Third World Quarterly

Publication details, including instructions for authors and subscription information:
http://www.tandfonline.com/loi/ctwq20

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Achin Vanaik a

a Achin Vanaik has recently retired from the Department of Political Science, Delhi University; home address, S-314 Panchshila Park, New Delhi, 110017, India

Published online: 23 Apr 2013.

To cite this article: Achin Vanaik (2013): Capitalist Globalisation and the Problem of Stability: enter the new quintet and other emerging powers, Third World Quarterly, 34:2, 194-213

To link to this article: http://dx.doi.org/10.1080/01436597.2013.775779

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Capitalist Globalisation and the Problem of Stability: enter the new quintet and other emerging powers

ACHIN VANAIK

ABSTRACT Ever-expanding capital accumulation cannot be stable or cumulative without coordination and regulation provided by the state and the system of states, wherein the subset of the most powerful states is vital for establishing stability. There is a hegemonic transition of sorts towards a new quintet of powers in which the USA will remain indispensable as the key coordinator. Pretensions regarding China as the new hegemon are exposed as also are Indian claims. Moreover, it is argued that the BRICS grouping cannot provide an effective alternative to the quintet. However, the likely failure of the quintet to guarantee future stability raises the issue of the viability of capitalism itself. Transiting towards a post-capitalist order requires as a necessary if insufficient condition confronting the informal empire project of the USA that underpins capitalist globalisation.

Today’s world is the outcome of partly autonomous geo-economic and geopolitical dynamics whose complex interaction began 200-odd years ago covering four historical phases. What is the basis for such a periodisation? What key underlying processes shaped our world and will shape the future? A decisive part of the answer is the emergence of a process of capitalist industrialisation demanding constantly expanded reproduction of capital, but emerging within a pre-existing context of multiple states. Ever since, these twin features of capitalist expansionist drives and a multiple-states system have persisted. That system has always been disproportionately shaped by the subset of the most powerful states of the time. This accumulation process is best described as the ‘uneven and combined character of capitalist development on a world scale’. The ‘unevenness’ refers to the inescapable divergences and convergences created. It is ‘combined’ at all levels—cultural–ideological, economic–technological, social and political. And it involves not just coexistence and juxtaposition of the new and old but also their re-articulations and combinations,
producing a modernity marked everywhere by various hybridities—culturally of practices and values, ideologies and belief systems. Socially there is above all the creation of social amalgams or distinctive blocs of ruling classes; politically there is the creation of public authorities, traditional and modern, most importantly state forms, always committed to protecting the interests of dominant classes. Even as states may share common attributes of nationalism, capitalism, democratic or authoritarian rule, they always carry forward their distinctive specific histories and associated tensions.

A competition among capitals seeking to overcome all social and geographical barriers is the intrinsic propulsive force behind capitalism’s world-changing dynamic. But this process cannot be stable or cumulative without an externally supplied principle of coordination and regulation to ensure that such competition, which translates in various ways into a competition between states, is not allowed to become system threatening. States provide nationally vital legal, regulatory, institutional, fiduciary and infrastructural frameworks. They police capital–labour relations in favour of the former; they manage the macro-economy and provide (especially in electoral democracies) popular legitimacy for elite rule. Internationally the states system, above all the most powerful sub-set, must somehow provide necessary stabilising mechanisms.

Geopolitics and geo-economics are inescapably intertwined. The right and centre talk of the need for hegemonic stability. The left talks of a capitalist–imperialist order, with its train of sub- and regional imperialisms, rising and declining imperialist powers. It seeks either the system’s overthrow or its radical reform. But both sides can agree on how changing phases of capitalist development emerge in connection with changes in the relationship of forces between the existing hegemon and aspiring global powers. Thus, the first phase extended from the late 18th century to World War I, when Britain, the hegemon, faced the rising challenge of Germany and the USA. The second interwar period saw enormous upheaval because there was no hegemonic stability. In the third post-World War II phase, despite bloc rivalry constraining capitalist expansion, the US hegemon did stabilise Western Europe and Japan, thereby providing a powerfully attractive model of capitalist liberal democracy to Second and Third World populations.

We are in the fourth phase today, which geopolitically speaking was inaugurated around 1990 when systemic Cold War rivalry ended. Geo-economically speaking inaugural dating would be from the late 1970s to the early 1980s, when neoliberal globalisation emerged, producing the abandonment of Keynesian and welfarist commitments in the advanced countries, and state-led developmentalist perspectives and practices (East Asia) in the developing world.

In this paper it is argued that a hegemonic transition of sorts towards a new quintet of powers is now taking place but will fail to provide the required stability. The USA, despite relative decline, will remain indispensable and the key coordinator within the system. There will be no collective hegemon. Claims about China as the new hegemon or of India as a near equal power are to be dismissed, while the incoherent grouping of Brazil, Russia, India, China and South Africa (BRICS) cannot provide an effective alternative or complement to the quintet. Given that future tumult on a global scale is guaranteed, this
necessarily raises the issue of the viability of capitalism itself. Thus the issue of
a transition towards a new order transcending capitalism is raised and briefly
addressed. Such discussion must take up the informal empire project of the
USA since this is the crucial ballast for the deepening and consolidation of cap-
talist globalisation.

But before proceeding further, a central question needs addressing. Does capi-
talist globalisation necessarily imply the declining relevance of the nation-state
system? That capitalist accumulation is uneven and combined and that the coor-
dinating mechanisms are the national states and the states system itself, indicates
that many capitals means many states. While individual capitals want
maximal space for expansion through competition, they want this on their
terms, with protection and support when outcomes are potentially or actually
adverse. This can come most strongly from ‘their’ states. It remains valid to talk
of national capitalisms, if not necessarily of ‘national bourgeoisies’ in the classic
sense. Transnational corporations (TNCS) look to key host states for protection of
investments and sales but rely above all on their home states, where ownership
and control is most seriously vested. Genuinely ‘multinational’ corporations
remain a small minority. Firms are not unavoidably price-takers. The reality of
increasing returns means size matters and in key sectors competition globally is
oligopolistic. State budgetary resources and diplomacy are repeatedly involved
in helping TNCS dominate markets. Moreover, neoliberal globalisation pushes
for the freer movement of goods, services and capital, not of knowledge, tech-
nology or labour, where the controllers are respectively the patents regime
and nation-states justifying their restrictions in the name of specific national
loyalties.

