Latin American ties are a natural consequence of China’s economic development and should not be interpreted as aggressive or imperialistic behavior. Moreover, China is at a competitive disadvantage compared to the U.S. when it comes to the region. Throughout this paper we demonstrate that although a number of Chinese-owned energy concerns have struck deals across Latin America, the size and scope of these agreements is actually quite limited. In addition the technical demands of extracting Latin American oil, difficulties involved in transporting resources largely located near the Atlantic to the Pacific coast, limits placed on foreign involvement in most Latin American states, and domestic politics all curb China's ability to exploit the region's energy reserves. A final complicating factor for China is that her industrialization threatens manufacturing in many energy-producing states. In short, while China’s energy interests in Latin America have increased as of late, there are a plethora of factors

that will likely prevent a significant Chinese presence for the foreseeable future. Our findings have important implications for those who conceive energy security in the region as a zero-sum game—where every barrel of oil obtained by the Chinese is one less barrel for the United States. This model drastically oversimplifies a globalized world, and furthermore, seems to presuppose an American claim to all energy resources on the planet. Reflexive Cold War era thinking, that replaces ideology with energy and prescribes that the U.S. prevent the Latin American dominoes from falling once again, is not only empirically inaccurate but dangerous and counterproductive. China is not the semi-autarkic Soviet Union. As perhaps confirmed by the current recession, the economic well being of China and the U.S. depends on a healthy American export market buttressed in part by Chinese debt financing. Since accessible and affordable energy are part and parcel of economic growth, China and the U.S. necessarily have a stake in each other's energy security. These economic and energy interdependencies should be cultivated so that the costs of conflict rise and China is further integrated into the status quo. The decline of fossil fuel resources is a global problem requiring collaborative solutions. China, the U.S., and Latin America can all jointly benefit from the development of the region's energy reserves if it is done so in a way that is transparent, market driven, and sustainable. The American government can help ensure this by revitalizing diplomatic relations with its Southern neighbors and encouraging the improvement of democratic institutions. Continued Sino-American dialogue regarding one another's interests and intents in the region will also keep potentially hazardous misunderstandings and misperceptions to a minimum (Paz, 2006). Finally, the U.S. and China must start to think long-term about global energy needs and begin cooperating on alternative fuel technologies. For if Latin America ever becomes ground zero in an energy conflict between the two powers, everyone involved will have already lost.”

http://www.allacademic.com/meta/p_mla_apa_research_citation/3/1/3/2/1/pages313218/p313218-1.php

We agree that China is not yet a major economic threat to the US in its own backyard, and is more likely to expand at the expense of Spain and France or in collaboration with them. But the above

analysis downplays as alarmist the strategic partnership that China and the Bolivarian states have established. China by itself is not the only issue – there is also the global bloc of which it is the leading member.

In Latin America, Venezuela is the key to this geo-strategic bloc between the Bolivarian states and China leading Brazil, Bolivia, Argentina, Ecuador and Chile. As one article headlines, it's an *Axis of Oil*. http://www.opendemocracy.net/globalization-china/china_venezuela_3319.jsp China and the Bolivarians are very keen to present China's influence in Latin America as benign and as the progressive alternative to US imperialism interested in 'development'.

"China now wants to show it is a responsible stakeholder in the region" says Dan Erikson, a specialist in China-Latin American relations from the Inter-American Dialogue. "It has the image in Latin America of being 'mercantilist', or only interested in taking out commodities. Now it wants to show it is interested in Latin America's longer-term development."

<http://news.bbc.co.uk/2/hi/americas/7737554.stm>

But as in Asia and Africa China is not only interested in trade. Where it can, it buys up or invests in energy production. For example, a new deal with Venezuela for 16 billion (following one with Russia for \$20 b) is for exploration and production of oil in the Orinoco <http://news.bbc.co.uk/2/hi/8260200.stm>. China's CNPC is part of a JV with Total (France) and three Japanese firms including Mitsubishi, in the Orinoco. Total stayed in Venezuela after the oil renationalization whereas Exxon left. Total has a presence in China itself so this shows that French and Chinese imperialism are collaborating not only in Latin America but also in China itself. Typically Venezuela has signed a railroad deal with China <http://www.doublehandshake.com/2009/07/31/china-venezuela-sign-7-5bn-railway-deal/>

Moreover, China is doing cash for oil swaps as in Brazil where it recently did a deal with Petrobras the SOE for \$10 billion cash for 10 years of oil. Petrobras will use this cash to help develop its new offshore reserves. The Bolivarians will say that China is lending money to an SOE which uses part of its profits for 'development'.

