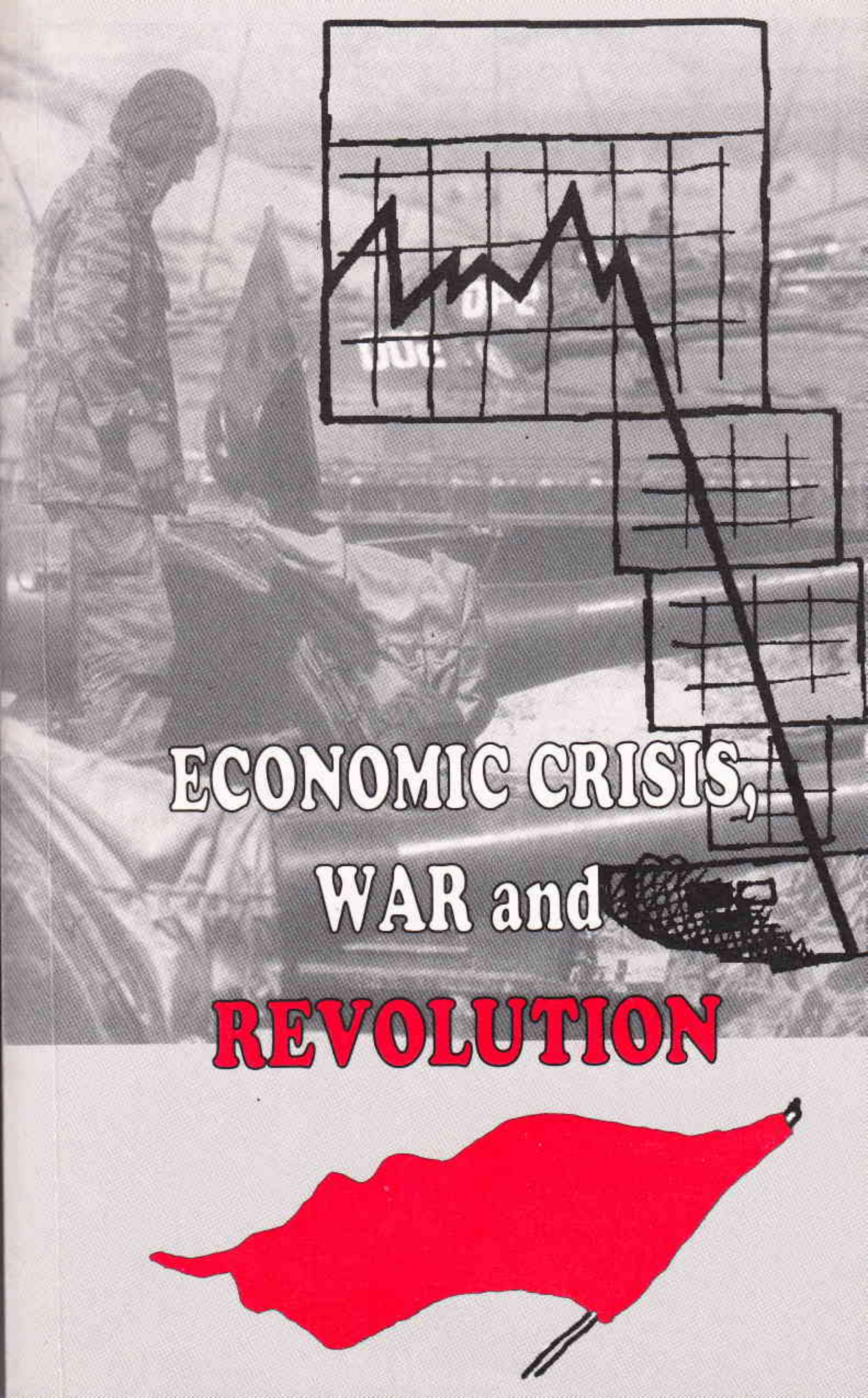

ECONOMIC CRISIS, WAR and REVOLUTION

Economic Crisis, War and Revolution

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Publisher's Note

In this third edition of the booklet "Economic Crisis War and Revolution" we add three more articles taken from the People's March website. The first two appeared in the June 2003 issue of the magazine while the last appeared in the January 2004 issue of that magazine.