Nation-states persist for other reasons. The last-resort, swift exercise of lega-
lised means of physical force itself requires territorial delimitation of the bound-
daries within which this is both possible and acceptable, ie legally endorsed by
the principle of a distinct citizenship loyalty. Political order is therefore neces-
sarily spatially limited. There is no way one state or even a few states alone can
ensure such order over the whole planet. So some way of trying to do this, ie
to ensure capitalist stability, must be found through the existing multiple states
system. Different nation-states, representing different complexes of ruling elites
having shared interests in maintaining a stable global capitalist order, look for a
more foundational stabilising mechanism in the form of a subset of the most
important states.

Key features of the current global order

First, even as the transnationalisation of economic and financial processes con-
tinues apace, the number of nation-states has actually increased. Moreover, all
key global structures of attempted governance like the IMF, World Bank, World
Trade Organization (WTO), UN Security Council, etc are multilateral not transna-
tional, such that the relationship of forces between the most powerful states
basically decides policy directions. The most advanced experiment in building a
transnational framework of governance—the EU—has remained somewhere

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between a federation of nation-states and an intergovernmental agency, and is in crisis.

Second, for the first time ever capitalism bestrides the planet. This means that the decades of neoliberalism have created social layers and classes whose absolute and relative socio-political weight has grown significantly and who benefit from the very inequalities created. Whatever the rivalries besides, across and through the nation-states system, they have a general collective interest in maintaining the current capitalist order.

The third key feature is that, for the first time in centuries, the likelihood of war between major powers is so remote as to be negligible. Why then the continued military preparations by the USA, giving it a spread (700-odd bases in over 130 countries) greater than at the height of the Cold War?! Why the accelerated military preparations of China and India, while Russia is determined to at least sustain the military prowess bequeathed by the break-up of the USSR? The USA is determined to pursue its informal empire project, in which its network of alliances and its spread of bases constitute its crucial hardware. Other aspiring great powers not fearing major military assault nonetheless want greater prowess more for reasons of status and global prestige and to cash this in for more general diplomacy gains. But there is also another reason for this extended militarism. The economic reach of today’s globalisation far exceeds its military reach. Nevertheless, this economic process needs steadily expanding punitive capacities as the last-resort (sometimes first-resort) suppressor of major turbulence caused by the very unevenness and brutalities of that globalisation process: the chief world policeman is the USA but roles are also available for the other military big shots.

Fourth, the most important of the ongoing political transformations has been the making of what Professor Perry Anderson of the University of California Los Angeles, in a brilliant and as yet unpublished presentation at an international conference in New Delhi in November 2010 on ‘The global crisis and hegemonic dilemmas’, referred to as an emerging new pentarchy, consisting of the USA, the EU, Russia, China and India. Countries like Brazil, Mexico, Argentina, Turkey and South Africa important in the G20 don’t quite make the grade. This quintet will not become a formalised grouping comparable to the G8 or G20. Its workings will be informal and revolve around the USA as the chief coordinator and bilateral transmitter. But only these five entities possess in sufficient measure all three vital ingredients for qualification, namely demographic, economic and military weight. Japan also possesses them but is excluded because of its total subordination to US foreign policy, unlike the more independent others in the quintet. Furthermore, by virtue of population, resources, relative prosperity and geopolitical location, Eurasia constitutes the heartland of the world order. It is the dominant powers today and tomorrow in Eurasia which, alongside the one continental and truly world power—the USA, which lies outside it—that must take on the responsibility of stabilising a global neoliberal order.

Before concluding that the quintet is the key collective actor, we will need to assess the BRICS grouping as well as evaluate the strengths and limitations of a China and India very much on the move.
China the future hegemon?

The theoretical tradition most insistently raising this question is the school of world systems analysis and its affiliated currents. For its most able practitioners the study of China’s economic history was never separated from inter-state dynamics and incorporated analyses of military power and cultural hegemony. For them the current rise of China is no surprise but is seen as having roots that are long, deep and distinctive. An important recent intellectual marker has been the late Giovanni Arrighi’s *Adam Smith in Beijing*, which has provoked a rich and vigorous debate around its merits.\(^5\)

**Three issues**

Three issues are particularly pertinent here: 1) Is China a non-capitalist market society or a capitalism with Chinese characteristics? If the first, then there is warrant for the hopes Arrighi had of China as a progressive countervailing force to Western and US hegemony. If, however, China is very much an integral part of the global capitalist order, then it is far more likely to be part of the problem than the solution. 2) What are China’s economic strengths and weaknesses and its likely trajectory? Any claim of its replacing the USA as the hegemon hinges more on an assessment of China’s economic strength than on its military or cultural potential for global leadership. 3) What is China’s relationship with the global South and will it lead other emerging powers in transforming North–South relations in favour of the latter?

In this writer’s view Arrighi’s argument that China should be seen as a non-capitalist market society rests on weak grounds theoretically and empirically. Theoretically Arrighi’s judgement is founded on two disputable assumptions, namely that the Chinese state pursues the ‘national interest’ and is not capitalist because the capitalist class has not imposed its will on it. Second, since the rural population (still a majority) continues to have land user rights, it is not really a proletariat dispossessed of its means of production. The very notion of a ‘national interest’ is an ideological mystification. States are structurally biased in favour of powerful sections of society, despite a certain autonomy and set of general functions not always reducible to claims of serving specific class interests. Arrighi claims that ‘the capitalist character of market-based development is not determined by the presence of capitalist institutions and dispositions but by the relation of state power to capital’.\(^6\) But he does not buttress this by any in-depth analysis of the Chinese state and its defining functions. Furthermore, in endorsing Smith’s understanding of capitalism (and therefore non-capitalism), Arrighi will hardly impress Marxists since he does not himself ‘define the capitalist mode of production or examine the Chinese mode of production in detail’.\(^7\) Unsurprisingly many a left-wing assessment of Arrighi’s characterisation of China would vary from scepticism to dismissal.