<http://www2.petrobras.com.br/ri/ing/InformacoesAcionistas/ComposicaoCapitalSocial.asp>

Petrobras entered into a deal with Bolivia's Morales to split the profits of its big gas extraction in that country. Was this 'development' or super-exploitation? It suits the Bolivarians to present China as a benign giant without imperialist interests because this helps to cover up their own role as junior partners of all imperialist countries. Lula's Petrobras enters JVs with the oil majors like (the French) Totalfina to develop its oilfields. They get their super profits. Morales' YPFB (SOE) gets its profits from JVs and oil majors like (the Spanish) Repsol. The fact that the Venezuelan, Brazilian and Bolivian state owned oil companies are key players only means that they serve the interests of imperialism as their junior state bourgeois partners. In the case of China however, the SOEs do not serve the interests of the oil majors but the interests of the Chinese imperialist bourgeoisie. This is because they can export their finance capital in the form of huge cash for oil deals and act as the backers of the Bolivarian regimes, bankrolling JVs and taking oil and other minerals in return. Another example is the offer to buy Repsol YPF's majority stake in the Argentinian YPF for \$17 billion.

<http://online.wsj.com/article/SB124990326465819175.html>

Crisis, Revolution and Counter-Revolution

To summarise, the distinguishing feature of the current crisis is not merely that the global crisis has opened a new period of increasing rivalry between existing imperialist powers under the domination of the US, but is one in which China (supported by Russia) as former workers states have entered the stage and now potentially challenge the hegemony of the dominant US imperialism and its supporting powers. This is the fundamental feature of the current crisis that distinguishes it from the depression of the 1930s when the US in order to defeat its rivals had to do deals with the USSR, and the onset of the structural crisis of overproduction in the 1970s when both Russia and China were still outside the global capitalist economy.

The minority, however, does not say that the US stopped being a main engine of the world economy. While China is clearly a new rising imperialist power, it cannot replace the US as the dominating power without an all-out war against the US which will bring a massive destruction of the productive forces and barbarism. China can challenge the US via economic competition only to a certain point. In other words, a replacement of the US as the main power cannot happen without a (nuclear) Third-World-War which will result in a massive destruction of the planet and the human race. It is only the socialist revolution that can stop such catastrophic developments.

Today's crisis follows the capitalist restoration of these states, which far from becoming new semi-colonies allowing US imperialism to remain unchallenged in its global hegemony, have turned into potential rivals competing with the US over access to critical raw materials. Already the beginnings of this rivalry between these two blocs have spilled over into proxy wars in Georgia, the intensification of the war in Afghanistan and Pakistan for control of Central Asia, and mounting trade protection and military buildups (Africom).

Furthermore, the downloading of this crisis onto the workers of the weakest imperialisms and their colonies and semi-colonies will pose the alternative of socialism or barbarism with a renewed sharpness and urgency. We have seen this already in Palestine, Iraq, Greece, Guadeloupe, Peru, and Honduras. It is pushing the masses in the Middle East, Africa and Latin America to the point of insurrection. In the stronger imperialist powers, there is no way out for the ruling class without inter-imperialist wars, and civil wars against their own proletariat. With these developments the question of power is posed or will be posed in the near future.

The role of the treacherous leaders of the working class grouped together in the WSF and led by the restorationist Castro bureaucracy together with the Bolivarian bourgeoisies, represents the main barrier to the mobilization of the worlds' workers on the revolutionary road. Their brand of reformism is a recycling of the old Menshevik/Stalinist popular front and two stage program of first the national revolution, and then socialism. Today it is branded

as Bolivarian or “21st century socialism”. Its role is to tie the hands of workers in democratic fronts in collaboration with the Bolivarian bourgeoisies and China as a “great power” against “US imperialism”. This is the road to counter-revolution. The defeat of the world’s workers at the hands of the Castroites and the Bolivarians backed by China and Russia must be prevented at all costs by the regroupment of healthy Trotskyist and revolutionary workers to form a new World Party of Socialism.

The strategic task for revolutionary Trotskyists is to use their analysis of the current situation to regroup the vanguard to fight back against all the counter-revolutionary attacks and wars of the imperialists, and to rebuild the World Party of Socialism founded by Trotsky in 1938 as a new revolutionary international capable of providing the revolutionary leadership that the working class needs and deserves in the struggle for world socialist revolution.

Communist Workers Group (New Zealand)
Humanist Workers for Revolutionary Socialism (US)

The Implications of China's Contradictory Nature: Being Imperialist with a Super-Exploited Proletariat

The latest document of the minority of China concentrated on proving and developing the theory that explains why China is an imperialist country. It is not that the minority denies that China is super-exploited. This aspect of China, **at the moment, is as important** as its emerging imperialist character for grasping the world situation. It is the combination of both China as an imperialist country and China as a center for super-exploitation (primarily for the Chinese bourgeoisie) is what makes the current crisis so acute and potentially explosive.