International developments are taking place at such speed, that there have been major developments since this booklet first appeared in early 2002. So, there is need to update events. Yet most of the predictions made in that first article are coming out to be true. Primarily the fact that this economic crisis is deeper than any other in the post World War II scenario has proved to be correct. Also that this will lead to growing contention amongst the imperialist powers, with greater possibilities of wars, has turned out correct. In March 2003 US imperialism aggressed on Iraq. It then immediately threatened North Korea, Syria and Iran. Temporarily bogged down in Iraq due to the heroic resistance of its people, it is at present, quiet on other military fronts. But its aggressive policies are bound to continue, particularly as its economic crisis deepens. We hope these four articles will help the reader get a better insight into the fast changing world events, in order to understand the dynamics of what is taking place, and therefore how best to face it. We welcome comments and any suggestions that will help better the analysis for future editions.

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Economic Crisis, War and Revolution

Arvind

It was Sept. 7. Four days before the attack on Washington and New York. Shock waves shook the entire financial system as the US government released its figures for August 2001. The GDP growth rate in the second quarter was just 0.2%, in spite of seven successive cuts in interest rates, a big infusion of government spending, and a huge tax rebate. There was a gigantic loss of 8 lakh jobs in the manufacturing sector in just two months of July and August, taking the unemployment rate (official) to 4.9% compared to 4.5% a month earlier. While it was still reeling under the shock of these figures, came the attack at the very heart of the US's mighty financial/military empire. Shock turned to disaster. $90 billion lost in crumbling skyscrapers; $10 billion lost by US airlines alone due to two days closure; billions more lost by insurance companies; huge losses to the US's financial sector due to a week's closure of transactions, and due to the closure of Wall Street for 4 days — the first time since World War I; and **1% being written off the US GDP due to the entire country being in a state of paralysis for at least two days.** The closure of Wall Street for four days led to a loss of $330million to the four major merchant banks (Morgan Stanley, Merill Lynch, Goldman Sachs and Lehman Bros). Within 10 days of the attack, Wall Street fell 15% and the IT (Information Technology) Nasdaq index fell 17%, and US airlines announced over one lakh lay-offs. That week witnessed the worst fall in US stock market history, with share values eroded by $1.4 trillion (one trillion is 1000 billion). The Japanese Nikkei stock index too fell to a 17 year low.

Synchronised Sinking

The US is not the only economy to be hit by the recession. What we are seeing is that drop in the world economy is occurring simultaneously in the three major blocks : continental Europe, The US and Japan, or what one observer acerbically brands as the syncronised sinking.[1] The second biggest economy in the world, Japan, whose economy has been in a state of stagnation for over a decade, was in its worst ever postwar recession, well before the attack. Germany, the third biggest economy in the world, was also in a severe crisis. Its growth projections for this year were the lowest amongst the 11 other euro-zone countries. In mid August itself, official data revealed that unemployment had been rising for the seventh consecutive month. The report added, "*a record number of firms are implementing severe austerity measures to combat the ravages of falling profits and recessionary conditions*".

These three largest economies account for over 60% of world output. When the ripples in the tiny S.E. Asian economies in 1997 could create tidal waves worldwide; one can well imagine the impact of recession in the three major economies of the world. In fact, a recession in just the US, which alone accounts for 29%of world output, can send the world economy into a tailspin. In fact, today, except for the Chinese (which has also seen a slowdown) and Russian (which just saw some growth last year after a decade of collapse) there is barely a single economy in the world that is not in a state of stagnation, some of which, like Turkey, Indonesia and Argentina, are in a state of total collapse. Since the start of 2000, share prices have plummeted by 29% liquidating more than $11 trillion* of wealth — wiping out one-third of global wealth (EPW; Nov.10, 2001) According to the FTSE All-World Dollar Index, in the year to Aug.20, 2001, world industrial output has dropped 6.5%. This index, based on nine industrial and financial sectors, have shown a massive drop : US (-13%); Canada (-19%); UK (-16%); Japan (-15%); Argentina (-26%); Brazil (-28%); Colombia (-27%); Turkey (-45%).