The second argument is formalistic and not substantiated by an empirically grounded survey of how a process of proletarianisation is actually taking place. Beginning in the 1990s, if not earlier, there has been massive private appropriation of public properties, including former state owned enterprises (SOEs) and
town and village enterprises (TVES). Centralisation of manufacturing units has taken place, as well as massive urbanisation: the population living in cities has risen from 18% in 1978 to close to 50% today.

An urban land market has arisen with skyrocketing land prices. Although rural land user rights were made indeterminate in 2007 and there is no private land ownership, transfer of contracts for land use with the agreement of local authorities was made possible, as was the state confiscation of land with compensation. This led to a substantial takeover of farmland for urban expansion. In short, there are *de facto* forms of privatisation of land user rights. There has emerged a powerful urban–industrial capitalist class, especially in the southern coastal region, significantly influencing government circles up to and including the Politburo, as well as having close ties with foreign investors and companies based in China for export purposes. In addition to urban-based industrial workers, by 2006 rural migrants without urban residency permits (and related benefits) numbered 130 million, declining a little thereafter. Their rural land-user ties serve as a welfare hedge against extreme precariousness but this urban reality testifies to an accumulation process with variable and flexible forms of dispossession, rather than to Arrighi’s non-capitalist ‘accumulation without dispossession’.

By 2010 China was the world’s second economy, the premier exporter and biggest energy consumer. Technologically China’s production pattern ranges over low- and medium-tech sectors with pockets of high- and even very advanced-tech sectors. By 2011 eight Chinese firms (six oil and gas producers and banks, one life insurance and one mining company) featured in the world’s top 100 companies. According to 2009 figures, inward foreign direct investment (FDI) dwarfs China’s outward FDI flows (99% of which are by state-run enterprises) but at 9% of world outward FDI the country ranks fifth and is well below USA and EU shares of 22% and 35%, respectively. In 2011 China’s foreign exchange reserves reached an extraordinary $3.2 trillion.

But these seemingly impressive statistics hide real weaknesses. China remains too dependent on external trade. Its sum of exports/imports reached 53.2% compared to 27.3% for Japan and 24.4% for USA in 2011, and is far greater than was ever the case with the export-oriented growth patterns of Japan and South Korea in their ‘miracle years’. Huge imports of intermediate and capital goods from Japan and other East Asian countries have made China a crucial regional hub. The country’s structural infirmities could bring down the economy of this whole East Asian bloc.

China’s high growth rates have been based on very high levels of savings and therefore investments, not on significant advances in overall productivity comparable to those of the West and Japan. Savings do not sufficiently translate into domestic consumption. Despite the Twelfth Five Year Plan’s (2011–15) declared objective of ‘rebalancing’ the economy by shifting towards a domestic consumption-based growth, there are no signs of this happening yet. From 1983 to 2005 wages as a ratio of national income fell from 56.5% to 36.7%. The huge stimulus package that the government introduced in 2008 to counter the effects of the global Great Recession prevented growth rates falling drastically but was mainly geared to infrastructure investment (the high-speed rail system)
and to sectors like cement and steel, which already have excess capacities, thereby neglecting social sector spending.

In 1978 China’s Gini coefficient was among the lowest in the world. By 2008 it was among the highest. Around 1% own 40% of the wealth, making it the world’s biggest luxuries market. Average disposable income in rural areas is $898, compared with $2900 in urban China. In rural China there is a health and housing crisis, labour unrest and lack of adequate rights. In 2010 the official count of ‘incidents’, ie riots, protests and strikes, was 180 000. The unofficial count is much higher. No wonder the central government talks of building a ‘harmonious society’ even as it seeks to stabilise elite rule by promoting an ideology whose principal motifs are consumerist modernisation and national pride and patriotism. Even so, the Prime Minister, Wen Jiabao, correctly stated in 2007 that the economy was ‘unstable, unbalanced, uncoordinated…unsustainable’.11

But the structural imbalance remains. Foreign capital plays too big a role. The foreign-owned stock of investment is around one-third of the economy as compared to 2% for Japan. Even if overseas Chinese provide a very significant component of this, they nonetheless have a vested interest in maintaining the existing growth pattern. In order to obtain advanced technologies and outside markets, Chinese SOES have consciously chosen to have strategic partnerships with foreign companies while holding majority shares. Affiliates of foreign firms account for one-third of total manufacturing sales and one-half of exports. Putting things in perspective, in 2010 China had a GDP of $5.9 trillion, which is 40% of the US total. Calculated in official exchange rates and not in purchasing power parity (PPP) terms gives a clearer idea of the real comparative weight of China in the world economy. But its gross per capita GDP of $4250 is only 9% of that of the USA at $47 240.

China’s financial structure is greatly over-extended, with too high a proportion of non-performing loans currently held by four government-established asset management firms, themselves given loans consisting of long-term maturity bonds, ie postponing comeuppance for SOE culprits who may still not be able to transform themselves into big enough profit-makers capable of repaying their huge debts.12 Privatising these SOES is no answer since who would want to buy up such loss-makers? China remains stuck as the world’s major exporter dependent on the USA as its single biggest country-wise market absorbing 18.4% of its total exports in 2011, while the EU as a whole took up another 19.7%. It also remains stuck as the main creditor to the USA, as Treasury bond purchases keep the latter’s economy running with low interest rates and low inflation through low-cost imports (from China). Whatever the USA’s long term worries it believes, understandably, that China will not commit economic suicide to punish it by massively unloading its dollar reserves. The USA has time and space to reorganise itself in a more high-value, high-tech, green-economy direction.13

Finally, what of South–South cooperation and China’s potential and actual role? Its economic centrality to East Asia is undeniable. China is replacing the USA as the primary trading partner and investment destination for East Asian countries from Taiwan, Malaysia, Singapore to South Korea and Japan. The rest
of the world is less important. Latin America accounts for 12% of Chinese FDI, Africa for 4%, Europe for 4%, Oceania for 3% and North America for 2%. But in volume terms China has replaced the USA as Brazil’s largest trading partner. In 2010 it became India’s largest trading partner (exporting far more to India than it imports) but it is dwarfed by the USA and the West when it comes to investment in India. In Africa it has recently overtaken the USA to become the continent’s top trading partner. China is a major customer for the global South’s energy and raw materials exports but also a competitor in low-cost manufactures and a range of consumer goods, eg textiles.