To understand the development in China and the role it plays today we must understand the transformation that started to shape up in the imperialist countries and the semi-colonies since the 1980's. In the 1980's the US started to move many of its major industries to the semi-colonies and the colonies. These shifts happened because the US's industries started to lose some competitiveness due to the intensifying imperialist rivalry that started in the mid 1970's after the so-called boom of the 1960s was busted. This was true in particularly in the auto and steel industries that were moved into different semi-colonies. Many mid-west towns and cities in the US have become ghost towns. You can all see it in the movie "Roger and Me".

To a large degree these moves were **forced on the US industry because of the lower rate of profit**. Capitalism had to deal with the innovation of high tech machines run increasingly by computers in the factories. Thus constant capital grew in comparison to variable capital, and the rate of profit has become lower. This forced the capitalists to lay off workers as the capitalists brought into the factories more machinery which was also more expensive. They (the capitalists) thought that they can resolve the lower rate of profit problem by dramatically lowering the workers' wages, that is, the capitalists increased the surplus value in relation to the higher constant capital by moving industries to the semi-colonies. But the move of US industries to the third world was matched later by similar moves from Europe and Japan. So while the American

capitalists were able to increase profit by moving factories to the semi-colonies, the advantage vanished after the competitors did the same.

In general the move of industries to the third world increased the competition between countries and industries that remained fierce. Why? Because the rate of profit kept on falling as technology replaced workers. One particular change started to happen at an increasing rate: that is, the ratio of the proletariat in many semi-colonies in comparison to the peasants started to rise fast. This process increased dramatically in the early 1990's after the collapse of the workers' states, as China (to some degree) and the new semi-colonies in Eastern Europe and to a lesser degree Russia have become a hub for imperialist capital that built new factories with the lowest possible cost of labor. The NAFTAs the GATTs and other imperialist mechanism were put in place to maximize exploitation as the flow of commodities from the third world to the imperialist centers was rising, and as new industries and factories were built very quickly in many semi-colonies.

We wrote a strong theoretical article about this in 1995 (http://www.HumanistsForRevolutionarySocialism.org/IT_Archive/Economic_Crisis_cover.html), in which we described the contradictions and the mechanism of the process. We predicted that this would lead to the biggest world capitalist crisis since the 1930's. While our general analysis was right, we were wrong about the speed and timing of the crisis (we thought that it would happen sooner than today). As the ratio between the proletariat and the peasantry kept on increasing in favor of the proletariat in the semi-colonies, many peasants' life was ruined and they were forced to move to the cities and get a job or became part of the huge unemployed.

We do not say that this happened in every oppressed country. There are still countries (Afghanistan, for example), where the workers remain small percentages of the population. However, many countries have undergone the above dramatic changes, and they have become very proletarianized. That does not mean that these countries have become advanced capitalist countries or imperialist countries. Not at all! On the contrary, it only means that these

countries have a larger proletariat, but the working class and the national bourgeoisies are still subordinate to imperialism, which still enslaves these countries. Many workers in the new factories have the lowest unlivable wages and worse conditions than ever.

The Left has not dealt seriously with the meaning of the growing movement of the means of production to the semi-colonies as **the oppression of the semi-colonies by imperialism intensified** and the workers' salaries remain a small fraction of the workers' salaries in the imperialist countries. It does not take an Einstein to see the effects of this in the imperialist centers. If GM pays the workers in Brazil a small fraction of what GM pays the workers in the US why does GM want to keep its factories in the US? If GM competitors move their factories to the semi-colonies, GM is in an inferior position against its competitors unless it moves more of its factories to the semi-colonies. So the process of moving the means of production to the semi-colonies continued to rise as each company was competing with advisories that took advantages of the super-exploitation in the semi-colonies.

Trotsky was observing that to some extent, and he predicted the possibility that the number of the proletarians in the semi-colonies would rise over time:

“Under present conditions in bourgeois countries, even in the backward ones, insofar as they have already entered the epoch of capitalist industry and are bound into a unit by railroads and telegraphs – this applies not only to Russia but to China and India as well – the peasantry is even less capable of a leading or even only an independent political role than in the epoch of the old bourgeois revolutions. The fact that I invariably and persistently stressed this idea, which forms one of the most important features of the theory of the permanent revolution. . .” (The Permanent Revolution p. 194)

This explains why some semi-colonies have become more “advanced” than others. And when a semi-colony country consists of a proletarian majority, imperialism can get an advantage from dominating such a semi-colony mostly by extracting super-profit from the super-exploitation of the workers. **For now imperialism**

can only dream about a similar degree of super-exploitation of the proletariat in the imperialist centers.