A recession is said to exist if the growth rate of GDP* of a country turns negative for two consecutive quarters (3-month periods). At the global level if GDP growth rate drops below 2.5% the world economy is said to be in recession. The recession in the 1970s was precipitated by the overnight hike in oil prices — the oil shock. The 'crisis' in the S.E. Asian economies in 1997, was no real 'crisis' but an attack on those economies by the FIIs. These, together with the other disturbances, were short-lived troughs within the general slowdown in the world economy since the 1970s. With globalisation and the gigantic growth of the speculative economy, frequent crashes and partial recoveries are inevitable. In the years 1975, 1982 and 1991, which were years of recession, global GDP grew by 1.9%, 1.2% and 1.4% respectively. The investment bank, J.P. Morgan, predicts a global growth rate in the current year of 1.6%.

But, the current recession is unlike the earlier three. This has not been caused by just one or two factors, but is the result of the endemic weakness within the bourgeois system itself, to which has been added the volatility of artificially boosted financial and infotech bubbles*. The crash is likely to be far deeper and far more devastating in its impact. The current recession is a classic case of the crisis of overproduction. This has been combined with the bursting of the financial (stock-market, debt market, real estate, etc) and infotech bubbles. The two combined, make a devastating mix.

Look at the crisis of over production. Demand has been drying up, leading to cuts in production and mass retrenchment. This is further reducing demand, resulting in over-production and burgeoning stocks, intensifying the crisis. This is clearly visible in Japan, the US, Germany and all other stagnant economies, since the last one year.

Together with this, the slackening of industrial production led to risky and speculative finance capital investments of huge quantities in the stock market*, debt market*, real estate, IT sector, etc. As much of this market capitalisation was speculative, with little real business, actual profits or commensurate returns, most of these bubbles burst. The balloon can be stretched to a certain extent, anything beyond it, it will burst. This is what happened first in Japan, now in the US.

Since Sept.11 the downturn in the economies of the world has got aggravated. In early December 2001, it was announced that the American economy was in recession since March of that year. The OECD has predicted the worst growth rate in 18 years (since 1982) for its member countries. Its 30 members are expected to grow by just 1% this year and 1.2% in 2002. It also predicts that for many countries, like the EU countries, the situation next year could even be worse than the current year. World trade growth in the first half of 2001 fell to as low as 1%, compared to 12.5% in the same period last year.

Through October and November 2001, daily reports continued to appear of TNCs retrenching their employees. Motorola, the US telecom mammoth, laid off a further 7,000 in November, taking the years total to 32,000 — 26% of its work force. It faces its first operating loss in 45 years. The bankruptcy of Enron, the largest corporate crash in history, is a further indication of the depth of the crisis. The French telecom giant, Alcatel, announced a third quarter (July to Sept.) loss of $507 million and retrenchment of 10,000 workers. Deutche Bank, Germany's biggest bank, announced further job cuts of 4,500, taking the years' total to over 7,000. Airlines throughout the world have suffered losses of about $12 billion this year and retrenched 2 lakh employees. Lately, the Belgian airlines, Sabena, closed down, while the Swiss and Scandinavian airlines reported huge losses and job cuts. Unemployment in the US jumped by as much as half a percentage point in just one month, taking it to 5.4% in October. During the couple of months to Nov.2001, 93,000 internet-related jobs alone were lost. The IMF has estimated that by the end of next year 26 million people will lose their jobs throughout the world.

Worst affected by the recession are countries of the third world that have little or no social security system*. In just the past two months agricultural prices have dropped by about 5%, which will hit farmers in the third world the hardest. **The World Bank has said that as a direct result of the 'slowdown' 40,000 children worldwide will die from disease and malnutrition and 10 million more people will fall below the bank's extreme poverty line of $1 a day.** Already major countries like Turkey, Argentina and Indonesia are facing its worst economic crisis in post world war two history.