Of the three views concerning China’s relationship with Africa—longer-term benevolent developmental partner; systematic exploiter of its raw materials wealth; potential coloniser replacing the West by forging partnerships with African elites irrespective of their capacity or authoritarianism—the jury is still out on which of these perspectives is, or will become, predominant. As for Latin America, Brazil’s direction will powerfully shape the continent’s general politico-economic trajectory. The rise of a New Left is specific to the region, owing nothing to outside support. Nor is China out to forge an anti-imperialist bloc with the most radical of that continent’s regimes—Cuba, Venezuela, Bolivia, Ecuador. While Beijing has been talking of encouraging a multipolar world order, and sometimes of resisting US hegemonism, its central preoccupation is not so much opposing as getting the USA to progressively acknowledge it as a global equal, to respect its national interests and accept that, while these are not congruent with those of the USA, they do not make China a strategic opponent, let alone enemy.

To turn to Latin America briefly, the intra-regional organisations of cooperation—the Bolivarian Alternative for Latin America and the Caribbean (ALBA), Southern Common Market (Mercosur), Union of South American Nations (UNASUR), South American Defence Council, Banco de Sur—show that this part of the world has gone furthest in efforts to bring about an integration process that is an alternative to Washington’s Free Trade Area proposals. What happens to these bodies depends above all on what happens domestically in key countries. While Cuba, Venezuela, Ecuador and Bolivia currently represent a serious anti-imperialist front, the future direction taken by Brazil, Argentina and Mexico may prove decisive. Mexico, like Colombia, remains subordinate to the USA. Brazil has consciously pursued a more independent foreign policy, refusing to ostracise Cuba and Venezuela, even seeking with Turkey to resolve the Iranian uranium enrichment crisis, an effort scuppered by Washington.

Argentina’s orientation currently falls between that of Mexico and Brazil. Closer economic ties between Latin America and China and India can provide greater policy flexibility. But it is the domestic socio-political balance of forces and how these will play out that will determine how progressive or otherwise its policies will be. The quicker and greater the decline in US hegemony, the greater the stimulus provided to internally progressive forces and the greater their room for manoeuvre and successful struggle against their neoliberal-minded class and political opponents. However, the severest political challenge to US hegemony is not presented by either India or China but by unfolding developments in the Middle East, North Africa and Central Asia.
What about India?

Before the end of the Cold War India was viewed as a somewhat stagnant ‘Middle Power’. Its democratic system was widely admired and it was seen as South Asia’s ‘natural hegemon’. However, given its scale of poverty, it compared poorly with the rapidly developing countries of East Asia. China was clearly a future world power and, flanked by other ‘miracle’ economies, wasn’t East Asia (including Japan) destined to become the world economy’s epicentre? Three factors helped change this image of India.

First, the disintegration of the USSR automatically raised the relative status of powers such as Japan, Germany, China, India and Brazil. Second, an Indian shift in economic and political policies resulted in an altogether more favourable attitude towards India by governments, elites, high-ranking academics and leading media outlets in the West. Politically India had abandoned its strategic tilt towards Russia, increasingly paying only lip service to the Non-aligned Movement (NAM), of which it had been a leading member. It was now seeking strategic friendship, even partnership, with the USA. The ‘new economic policy’ from 1991 onwards represented an ideological shift towards acceptance of the post- and anti-Keynesianism that earlier had started reshaping the economies of the advanced capitalist countries. Suddenly the high and steady average annual growth rates of the Indian economy—just under 6% from the early 1980s right up to 2003, after which it increased to around 8% annually—were recognised and lauded. India was now perceived as a new economic giant. Admittedly the international financial crisis from mid-2007 did adversely affect the country and its growth performance has been erratic since. Third, in 1998 India declared itself a nuclear power, carrying out underground nuclear tests. The USA, Europe and Japan initially opposed but eventually accepted this new status. India effectively defied the rest of the world, including its dominant powers, yet paid no serious or lasting price. Leaving aside the (de)merits or dangers and consequences of what it had done, India’s successful defiance suggested that it could set new global rules of behaviour that others would eventually follow.

So how significant a power is India going to be? Undeniably India’s average annual growth rate over the past 15 years or so puts it among the top 10 performers; only China and Viet Nam have performed better. Whereas the ‘boom’ in these two countries has been led by the manufacturing sector, in India it has been the services sector which has led, accounting for 59% of GDP at factor cost in 2011/12, compared with industry’s share of 27% and only 14% for agriculture. While productivity has risen, the major reason for such high growth rates is simply the rise in domestic savings and investments. The savings rate in India stood at 32.3% and investment at 35.1% of GDP in 2011–12, having fallen from the 2007–08 figures of 36.4% and 37.7%, respectively. In 2011–12 FDI was $28.4 billion. Although more slowly than China and many Southeast Asian countries, India is nevertheless being steadily integrated into global channels of production, trade, investment and financial speculation. In fact, since 2005 there has been a marked acceleration in outward FDI from public and, more notably, private Indian companies. In 2011–12 this outward flow (which includes guarantees) reached $23.8 billion. Since services are the fastest growing sector, its
influence over the economy will continue to increase. Given their production and export profiles, China is unsurprisingly touted as the ‘world’s factory’ and India as the ‘world’s office’.