The restoration of capitalism in China and E. Europe intensified the process of the movement of the means of production to the semi-colonies. Here we are talking about a process in which super-exploited proletariat became a key factor in the inter-imperialist rivalry. To prevail against strong inter-imperialist rivalry and grow as a new imperialist power China had to rest on such super-exploited proletariat.

The fact that the new capitalists prevented the SOEs from falling into western imperialism hands did not change **the facts that the SOEs themselves were and still are part of the huge Chinese super-exploited labor.** The workers in the SOEs suffer the same conditions, similar to the workers in the rest of China, that is, their salary and exploitation are similar to the rest of the proletariat in China, or only slightly better. This is a key in understanding the evolution of China and the world situation. Without the super-exploitation of the workers in the SOEs, the new Chinese capitalists (the old Stalinist bureaucracy) and the state, through the mechanism of state capitalism, could not have accumulated such a huge surplus capital that would allow China to become an imperialist country.

The advantage of China over its rivals is that China was able to develop its imperialist character from its ability to use the Chinese proletariat as a super-exploited proletariat. This gives the Chinese imperialists an advantage over the Western imperialists.

After capitalist restoration, China retained its own former republics and autonomous territories etc as internal colonies. Western imperialism has not been able to strip China of these territories. Thus restoration left the new bourgeoisie with a strong centralized state, state-owned banks and industries, and huge areas of economic control (its internal territories were convert into an imperialist sphere of interests). What was missing in the former DWS was advanced capitalist technology. To get this the new bourgeoisie in China did what the semi-colonial bourgeoisie cannot do: set strict limits to FDI. The conditions for acquiring high tech were set

through economic cooperation, export production and technology transfer. The Bolivarian left sees this as a sort of massive 21st century NEP. The result is that in exchange for surplus value extracted by FDI from the huge Chinese working class the Red Chinese capitalists got access to 'Western Technology' and could rapidly develop the forces of production and accumulate capital at the expense of the other imperialist powers.

So China must be independent from Western imperialism. Such independence was possible because the DWS allowed the new capitalist class to develop a strong structure of state capitalism in which the industry from the DWS was the key for the transformation of China into an imperialist country in its own rights. Of course, that means that China's territories must remain to a large degree in Chinese hands and under the thumb of the emerging imperialist power. In this sense China is still independent both politically and economically from the rest of the imperialists (although that does not mean that Western imperialist do not have investment in China to protect).

Yet this process could have taken place only by transforming the Chinese workers into a super-exploited proletariat which gave the emerging imperialist country critical advantages. The question is can China change the status of its own proletariat after its successful emergence as an imperialist country? Can China become an advance capitalist country after its ruling class got its hands on new tech? The answer is negative at least for now, because China faces fierce competition from other imperialist powers that have moved a bulk of the means of productions to different semi-colonies and China (although China is politically and economically still in control and in this sense 'independent').

While in the 1980's and early 1990's US kept the high tech. industries inside the US, this has changed. Now Western imperialism is not hesitating to build high tech. machines and high tech. based factories in the semi-colonies. It is the logic of capitalism. They do that to prevail and avoid defeat by the competitors by reducing the cost of labor (variable capital). But as constant capital rises and the rate of profit keeps on falling, the inter-imperialist rivalry is intensifying. From this understanding we

can see that even though Chinese imperialism is getting high tech, it must retain a super-exploited working class to beat the competition in the current crisis.

It is this fierce competition **based on industries in the semi-colonies** that does not allow China to become an advanced capitalist country and it needs to keep its proletariat super-exploited. This is a new “animal”: an imperialist country that rests on a super-exploited masses, whose super-exploitation is if anything worse than the average super-exploitation in the semi-colonies.

As long as China can extract super-surplus value from its own proletariat it drives the rest of the imperialists’ gangs to either move more industries to the semi-colonies or drive the workers in their own centers as close as possible to super-exploitation. Beside the usual explanations for the classic big bust of the system, the above is critical for understanding the depth of the crisis and why the workers (in particular in the imperialist centers) must fight to the bitter end to avoid big historical defeats.

As we explained, and this is the crux of the matter, China was able to rise to a position in which it remains independent from Western imperialism and became an imperialist by its own rights because the new capitalist class was able to accumulate a huge surplus capital from the super-exploitation in the SOEs that were the foundation of the Deformed Workers’ State (DWS). This gave China an advantage over its rivals, **who extract surplus value from a mix bag of super-exploitation in their colonies and semi-colonies as well as from “regular” exploitation in the imperialist centers. In order for China to maintain this advantage it must keep its entire proletariat super-exploited.** With the current crisis of overproduction and lower average salaries for the world working class, China remain in fierce competition with its imperialist rivals. This competition is not just about raw material (oil, copper, etc.) but also for the extraction of surplus value from the proletariat in the semi-colonies and China itself.