It is amidst this state of acute crisis that we must view Bush's war-mongering statements. We must look beyond the mere events of Sept.11, to understand the economic compulsions pushing the US to war. The international media just focus on an aggressive Bush or a 'terrorist' Bin Laden; a hawkish US administration or a 'fanatical' Islam. Though immediate events may be the trigger, the causes lie far deeper, with the Sept. 11 event acting as a mere catalyst. Well before Sept. 11, the world economy was already into recession, with America being one of the latest victims. It is this that has been fuelling new aggressiveness amongst the major imperialist powers and their agents throughout the world. The economic compulsions pushing the imperialists to aggressive posturing goes deeper than the whims of a Bush or a Blair. This is reflected in, not only the war posturing of the US and Britain, but also of the imperialists ganging up at Doha to push a 'New Round' which will have even more disastrous implications for third world economies. It is also reflected in the scramble for Central Asian oil, with the US establishing military bases in 5 CIS* countries, much to the discomfort of, not only Russia, but also its European allies.

But, before taking stock of the extent and nature of the global economic crisis, let us first see the link between the recession and the war posturing of the Bush regime.

Recession and War

In these conditions of recession, war serves four purposes.

First, it helps revive the stagnant market, through a big leap in the sale of arms.

Second, it helps to ferociously attack all backward countries, to enable it to push the burden of the recession on to the backs of the third world countries.

Third, recession intensifies the contention for the dwindling markets, with an economically weakened US superpower, having to flex its military muscle to defend its markets and spheres of influence, from the newly rising imperialist powers, particularly Europe.

And fourth, it acts to divert the attention of the masses from their increasing impoverisation, and as a pretext for introducing fascist measures to ruthlessly suppress the growing discontent of the masses.

First, the crisis of overproduction can to some extent be cushioned, by boosting a stagnant market through a big hike in arms sales. During a demand-induced recession (or crisis of over-production) when demand for commodities dries up, the government boosts demand in the armament-linked sector through war. War profiteering is always known to give huge returns. With this sector thriving many companies gear their production (and new investment) to meet the demands of war. In this way the bourgeoisie seeks to come out of its crisis. This scenario can be seen today in America.

The arms lobby has a large representation in the Bush Cabinet. Though it already has a gigantic budget of $300 billion (plus an additional $30 billion on intelligence), the Bush administration sanctioned an additional $20 billion for its immediate war offensive, with promises of much more. Within a fortnight of the attack, the US government hiked defense spending to $344 billion. In addition, the US arbitrarily scrapping the ABM (anti-ballistic missile) Treaty and pushing ahead with the NMD (National Missile Defence) project, in spite of opposition from its allies, is a further indication of the war-plans of the US. Already in the year 2000, a Congressional Research Report, printed in the New York Times, showed that international arms sales grew by 8% to $40 billion; of which the US contracted for $18.6 billion. '*The Economist*', one of the chief apologists of US/British imperialism, went so far as to state, in its issue after the Sept.11 attack, that war is not necessarily a bad thing in periods of recession. In an article entitled '*The Wages of War*' in the Sept. 22/29 issue it added: "*Government spending, on the other hand, typically shoots up in war time. It is widely credited, during the Second World War, with removing the last vestiges of the Great Depression. It also fuelled booms during the Korean and Vietnam wars. A massive increase in spending on airport security, border controls and a military build-up in America may yet have a similar effect*". In other words, the imperialists are already talking of the need for war to pull the economy out of recession!! That is, to put *The Economist's* words crudely: mass murder in order to sustain profits.

The second aspect of this recession will mean a big economic offensive against the people and nations of the third world. It will aggressively push its 'economic reforms' no matter what the cost to the local people. **In recessionary conditions its desperation for markets becomes all the more acute, and like a frenzied mad dog it bites all and sundry if there is not total compliance to its wishes.** This was reflected in the manner the imperialists bulldozed the '*New Round*' on the third world at the WTO Doha meet. It is also reflected in the US's threats to aggress on other countries (like Iraq, Philippines, Somalia, Sudan, etc) after Afghanistan is finished with.