Yet, because this ‘boom’ is services led, its positive impact has been much weaker. Around 60% of India’s population still depends on agriculture and related activities for its livelihood. Overall rates of employment generation and poverty reduction have been slower than in China, while inequalities between rural and urban, of class (measured by distribution of income between wages and profits) and between regions (measured by average per capita incomes) have all worsened. The peculiar disjunction in the Indian economy is that more than half the population depends on employment in the agricultural sector (on- or off-farm); more than half of fixed capital stock (excluding real estate and residences) is in industry; and more than half of output comes from services. These asymmetries of employment–investment–growth mean that, despite the achievement of consistently high growth rates, development, in the most meaningful sense of the term, suffers.

According to official calorific-based poverty lines (themselves controversial) the estimate for the total number of poor in India is around 32% of the population. In any case, more than 90% of the Indian workforce is in the informal unorganised sector. An important report published by the National Commission for Enterprises in the Unorganised Sector (NCEUS) in 2007 stated that at mid-2005 some 77% of India’s population (836 million people) fell short of earning Rs20 a day, a figure broadly consistent with the international poverty standard of US$2 a day in PPP terms. Of this total, 70 million were classified as ‘extremely poor’, 167 million ‘poor’, 207 million ‘marginal’ and 392 million ‘vulnerable’. India’s ranking, according to the UN Development Programme’s Human Development Index, has hovered between around 120 and 135 since 1990.

Nevertheless there are still some 20% of the population who are said to constitute the ‘Great Indian Middle Class’ (GIMC) which will, in due course, outnumber the total population of the USA. This GIMC has been the biggest beneficiary of the dualist pattern of Indian economic performance and identifies its own interests with those of the state. Unlike its counterparts in the West, it is not a median category serving as a social buffer between, say, the top 10–15% and the roughly 40% working poor and underclass. Consequently, pressures from below—electoral and otherwise—do at times result in the introduction of policy measures like reservations in public sector jobs and public educational institutions that upset the GIMC.

What are these other pressures? There is increasing Muslim ferment given Muslims’ economically and socially disadvantaged position as well as the rise in anti-Muslim prejudices and violence. Muslims are mostly self-employed and belong to the rural and urban poor. In addition, the Hindu Other Backward Classes or OBCs (basically comprising the intermediate or middle castes that constitute around 52% of the population) and the Dalits (untouchables) are becoming more assertive.

All kinds of insecurities, resentments and frustrations make the GIMC more self-righteous, belligerent, communal and insensitive to the poor and disadvantaged than ever before, and the ‘official nationalism’ of the Indian state
substantially reflects their values and beliefs. India’s unusual combination of economic change led from above and political pressure from below (exercised in and expressed through the peculiarities of India’s democratic system) creates a social amalgam that threatens dangerous instability in the future.

What about India’s foreign policy shift? That India has now ‘bandwagoned’ with the USA is obvious and has been rationalised as the best way to promote a ‘multipolar’ world order. The socio-political–ideological foundations for a long-term India–US alliance are robust and do not preclude a degree of flexibility in India’s foreign policy. However, India’s room for geopolitical manoeuvre would be increased by political defeat for the USA in the Middle East or Central Asia. A closer look at certain key triangles is imperative. In South Asia the USA aims to be the principal balancer in the USA–India–Pakistan triangle and in East Asia in the USA–China–Japan triangle. The USA also aims to link the two regions via Southeast Asia by promoting closer relations between India and Japan. Additionally, in the USA–China–India triangle, it is the evolution of the US–China relationship (whose future trajectory will essentially be determined by US behaviour) that will determine the evolution of the Sino-Indian relationship. The US stance towards China incorporates two seemingly contradictory postures, but is probably the most effective way of pursuing the former’s longer-term project of nullifying any future Chinese geopolitical challenge, either through its incorporation in a framework of accepted US leadership, or by so isolating it that the costs of a Chinese challenge are viewed as too high. Thus, the USA treats today’s China both as potential opponent and as potential friend and makes preparations—military, economic, cultural and political—accordingly.

Pakistan serves US geopolitical interests westwards (Middle East) and northwards (Central Asia), while India serves US geopolitical interests southwards and eastwards, above all as a junior naval partner to control the Indian Ocean. This requires developing India’s military relationships, not just with Southeast Asian countries such as the Philippines, Singapore and Indonesia, but also with Australia and Japan. Since 2003 serious discussions have taken place between the USA and India regarding the establishment of an Asian equivalent to NATO, in which India, Japan, Viet Nam, the Republic of Korea, the Philippines, Indonesia, Malaysia and Singapore could play important roles (linking up with Australia) in the overall project of containing China. In October 2008 India and Japan signed a ‘Strategic and Global Partnership’ agreement, making India the third country after Australia and the USA with which Japan has signed such a document.

The ‘strategic triad’ of India, Israel and the USA also remains firm. Israel is the second most important arms supplier to India after Russia. India is Israel’s biggest arms buyer, accounting in the past decade for over $9 billion in defence-related purchases. Israel and the American Israeli Public Affairs Committee (which major elements in the Indian diaspora in the USA regard as an organisational-lobbying model to be emulated) are perceived in New Delhi as crucial conduits for influencing Washington. So determined is the Indian government to maintain close relations with Israel that nothing the latter does—be it the murderous bombing of Gaza in December 2008–January 2009 or its
assault on the Gaza Freedom Flotilla in May 2010—is allowed to alter this orientation. Even though the ‘Arab Spring’ has resulted in the fall of regimes in Tunisia and Egypt, thereby realigning power equations on balance to the detriment of Israel and the USA, India’s response has been very low-key. Upholding its alliance with Israel and the USA remains India’s top priority.

The BRICS summit

Since individual countries like China and India are not good candidates for global hegemony what about collective groupings like BRICS? The official outcome of the fourth BRICS summit in New Delhi on 29 March 2012, embodied in the consensual ‘Delhi Declaration’, offered a clear insight into the current significance and trajectory of BRICS as a collective body. There have been two contesting views. Enthusiasts see the very fact of regular summit meetings, with their ‘escalating consensus’, as boding well for its ability to reshape the institutions and practices of global governance. The fact that the G7 gave way to the G8 and then to the G20 (incorporating BRICS as well as other emerging economies) as the main international grouping undertaking to steer the world economy, is taken as testimony to the growing relevance of the emerging powers in general and of BRICS in particular. Others are more sceptical.