It is true that in China there is a rising labor aristocracy and layers of petty bourgeoisie (some 100-150 million). These consist of

aristocratic layers of factories management, service management, millions of entrepreneurs, lawyers, academics, engineers the layer identified as the professional and managerial They serve the huge Chinese and foreign corporations and the capitalist class that arose in China. These privileged layers reflect the rise of Chinese imperialism. Yet the majority of workers and peasants remain super-exploited and oppressed.

Despite advances that came because China was a DWS, it is incorrect to say that the democratic tasks or even the national tasks are resolved in China. China did not go through the “stage” of bourgeois democracy, nor did it go through the stage of Soviets or workers’ democracy. Since the 1949 revolution it was bureaucratized from the beginning and the workers and peasants were oppressed from the inception of the DWS. The conditions of the peasantry went backward since the restoration of capitalism. And their oppression is more akin to the peasants’ oppression in Bolivia and Peru, than the state of the farmers in an advanced capitalist country. And those peasants that have become workers are super-exploited. Thus all the democratic tasks of an oppressed nation were not resolved in China, and they are unlikely to be resolved until the proletariat will lead the peasantry in the struggle to power that can be resolved through the establishment of the dictatorship of the proletariat with a genuine workers democracy. So all this understanding of permanent revolution in regard to China did not change.

The national questions have not been resolved either. Besides the majority Han Chinese, there are at least 55 other nationalities or ethnic groups, many are oppressed. Recent clashes in Urumqi are a clear testament of this. Thus like in Russia pre-1917, the national question is not really resolved in China, and cannot be resolved without the socialist revolution. The Peoples Republic, either as a deformed workers state or as an independent capitalist country post-restoration, has not finished the bourgeois revolution in the sense of completing its national-democratic tasks. Within "Chinese" borders you have a "Prisonhouse of Nations" lorded over by the Han leadership of the CCP and their Han national chauvinism. Completely apart from consideration of the active divide-and-conquer schemes of U.S. and Japanese Imperialisms to exploit

several ethnic divisions, these divisions have a real, pre-existing form in the national oppression of the Mongols' Turkmen and Uighurs, the Tibetans and others. The bureaucratic form of the imposition of workers state power by military means in 1949 did nothing to ameliorate this. The needs of the planned economy did tend to come into objective conflict with the different national oppressions as great armies of labor were needed for the various production campaigns, when masses were moved from region to region, often for years. Still, as under Russian Stalinism, workers from these regions always had to carry police passports and visas to seek work in Han provinces. Hence they are "foreigners," in all but the formal, juridical sense (which we may assume has as much propaganda content now as ever,) and nowadays these workers are the last to be hired and first to be fired. These, then are your migrant tens of millions who now have to return to little plots of land in their home "regions" (countries) to scratch out such living as they can after being laid off in the big industrial cities of the Han provinces.

These are the truly most super-exploited peoples of the Chinese internal empire. The workers from these countries will never be permitted to earn the take home pay or the lifestyle of their merely exploited sisters and brothers in Japan or the empires of the West. They are a big part of the Chinese bourgeoisie's "secret" for amassing capital surplus while world markets contract. And in fact the super-exploitation of these workers is a key and necessary ingredient for China's growing overseas FDI. They are 'colonials' to the bourgeoisie of their own nation state.

The fact that Chinese imperialist is emerging from the super-exploitation of the proletariat in China gives it a strong advantage particularly since the Chinese bourgeoisie is the strongest super-exploiting bourgeoisie in China. **China's integration into the world economy as a huge area consisted of hundreds of millions super-exploited workers, contributed to the massive amount of overproduction.** This contributes significantly to the inter-imperialist rivalry and it is **re-enforcing the trend of movement of the means of production to the semi-colonies.** After all, China is emerging as one of the biggest huge industrial centers in the world where a huge amount of the means of productions are concentrated.

To remain a strong imperialist competitor its must keep the Chinese proletariat as one of the most super-exploited proletariat. And the other imperialist countries must move more factories to the semi - colonies to compete with China and other Western imperialist rivals.