Such aggressive policies will result in growing resistance from the people of these countries. There will be a growth in the struggles for national liberation against imperialism, particularly US imperialism, and its lackeys. If not led by the proletariat, this may take varied forms, from petty-bourgeois nationalism, to religious and ethnic forms of protest, to spontaneous riots and violent outbursts. The outbreak in Argentina in early December 2001 is an indication of things to come. But, more and more it will take on armed forms, with people having experienced the futility of peaceful methods in the face of monsters and tyrants. Bush's declaration of war is not just against an Osama Bin Laden, it is a declaration of war against the anti-imperialist people of the world. He shrieked '*those who are not with us, are against us*'. In other words, those who do not prostrate before US imperialism's economic, political and military demands, can be branded as 'terrorists', attacked and killed. What was done in the post-war period through secret, covert operations, the Bush administration now seeks to do openly. They will now not hesitate to attack any third world country that does not fully bow to its wishes.

Third, with recession, the scramble amongst the imperialist powers for markets gets intensified. The only superpower, US imperialism, seeks to maintain its markets, while the up-and-coming imperialist powers, particularly the EU countries, try to displace US markets. Both also scramble for markets once under Soviet imperialist domination and the newly opened Chinese market. Other imperialist powers, like Japan and Russia, also contend. **US imperialism, as a weakened economic power (more so with the current recession) must resort to military muscle flexing to keep the other imperialist powers at bay. This will result in growing contention amongst the imperialist powers. This will result in greater protectionism, growing finally into imperialist blocs. At present no rival imperialist power has the military strength anywhere near that of the US. But, as their military prowess develops, it will lead to armed confrontations resulting in a third world war. But, this will take time. For the present, the main source of war will be US imperialism, the number one enemy of the world people. They will use war and the threat of war to maintain and extend their spheres of influence.**

Fourthly, with a deepening recession, increasingly fascist methods are being adopted throughout the world giving little space for peaceful opposition. It is the fear of the growing armed opposition that is resulting in the war cry of all the reactionaries to '*fight international terrorism*'. As it is, the massive anti-globalisation demonstrations in the developed countries are gaining in militancy and strength, making it difficult for the imperialist robber barons to even hold their gatherings. So, after the upsurge of the anti-globalisation demonstrations, from Seattle to Genoa, the WTO ministerial meeting was held in the autocratic princely State of Qatar, where all demonstrations are banned and none given visas to enter the country. Within days of the attack, under the pretext of increasing security, the US, Europe, and most countries throughout the world, including India, have begun further curtailment of civil liberties and a whipping up of a nationalist chauvinist, anti-Islamic, hysteria. This has been particularly loud in America and Britain, which urgently needs to rally the people around their governments' war offensive. Many countries have already introduced draconian anti-terrorist, anti-immigrant and anti-people fascist laws.

In the aftermath of the Sept.11 attack, the sea-saw statements emanating from Europe and Russia is an indication of the pressures being asserted by the US. Europe too would like to be part of the schemes to further open up third world markets and crush all growing opposition to imperialism — even resort to force in the name of fighting terrorism. But they are not part of the other aspect of the US's plan to utilize this '*war*' to also consolidate its geo-political positions and markets throughout the world at the expense of the other imperialist powers.

Already the cracks in the imperialist alliance are visible, with not only Europe, but also Britain opposing the extending of the war beyond Afghanistan. Even in Afghanistan there were open fissures on how the war should be conducted. The US was hesitant to use the services of the EU's offer of military assistance, in case they demand a share in the Central Asian pie. Besides, under the pretext of the Afghan war, the US has moved swiftly to establish bases in 5 CIS* countries, in an attempt to keep Russia, Europe and China away from the vast oil and gas reserves in Central Asia.

So, also, the attack on Afghanistan is not merely about Osama Bin Laden and his forces. No doubt, this is one aspect — to crush Islamic opposition to imperialism. But three other factors are operating in the US's military plans. First, given Afghanistan's enormous strategic importance, particularly as the gateway to the oil/gas rich Central Asia, it seeks to establish a docile government. Second, through this military action it seeks to gain the initiative over the other imperialist powers lurking in the region. Third, it is also a warning to other third world countries to fall in line or else face possible attack. In fact, the attack on Afghanistan satisfies both the arms and petroleum lobbies, which have a large presence in Bush's cabinet.