BRICS are viewed here not as major reformers of the current global neoliberal order but as new members happily included in a still hierarchical ‘world steering committee’ because they too will play by the basic rules. BRICS account for 42% of the world’s population, 18% of its GDP, 15% of world trade and 40% of its currency reserves. (It is often ignored that the Gulf Cooperation Council comprising Oman, the UAE, Bahrain, Qatar, Kuwait and Saudi Arabia, which are all politically subordinate to the USA and more obedient towards its economic needs, have in total more dollar reserves—official, sovereign wealth and other government funds—than does China). The main importance of BRICS lies in the fact that it accounts for more than half of the world GDP growth rate. Yet the Delhi Declaration showed that there was no real challenge to the neoliberal order and no interest in promoting a New International Economic Order (NIEO) of the kind once discussed by the NAM. Indeed, neither Brazil, which has observer status in the NAM, or China, which got this in 1992, have shown interest in becoming full members of the movement or in reinvigorating it as a mechanism for transforming global governance. Whether it is being part of the G20 or being aspirants to permanent status in the UN Security Council (for those who are not yet permanent) or playing a bigger role in the WTO’s Green Room decision making, the emerging powers have shown more interest in joining the ‘big-boys’ club’. They use their membership of the G77 and similar groups to project themselves as representatives of the interests of the poorer developing countries, the better to leverage pursuit of their national interests in negotiations within that club. This is a balancing act of sorts but not one whose primary purpose is to strengthen the South as a whole or to prioritise the interests of its most vulnerable and poorest member countries.

The Delhi Declaration accepted the free trade mantra as the key to global prosperity, simply calling for more regulation of the global financial system.
Instead of seriously challenging the IMF–World Bank–WTO triptych, let alone working to radically transform it or build an alternative governing architecture to it, the Delhi Declaration promised to work with the G20 in the domain of global macro-management. Where the IMF is concerned, it demanded merely that it live up to the ‘2010 Governance and Quota Reform’ for providing greater representation and quotas to emerging powers. These reforms, however, will not alter the US position of alone being capable of vetoing any crucial decisions in the Executive Board.

As for setting up some alternative mechanism for institutionalising intra-BRICS cooperation of a kind that might seriously challenge existing structures, this did not happen. The Delhi Declaration talked about setting up a new ‘Development Bank’ but carefully stated that this would not compete with the World Bank. This will remain the case even if beginnings are made to set it up after the 2013 BRICS meeting in Durban. On the economic front the one measure of some significance, though hardly a challenge to existing structures of global economic governance, was an agreement on intra-BRICS credit provision in local currencies for promoting intra-BRICS trade. There will be greater inter-bank cooperation as well as facilitation of more cooperation in capital markets, financial services, treasury transactions, stock exchange investments and the issuance of local currency bonds according to national laws, ie minimising transaction costs in intra-BRICS economic activities. Collective self-interest rather than learning the lessons of the past and present meant that the pursuit of nuclear energy was endorsed even as UN Security Council resolutions on Iran were shamelessly endorsed. On global warming the feeble outcome in Durban in December 2011—where the USA, India and China as the big emitters were the main culprits—was also endorsed. If nothing else, this indicated that the BRICS group is not going to take the bull by the horns as it were when it comes to charting out any new eco-friendly development paradigm.

The reality is that a basic political–economic incompatibility rather than organisational handicaps limits the collective’s capacity to function as a powerful and innovative new force in the realm of global politics and governance. The South African super-wealthy, mostly white, park much of their wealth and investments in Europe and Australia, creating a domestic balance of payments problem because of repatriation of profits and dividends to parent companies set up abroad. Given this powerful elite force, South Africa maintains a strong Rand, unlike the other four group members, who are nowhere near as committed to maintaining a strong Real, Rouble, Renminbi or Rupee. By demography (50 million) and total GDP, South Africa might not be in the same league as the other four or even as significant as Mexico, South Korea and Turkey. But it is far and away the biggest investor in Africa, dwarfing the USA, EU, China, India and Brazil, and it alone accounts for 40% of all African investment and 80% of all investments in the Southern African Development Community (SADC) countries. In foreign policy it is more obsequious than the others to US foreign policy, except on Palestine. India is pursuing ever closer relations with the USA despite hiccups and is part of the USA’s China containment policies. Brazil is paying more attention to its intra-continental economic activities as well as showing more foreign policy independence from Washington. But outside Latin
America this is more a way of asserting a greater self-confidence as an emerging power than actively seeking to put serious spokes in US foreign policy functioning. Russia and China, however, are both more perturbed by US behaviour globally than the other three and thus seek greater bilateral political–economic cooperation.

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

**The USA in the quintet**

It might be wiser then to recognise that the key collective grouping is going to be the quintet referred to earlier. This is not and cannot be a concert of equals or near-equals. It is essentially a hub-and-spokes arrangement with the USA at the hub and the others on the circumference, each much more concerned with handling its bilateral ties with the USA than with deepening relations along the circumference in ways that might seriously antagonise the latter. The USA is the indispensable and irreplaceable leader, for only it has that combination of qualities making for leadership—namely the distinctive strengths that the others cannot fully emulate yet also the ability to project a social–political–cultural model that is potentially generalisable, thus serving as an aspirational model worldwide as well as within the quintet. How many states and their ruling and middle classes want to become more and more like Russia, China or India rather than like the USA? The EU by its very nature cannot be the single unified aspirational model.