All the above developments (that start in the 1980's) put enormous pressure on the imperialist centers. To survive the imperialist countries must choose between two fundamental routes. An imperialist country can move most of the means of production to the semi-colonies and transform its own proletariat into a "service" proletariat that serves the means of productions in the semi-colonies. This is a dangerous route since it produces mass unemployment of over 20%. But the pressure is not only to export the means of production but also to export the service to the means of production to the semi-colonies. For example, all the airlines in the US laid-off many of their service staff. Today if you make a reservation for an airline ticket you will likely talk to someone in India. Silicon Valley moved many of their software engineers to India and there is a big unemployment among software engineers in Silicon Valley. So the pressure in the imperialist centers is not only on the industrial proletariat but also on the service proletariat.

The more realistic approach for an imperialist country is to try to bring an historic defeat on its own working class and reduced its standard of living to that of the proletariat in semi-colony. This is clearly the approach of US imperialism, and it achieved it with some undeniable success. The standard of living of the American working class was reduced by about 50% since 1980 when American capitalists started to move factories to the semi-colonies. This is one of the main secrets that explain why US imperialism kept its dominance. We cannot explain the savage attacks of US imperialism on the working class in this country in the last three years unless we understand the emergence of China as a strong imperialist competitor that is based on the super-exploitation of its own proletariat. This put immense pressure on the US. If it wants to keep its competitive edge and retain some industry in the US, it must reduce the US working class into rubble—to the same level of ruin and misery of the Mexican and the Chinese proletariat. **This is the process that we are witnessing now.** We cannot fully explain

it unless we understand China as a rising imperialist country that is resting on the biggest super-exploited proletariat in the world. So to understand the world situation we cannot only see China as a rising imperialist country, that is competing to plunder the world for its own industries, but we need to understand that its own industries consist of the most oppressed, super-exploited proletariat, and that put an enormous pressure on China's rivals. They must bring their own proletariat as close as possible to the conditions of the Chinese proletariat. This will be a cause for enormous revolutions or counterrevolutions in the imperialists' centers in the coming periods. How long can France tolerate giving concessions to the militant and brave workers? France is losing its competitiveness and it is on the road of becoming a minor imperialist power. To prevent this, it must smash all resistance in its semi-colonies as well as in France itself. As time progresses and if the working class in France prevails, "democracy" in France will become obsolete. The ruling class will have to use fascism to defeat the workers. Thus the prospects of socialism or fascism are on the agenda not only in the semi-colonies (that many revolutionaries take for granted) but in the imperialist centers as well including the US.

In China itself the extraordinary oppression and exploitation produce massive amount of class struggle with tens of thousands of strikes and workers demonstrations. The minority and the majority of the ILFT have the same program for the victory of the Chinese proletariat which include the struggle for power and the overthrow of all the imperialists and capitalists in China. China is ripe for building a massive revolutionary party, and together with the socialist revolution in the US, the Chinese revolution is of key importance for the victory of the international revolution. While the severe oppression by the "Stalinist" bourgeoisie make it very difficult to build a Trotskyist party in China, we should and must find a way to do it. Without such a party a huge section of the world proletariat will not be able to take power. Every week the brave struggles of the Chinese workers signal the readiness of the workers to fight back and smash capitalism and imperialism. Accordingly we must intensify our efforts to find a way to build a revolutionary party in China.

Dave Winter and Dan C. for HWRS

The CWG supports the general line of this document

Is Chinese Imperialism Progressive?

By claiming that China is an imperialist country, the majority claims that the logic of our position is that capitalism is still progressive and it is still capable to develop the productive forces. In other words, we are revising the basic line of Trotsky and Lenin on capitalism in the imperialist epoch.

Neither Lenin nor Trotsky ever said that no new imperialist country can emerge in the imperialist epoch. Nor did Lenin or Trotsky say that that a new imperialist country, if it emerged from a state of being a relatively independent semi-colony, must develop the productive forces and therefore make capitalism "progressive". First we need to clarify what we mean that in the imperialist epoch capitalism cannot develop the productive forces. I hope that you do not mean that capitalism cannot develop technology. It is obviously not true. The factories today are not the same factories (technologically speaking) that existed before 1st world war. Today many of the new factories are run by sophisticated computers. In 1914, capitalist technology could not send a person to the moon, and it took 40 years for the technology to develop before this took place. Before the epoch of imperialism there was no TV, computers and internet. Does their existence today prove that capitalism can develop the productive forces in the imperialist epoch? The answer is negative. The TV, for example, is not used in capitalism for the education of the workers and for the enhancement of humanity, but for the exact opposite reasons. It is used by the ruling class to dull the mind of the workers and cripple their ability to think and engage in the class struggle. This is true for the rest of the media of news and "entertainment" despite the fact that technologically they are much more developed than they used to be in the past. And in general the advancement in technology in the imperialist epoch only increases killing (better war machines, the atomic bomb that did not exist before the imperialist epoch), oppression and exploitation. For example, faster and more efficient "productive" machines in the factories means more mass unemployment, and overproductions that caused eventually wars and the destructions of the productive forces. In sum: Technology in the imperialist epoch is characterized by intense drive for profit as the rate of profit