Afghanistan holds the key to the transport of the vast oil and gas reserves in Central Asia, for which there is acute competition between the US, Europe and Russia. In fact, a year ago, France went so far as to invite the Taliban for talks. Dealing with the Taliban would have given the French companies a head start in building a pipeline across the country to bring Central Asia's gas and oil to South Asia. As '*The*

Economist' reported, [2] "*the potential rewards are enormous*". Both Turkmenistan and Uzbekistan are desperate for collaborations and outlets for their huge reserves. '*The Economist*' added, "*this places America in a quandary. If its relations with Iran do not rapidly improve, and its faltering attempts to pipe Central Asian oil and gas westwards through the Caucasus collapse, a trans-Afghan pipeline may become its best hope of countering the Russian, Chinese, and Iranian influence in Central Asia*".

So, the attack on Afghanistan has a twin purpose — first to stamp out an important source of Islamic opposition to the US imperialists; second, to create a docile Afghan government that will open the gates to the treasures of Central Asia. And with these war manoeuvres, the US can also successfully checkmate France's attempts at gaining a head start in the region, and flush out Russian and Chinese influence in the region, through sheer muscle power.

With the growing recesssionary conditions such scrambles for markets and sources of raw materials will get ever more fierce. And it will be the US that will be the chief source of war, to threaten, bully, browbeat and force countries to accept its dictates.

Now, to understand fully the implications of the dangerous war situation being provoked by the US there is need to understand the depths of the impending recession, not only in the US, but throughout the world.

Worldwide Impact

The downturn in the world economy began by March 2000. In the year ending March 31, 2001 stock markets* fell everywhere and over the year $10 trillion (1 trillion = 1000 billion) was wiped off global share values* — equivalent to America's annual output or 30% of the world GDP — of which $4 trillion was the loss suffered in the US alone [3] Of this the US economy lost $5 trillion in market capitalisation. India lost $40 billion. The table [4] on next page gives a picture of the drop in the market capitalization* in some of the major countries of the world.

By March 2001 itself Japan's Nikkei index was at its lowest level in 26 years having lost 70% of its value since 1989. America's Nasdaq index saw a 60% loss in the one year to March 2001. Germany's Nemax index fell 67% to Dec.2000, and the UK's Techmark index fell by 57% in the same period [5].

Market Capitalization ($ billions)			
	March 2000	**March 2001**	**Loss (%)**
Turkey	109	38	- 65.1
US (Nasdaq)	6,253	2,652	- 57.6
Indonesia	49	22	- 55.0
Philippines	45	26	- 42.9
S.Korea	274	157	- 42.9
Malaysia	178	107	- 39.9
India	227	140	- 38.3
Japan	4,466	2,259	- 20.3
Singapore	168	123	- 26.8
UK	2,833	2,259	- 20.3
Hong Kong	651	544	- 16.5

The figures mentioned in the above chart are till March 2001. After that the stock markets have either declined or remained stagnant. Then came the further crash after the Sept. 11 attack. Within the fortnight all the major stock exchanges fell in value by as much as 10% to 20%. It was the biggest sustained drop since the great depression. What is more, unlike the earlier falls during the past three decades, the current drop continued much longer. Though there has been some recovery since, the Dow Jones is well below the peak figure of over 11,000.

The following chart (printed in the Business Standard) gives a picture of the extent of the devastation:

	Stock index Number*		**% Change**
	On Sept. 5 2000	**On Sept. 27 2001**	**Since Sep.5 2001**
Dow Jones Industrial Average	10,033	8,567	- 15
Nasdaq Comp.	1,759	1,464	- 17
Britain(FTSE 100)	5,316	4,717	- 11
Germany (Dax)	5,048	4,136	- 18
France (SBF-250	2,960	2,526	- 15
Japan	10,599	9,697	- 09
Singapore	1,623	1,311	- 19

	Stock index Number*		% Change
	On Sept. 5 2000	On Sept. 27 2001	Since Sep.5 2001
S. Korea	552	472	- 14
Thailand	338	275	- 19
India	3,229	2,716	- 16

Now, if we turn to other indicators, it has been estimated that in the second quarter of this year (April to June 2001) the combined GDPs of the major economies of America, the Euro Area and Japan fell for the first time since 1990. But, at that time growth was relatively brisk in the East Asian countries. This time, they too are in serious trouble, with industrial production having dropped by as much as 10% or more over the past year [6]. It will be the first time since 1973 that the two major economies of the world — accounting for 47% of the world GDP — are simultaneously in recession.