The USA is the largest single highly advanced capitalist state in the world, possessing immense natural resources and a huge population nourished through regular immigration by the relatively young and talented. It is the strongest capitalist state not just militarily but also technologically. It is easily the most politically unified state in the quintet, where political alternation between Democrats and Republicans causes the least policy disruptions. Nor does it have anywhere, let alone on its peripheries, the kind of secessionist or autonomy-demanding pressures that Russia, China and India have to cope with. It is also the safest capitalist state, being blessed geographically as an island continent and socio-politically by having a capital–labour relationship that is most strongly institutionalised in favour of the former than in any other democracy anywhere in the world, let alone in Europe. Where would the global rich most want to park at least some of their wealth if long-term safety of their assets was an important consideration? Finally, the USA is the purest of all capitalist states. Not possessing the historically constituted social and cultural density of the European countries, Russia, India and China, American modernity is the shallowest of all historical modernities and the most individualist and least collectivist in spirit. This very shallowness, coupled with its immigrant character, makes its forms of mass and popular culture from films to TV serials to dance and music, the
relatively most assimilable and imitable by other societies. Whether it be its particular forms of capitalist organisation, such as joint stock companies, Taylorism, Fordism, accountancy norms, etc, or its cultural products, the very ‘purity’ of its capitalism makes it modular and transportable in a way that other capitalisms cannot be.19

What then might cause the dysfunction of this emerging quintet itself? First, the possibility of debilitating tensions within the quintet, more specifically US relations with Russia and China. In pursuit, above all, of rapid internal modernisation the last thing Russia and China want is for the USA to see them as strategic opponents. They will even live with the current US containment policies—such as NATO’s eastward expansion and pressure, the US-led construction of an Asian NATO in all but name, and its National Missile Defense project aiming at military nuclear dominance in outer space—as long as Russian control over its ‘near abroad’ and China’s concerns with regard to North Korea and Taiwan are sufficiently respected.20 The future direction taken by these two bilateral relationships will be determined by what the USA decides and how it behaves, not by them.

The second debilitating factor would be the USA’s own potential for economic disarray with the longer-term effects of the Great Recession of 2008 onwards having still to play themselves out. But since there is no possible economic substitute for its role as world ‘lender of last resort’, it is the possible severity of its political decline that is more dangerous. Here its political weak spots are Middle East, North Africa and Central Asia. It remains to be seen whether the political setbacks in Afghanistan and Iraq further deepen to the point where US plans to Iraqi-ise and Afghan-ise their occupation and establish behind-the-scenes control are defeated. Make no mistake, the USA is determined to be there for the long haul for geostrategic reasons that go well beyond its declared aims of fighting terrorism and dictators. Also of great significance in this respect will be the success or failure of US efforts to isolate and tame Iran, settle the Palestinian issue on terms that would be profoundly unjust and therefore acceptable to Israel, and prevent the upheavals in the Arab world from taking too anti-American a turn.

The third and most important longer-term danger is to the quintet as a whole. The great game-changer of the past 150 years, insufficiently theorised or understood by the dominant theories in International Relations (concepts of ‘soft’ and ‘smart’ power are belated and inadequate attempts), is the emergence of mass politics—the entry of huge numbers of ordinary people into the arena of political life. Mass approval, ie mass legitimacy, has become the inescapable background condition of contemporary politics. Its importance waxes and wanes contextually but cannot be ignored and must always be sought. That the USSR, not lacking in ‘hard power’, could collapse because of this loss of moral legitimacy into more pieces than existed at the time of the Tsarist multinational empire and do so with such incredible rapidity should be warning enough. The sense of injustice is what lies behind the mass grievances that create mass anger that leads to mass actions which, if they become popular revolutionary upheavals or take the form of long-term mass resistance, can destroy the best laid plans of the putative ‘masters of the universe’ and their batteries of drum-beaters. This
is why the seemingly far more powerful can be politically defeated, as the USA was in Indochina and the USSR in Afghanistan; why the decolonisation process could not be stopped; why the USA is in a mess in West and Central Asia today; why the seemingly powerful and secure could be overturned in the ‘Arab Spring’.

The members of this quintet will most probably lose moral legitimacy, not least because of their inability to seriously restrain, let alone halt, the ‘four horsemen of the apocalypse’. These are 1) the scale and persistence of poverty globally as well as the accelerated growth and spread of inequalities of income and wealth and therefore of power between social classes; 2) ecological imbalances; 3) the rise and spread of the politics of cultural exclusivisms of all kinds in all parts of the world, namely ethnic hatreds, religious intolerances, nationalist irredentisms, eroding the substantive content of democracy even as it has spread procedurally; and 4) the spread of militarism and nuclearism.

But loss of legitimacy alone is not enough to upset the ambitions and practices of the quintet. What gives hope is the near certainty that this will also translate into mass upheavals having consequences that could be deeply detrimental to the authority of the individual members as well as to them as a collectivity. The globalising character of world capitalist development has produced comparative dissatisfactions at all levels, rather than an absolute degree of exploitation and oppression, a much more important catalyst for mass actions. Such future turbulences do not guarantee the emergence of a more just world order. The capacity of this quintet to obstruct and defuse anti-capitalist transformative processes and struggles is in large part dependent on the US capacity to maintain its power and authority globally. Which is why one necessary though not sufficient condition for achieving a more just world order is that the decline in US hegemony be substantial and speedy. Another is that there should be a much more sustained pursuit of alternatives. What in today’s context would that mean?

The issue of transition

Even if our strategic vision is the eventual construction of a capitalism transcending socialism, do we nonetheless work for a prolonged interregnum of a globalised social democracy of whose blueprints of required political features and institutions at all levels—sub-national, national, regional and global—there are already quite a few? In this writer’s view the idea that there is no escape from creating in the transition period a new globalised social democracy, albeit capitalist, should be rejected. Today’s right is right. The only feasible capitalism is basically the capitalism on offer today—a more miserly, inhuman and intolerant form incapable of re-establishing its best social democratic practices of the past nationally, let alone globally.