continues to decline, hence the workers, the great majority of human beings and the well being of the planet are expendable. Therefore, we see mass death from injury and health problems (cancer for example was not a big health threat in the 19th century) as technology "advanced". And lastly technological advancement in the period of imperialist decay leads only to environmental disasters. And unless this is corrected soon by socialism and international planned economy greedy capitalism/imperialism, despite the advancement in technology, is likely to destroy the entire planet, since it does not care to develop technology for the well being of the masses or the planet, but only for one reason: profit. Without the socialist revolution this will cause the destruction of civilization via the advanced military means of the imperialist countries, or disasters from climate changes. Any development of a new imperialist country will only contribute to the destruction not the advancement of the productive forces and the well being of the working class and humanity. China is not an exception. Since the development of capitalism in China, China has become one of the great releasers of greenhouse gases that cause climate change that can endanger civilization. And since its drive to become an imperialist country in the 21st Century, China is replacing the US as the Number 1 polluter. Along the yellow river, tens of thousands of factories have erupted in the last 15 years, and the yellow river has become truly yellow, polluted to the point that the water that flows in it has been transformed into deadly poison.

Hundreds of thousands if not millions of workers, who work in these factories, died from cancer and other causes. One area (I forgot the name, but I can get it if demanded) is being deserted, because the majority of the workers died from cancers. This is what behind the drive of China to become an imperialist country, **which is the only way it can be done in the imperialist epoch of fast and terrible decay**, and I don't see anything progressive about it. And yes, we should not forget that Chinese workers suffer from one of the worst conditions for workers in the planet, regardless if they work for Western or Chinese companies. Many of them live in places that only can be characterized as cages not homes. What is progressive about this? Of course, this is only the manifestation of life under imperialism in its last stage of decay.

Comrades, you are not trying to seriously tell us, that Chinese export of capital overseas along with the attempts to develop the Chinese sphere of influence manifest the "progressiveness" of Chinese imperialism. In Chad China delivered mass weapons (including soldiers and workers) to inflame the genocidal war so that China can control the area and plunder the oil there. What is progressive about this? In Congo they build mines for their electronics factories in China and like the rest of the imperialists they muddle in the country affairs. The results: The intensification of the civil wars over the mines that kill millions and created huge areas with refugees. And in Iran the Chinese, who of course interested in the oil there, have a special connection and influence on the reactionary regime, a regime that as we know just killed hundreds and is torturing (many time to death) the protests' prisoners. Should we go on with the list?

Since we live in an era of dramatic increase of imperialist decay on the international scale, a new imperialist country can only function as the rest of the imperialist countries: increase the rate of exploitation and oppression wherever it set its foot prints. **In the current imperialist epoch of crisis China cannot become an imperialist country by progressing the standard of living of the Chinese workers and masses in China and the rest of the world. Quite the opposite, it is driving the masses into living hellish conditions. This is so, because in the current state of imperialist decay, this is the only way that a country can become an imperialist country and try to compete with the rest of the imperialist gangs.** It is easier for a person to jump to the moon, than it is for a new imperialist country to build its "empire" by elevating the well being of the masses in the current unstoppable decay of the international imperialist epoch.

FOR REVOLUTIONARY DEFEATISM OF BOTH US AND CHINA IN THE EVENT OF INTER-IMPERIALIST WAR

Since the July Congress, the minority has done further study of the rise of Chinese imperialism and we submitted our document to the pre-Congress discussion. Our own document manifested without a doubt that China is not just a rising small imperialist country but rather together with Russia the Chinese/Russian bloc **is becoming the main competitor to US imperialism around the world.** Our own document showed that everywhere in the world China is contesting the US over control for oil, key minerals and in general for plundering the world to satisfy the growing needs of Chinese imperialism. Thus our document manifested that the China/Russian bloc is already emerging as the main threat against the dominance of American imperialism in the inter-imperialist struggle for the re-division of the world.