In addition, the growth in volume of world trade in the last year slowed to around 4% compared to 13% in the previous year — the sharpest decline since 1975. In fact, the US has, defacto, been exporting its current depression to third world countries as its huge drop in imports has already had a disastrous impact on those countries dependent on the US for a market. Globalisation has increased this dependence enormously. Today, American imports amount to 6%of the rest of the world's GDP, compared to just 3% in 1990. In the second quarter of this year the growth of American imports dropped to minus 10%, compared to a growth rate of 20% in the same period last year. One can well imagine the impact of such a huge drop in imports, particularly on the countries of East Asia, which are heavily dependent on exports to the US.

By December 2000 itself it was clear that a crisis of overproduction was deepening. World manufacturing capacity was around 60% — the lowest since the 1960s [7]. Global industrial production fell at an annual rate of 6% in the first half of 2001, the sharpest dive in two decades. The crisis in the steel sector illustrated the malaise. Huge stocks, crashing prices and a collapse in earnings, have dominated steel production worldwide.

Notwithstanding the daily propagation of the so-called American boom, this period of globalisation has been witness to a series of crises. The volatility in the capitalist system has increased enormously. During this decade of globalisation, the world's second largest economy, Japan, stagnated throughout, with an average growth rate of just 1%; the third largest economy in the world, Germany, has been limping along with an average growth rate of 1.5% through the 1990s; Russia, the CIS*and much of East Europe have been in continuous recession for much of the period; there was the stock market crash of 1987 and the 'savings and loan' crises in the USA in 1992 & 1994; there was the 1995 crash of the Mexican economy; then there was the 1997 crash in S.E.Asia followed by the even more disastrous crash in Russia and CIS* countries in 1998; the crash in Brazil in 1999; and, since the last year we have been witnessing the total collapse of the Turkish and Argentinean economies. One must see the oncoming recession in this background.

Not only that, the entire hype of the great advantages of globalisation is a gigantic hoax. As the *Monthly Review* brought out [8] "*the expansion of the 1990s is the slowest in the post war era.......... The rate of growth of national output since the recovery and expansion began in 1991 is about half the rate for the 1950-73 period........ Whereas US GDP grew by more than 52% during the eight-year expansion from 1961 to 1969, it has increased only half that much in the eight years since 1991. By any post war comparison, the performance of the US economy — and with it the world economy — in the 1990s has been remarkably anaemic*".

The following table [9] brings this out lucidly:

Average Annual growth rate of real GDP in the OECD countries	
Period	**Groth rate (%)**
1960 to 73	4.9%
1973 to 79	3.0%
1979 to 89	2.8%
1989 to 99	2.4%

In other words, the growth rates in the major 24 developed countries was at its lowest in the period of globalisation. The MR article adds: "*for all the euphoric talk of the 'new economy', for all the extravagant claims for new technologies and globalising markets, then, the world capitalist economy in the 1990s has been characterized by poor rates of growth in output, productivity and average incomes .... For the mass of humankind outside the core* *areas of the world economy, the overall pattern has been one of retrogression: declining living standards, dramatic increases in social inequality, pauperisation of large sections of the population. We are dealing, in short, with systemic problems that plague global capitalism as a whole, not mere discrete failings of a specific model*".

The much-hyped boom of the 1990s was, in essence, a boom for an excessively small class of elite. Even in the US, which has gained the maximum from globalisation, it benefited only the richest of the American population, bypassing, not only the workers, but also the bulk of the middle classes. According to a report,[10] the fruits of economic growth in the last few decades in the US "*were enjoyed by a surprisingly small part of the population, the top 20%, and particularly the richest 1%. Living conditions of the middle classes stagnated in the 1990s*". The real earnings of US production workers dropped by 14% in the private sector between 1973 and 1995. It is these worsening living conditions, which are at the root of the new upsurge of people's movements against globalisation.