The centre of gravity in terms of policies—political, economic, social, cultural—has shifted heavily to the right. What this indicates is that the ‘golden age’ is best seen as an aberration in the longer-run history of the uneven and combined character of capitalist development and expansion. It
was itself the consequence of a unique historical conjuncture when there was a much greater balance in the capital–labour equation in the advanced industrialised democracies, and of a global context where there was sufficient systemic rivalry to hold in check the drive of capital. The problem with the vision of a more cosmopolitan global democratic order that nonetheless remains capitalist while cutting across the nation-states system is that it requires as its economic bedrock the establishment of a global Keynesianism for which the prospects are extremely dim. Keynesianism is inconceivable without significant state control over the movement of capital flows. Neoliberalism was only made possible by a successful shift in the balance of class forces in the First World in favour of capital. Politics precedes economics. Its equivalent in the Third World was the abandonment of attempts, however half-hearted, to establish a developmental state where it did not exist, and by eventual erosion of its policies and perspectives where it did exist in East Asia. Indeed, despite the several crises that have peppered the neoliberal era, culminating most recently in the ‘Great Recession’ globally, it is more or less back to ‘business as usual’. Why?

First, as pointed out earlier, the much greater size and weight of global elites has created a common vested interest in maintaining the current order. After the Great Recession, those calling for an international monetary managerialism of a serious kind and not just for greater and better ‘regulation of the world financial system’ remain a small minority among decision makers and shapers. But even these voices are hardly radical. What is envisaged here is simply much stronger regulation through new forms of global governance, not the drastic curtailment of the freedom of movement of capital flows that a genuine global Keynesianism would require. Today’s Keynesians (all incidentally to the right of Keynes himself) and not only them, are talking of reforming these structures, not of working to undermine them. This is to believe that the very constitutionalised and rules-based structures of neoliberal globalisation can somehow be turned into the foundations of something else—a global Keynesianism—that they were precisely meant to repudiate!22

Second, there has been a very unfavourable historical transformation from below that negates the prospects either nationally or globally of a new social democracy. The vital political mediations built up over decades no longer exist. These were the mass Communist and Social Democratic parties of the First World and their rough equivalents in the developing world after decolonisation. The shift to the right in the centre of gravity of all social democratic parties (whatever their formal appellations) has decisively transformed them into vehicles of what is now sometimes called ‘social liberalism’! A labour movement which is now more segmented and differentiated by ethnicity, age, gender, skills, incomes, geography and informalisation than ever before has also lost the party instruments through which it fought politically against capital.

Now more than ever we need to adopt an unequivocal anti-capitalist perspective. In fact, time-wise the looming ecological disasters leave us no choice. But given the widespread disillusionment with the socialist project, is it at all feasible? What are the reforms conceivable within the existing order but whose very operation undermines capitalist values and practices, thus opening up a dynamic
that progressively undermines it? One name given to this approach is the pursuit of ‘anti-capitalist structural reforms’. The notion of feasibility then has two parts—those of workability and reachability.

Lessons learnt, newer explorations

There is, in fact, an already rich existing literature about such possible ‘structural reforms’ or measures based on theoretical developments concerning possible post-capitalist economic organisational models, as well as empirically grounded studies based on actual experiences the world over—from the stunted promise and potential of former Yugoslavia’s self-management workers’ councils to the insights gained by Cuba’s organically based urban farming experiments to the lessons learnt in deepening democracy from participatory budgeting in Brazil, communities of peace in Colombia, panchayat-based resource planning in Kerala, and the tradition of democratic unionism and base-level organisations forged in the struggle against apartheid in South Africa. It is no coincidence that the continent where there has been the greatest relative success in going beyond neoliberal capitalism is Latin America, where there has been a rise of new-left governments hostile to the USA. There are further lessons to be garnered from the rich and diverse history of various efforts to establish industrial and workplace democracy, the experiences, successful and failed, of worker and peasant cooperatives and the creative activities of radicalised local government bodies such as the once-upon-a-time ‘municipal socialisms’ of Manchester and London, and the experiences in institutionalising direct forms of democracy alongside traditional forms of indirect representative democracy.

Three models of post-capitalist economic organisation have been articulated in some detail and claim to be workable: market socialism; an electronic socialism in which modern information technology is used to coordinate economic activity beforehand, unlike the ex-post character of market based pricing and exchange; and participatory planning with prior coordination of the scale and pattern of major investments, including inter-industry linkages through a negotiated process involving social owners at all levels. Market exchanges would take care of other economic transactions. All three approaches would have various forms of social and public ownership from state to local government/municipal to community to cooperatives. Again, to varying degrees, such models would involve the development of a hierarchy of producer and consumer councils at industry-wide and territorial-wide levels, which would have real decision-making powers and would also serve in part as an infrastructure for devolution of political powers to the public.

At the extra-national level, there could be a Global Asset and Investment Agency, a Fair Trade Organisation, and an International Clearing Union with its own international currency along the lines first envisioned by Keynes (and further developed by other experts) not only ensuring trade balances but the development of a global fund to channel financial support and investment to where it is most needed, thereby ending the domination of finance over production and consumption. Of course, there would also be the cancellation of the debt of poor countries and the elimination of tax havens. A number of thinkers
have contributed to suggesting newer more democratised bodies of global decision making. These have ranged from suggestions for regional parliaments and even the construction of a world parliament to ways of democratising existing UN structures. Many theorists of cosmopolitan democracy and globalising citizenship have made useful suggestions in this regard that can be taken on board even as we move in an explicitly anti-capitalist direction.  

The problem then is not that we lack ideas or reasonably worked out models of institutional alternatives for constructing a more just world order. We do not, even though we imbibe further lessons from their actual practice. We cannot anticipate all or even most of the answers and solutions. In that sense the reachability dimension is the most important. It is in the process of reaching our goal that we will get many answers about workability. What this means is that, although we need an inspiring vision of a possible future to generate support, our most important challenge is a strategic–political one—to recognise, confront and politically overcome our opponents. These are those social layers who have most to lose from the collapse of the American Empire and the support it provides to the current capitalist world order.

The principal strategic task facing us today and tomorrow is simple—defeating Empire. The further we proceed along this road, the easier we will find it to successfully address future problems, expected or unanticipated. Let us then get on with this—we still have a lot to do!

Notes

6 Arrighi, Adam Smith in Beijing, pp 331–332.
10 a) stat.wto.org/
b) trade.ec.europa.eu/doclib/html/111836.htm
c) trade.ec.europa.eu/doclib/html/111704.htm
Notes on contributor