The balance of forces is changing rapidly in favor of the China/Russian bloc as American imperialism cannot stop its economic decline. These changes in regard to the rise of China are manifested clearly at the eve of Obama's visit to China. Obama already thanked the Chinese for being the engine that is saving world capitalism from a deeper depression! *The New York Times* just revealed that when Obama was pushing his Health Care "Reform" he or other top members of his administration had to talk with Chinese bankers get their approval for the funding of the so-called health reform. The Chinese bankers said to the Americans that if the Americans want Chinese money (for the health reform) the Americans must guarantee Chinese bankers that their surplus capital invested in the US will be fully preserved and that the capital will be returned to the Chinese banks without losses (regardless of the state of the dollars) when they need it.¹ Obama is going to China with his head down asking for concessions as a declining imperialist power and not as the boss of the world. The Chinese with rising confidence are saying to Obama that any concessions and good "behavior" from their side depends on American concessions on disputed territories between the imperialist powers. China is saying bluntly that if the Americans want more of the Chinese surplus capital, the US must allow them to get Taiwan and stop annoying China about its rights to keep

Tibet. Such is the real relationship between the rising and the declining imperialist powers.ⁱⁱ

If there is a military confrontation between the US and the China/Russia bloc it is clear that the US will have Britain on its side as well as a reluctant Japan.ⁱⁱⁱ The two other main imperialist powers France and Germany while officially on the US side, in reality they are on the fence; both powers are making deals with the US, but both are also making deals with the China/Russia blocs (see the minority document). Thus in reality France and Germany are on the sideline waiting to see which imperialist bloc will give them more advantage.^{iv}

The first period of military conflicts will be conducted via proxy armies. We can even see the civil wars in the Congo and Sudan in the last 10 years preparing the ground for proxy wars between the US and China.^v The war in Georgia and the build-up in Afghanistan are proxy wars where the US targets Russia and China. We can also see the conditions for proxy wars developing in Iran and Afghanistan. But what is becoming clear without a slightest doubt is if the Chinese Russian bloc comes in direct conflict with the American imperialist bloc, and as a result (the Chinese and Russian army) will fight the American army and its allies, it will not be a war in which the US will “try” to conquer China in order to re-divide it as an American semi-colony. But it will be a repeat of Second-World-War for re-division of the world among the imperialist thugs; with a difference that this time the US will be fighting to stay the dominant power while China will fight to assert itself as the new dominant new imperialist power. Such a war is likely to degenerate into a nuclear war with unthinkable consequences for the survival of the human race.^{vi}

In such a war for re-division of the world among the imperialist powers, the only principled position is revolutionary defeatism on both sides. **This position is critical for the victory of the proletariat and the survival of the human race.** It will be a crime to call for the Chinese proletariat to form a united front with its own bourgeoisie against American imperialism. The Chinese workers’ main enemy in such a war is its own imperialist power. So it must turn the guns against its own imperialist bourgeoisie smash it and

overthrow it before the world will descend into barbarism and a nuclear holocaust occurs in which Second-World-War will look like child's play.

It goes without saying that a similar revolutionary defeatism applies to US imperialist and its allies as well as for Russia. Thus the "defense" of China will imprison the Chinese proletariat in the "defense" of the motherland, and subordinate it to its own imperialist power. Such a "defense" will weaken the workers movement in China and make it incapable to stop this mad war. Thus a call to defend China as a "semi-colony" will be a betrayal of the Chinese proletariat and it will prevent us from turning the inter-imperialist war into a class war in China and around the world.

While an all-out war between the US bloc and the China/Russia bloc is not on the agenda in the near future, an increasing numbers of proxy wars are on the agenda. In these wars like the wars between Russia and Georgia (in which the Georgian side fought on behalf of the US), the majority is likely to defend the side that fights for the Russia/China bloc, while the minority will be for revolutionary defeatism on both sides.

Revolutionary Greetings,
HWRs and CWG

ⁱhttp://www.nytimes.com/2009/11/15/world/asia/15china.html?_r=1&scp=7&sq=Obama%20in%20China&st=cse

ⁱⁱ<http://www.nytimes.com/2009/11/18/world/asia/18prexy.html?scp=10&sq=Obama%20says%20Tibet%20part%20of%20China&st=cse>

ⁱⁱⁱ<http://www.nytimes.com/2009/11/12/opinion/12iht-edauslin.html?sq=Obama%20on%20US%20bases%20in%20Japan&st=cse&adxnln=1&scp=6&adxnlnx=1259910026-T2SkOrX8vtRmyZFgFNwtIQ>

^{iv}<http://www.nytimes.com/aponline/2009/11/24/world/AP-EU-Russia-France-Navy-Ship.html?scp=4&sq=France%20relation%20with%20Russia&st=cse>

^v In both countries China has stepped into the role of the main imperialist power. In Sudan China has taken over concessions formerly belonging to Exxon and Totalfina. In the Congo China has become a strategic partner in oil and mining at the expense of Belgium and the US.

^{vi} Both blocs are preparing for this war. The US is aggressively encircling Russia and China. NATO is expanding the war in Afghanistan and Pakistan. It is moving to block Russia in the Arctic. China's re-arming is noted with alarm by the US led bloc.