Globalisation has also given unheard of wealth to a handful of billionaires, with disparities between the rich and the poor reaching unbelievable levels. It is this concentration of wealth in the hands of the top strata of society that has been much propagated as the success of globalisation. The festering rot was deep, but this was masked by the glamour and glitter of the top 10 to 20%. As the 1999 UNDP's Human Development Report says: "*the income gap between the richest fifth of the population and the poorest fifth stood at 3:1 in 1820, 11:1 in 1913, 30:1 in 1970, 60:1 in 1990 and 86:1 by 1997. In 1997, the top 20%, living mostly in high income countries, earned 86% of world GDP and the bottom 20% just 1%*" [11]. In 1850 today's rich countries accounted for 35% of the world's total income. By the 1980s they accounted for 68%. The difference between the per-capita incomes of the poor and rich countries increased from 70% in the 1850s to more than 1000% in the 1980s. Between 1989 and 1996 the number of billionaires increased from 157 to 447. The net wealth of the 10 richest persons is one-and-a-half times the total incomes of all the Least Developed Countries*. (*Economic Times; Dec.11, 2001*)

Now, with the current recession, the rot is coming to the surface.

The glitter of hi-tech pomp is fading. The glamour of TV, Internet and vulgar consumerism can no longer mask the deep gangrenous infestations eating into the very vitals of this so-called globalised system. Pop culture is being replaced by war culture. Fake talk of human rights and democracy are being replaced by naked calls to war, to kill (capture '*dead or alive*'), to anti-Islamic '*crusades*', and to strangulate even the limited sovereignty of countries in the name of '*those who are not with us are against us*'. In this period of recession, the fascist claws of reaction around the world are coming out into the open with its xenophobic hysteria. And, together with all this, the brutality of this system continues to take an enormous toll of, not only the peoples of Asia, Africa, Latin America, Russia, CIS, East Europe and the Middle East, but also of the working class of the developed countries.

So, globalisation has never been the great boon to society as propagated. Even by their own standards it has been sick, fraught with volatility and crises, and anaemic from the very start. Its inbuilt weaknesses have now come to the fore, and are threatening devastation not seen since World War II. Now, let us take a look at the depth of the crisis in the major economies of the world, to get a better understanding what this oncoming recession means to the oppressed masses in India and worldwide.

US in Shambles

In the year 2000 itself, GDP growth rate* in the US halved to 2.5% compared to 5% in 1999. As a result of falling share prices, the net worth of American households fell in the year 2000 for the first time since records have been kept 55 years ago. By end 2000 certain economists were already predicting a severe crash of the US economy. In an article of Dec. 2000 entitled, *USA : Making of a Crash* [12], Fredric Clairmont brought out the gravity of the situation, when he said: "*by all indicators the US economy is on the skids: tumbling stock markets the drop in personal incomes, vastly diminished consumer confidence and lower consumption. Debt loaded balance sheets have become the nightmare of Corporate America as US non-financial corporate debt is surging with unprecedented velocity, already engulfing 45% of GDP.*" He predicted "*the grim rumblings of one of the worst economic collapses in the making since the end of the Second World War*".

The US economy entered the current year, amidst a drastic fall in the Stock Exchange, falling corporate profits, increasing unemployment and reduced consumption expenditure, and spiralling debts of both the government and of the private citizen. There appeared no positive sign from any sector that could work to revive it. Already, by Dec.2000, according to '*The Economist*' (Jan.6, 2001), manufacturing activity fell to its lowest since April 1991, the end of the previous recession. In the second half of 2000, 36,000 dot com employees lost their jobs; there were 5 lakh lay-offs in Nov.2000, with General Motors laying off 15,000, Whirlpool 6,300 and Aetna 5,000.

Well before the Sept. 11 attack there was already talk of the economy going into recession. Even after the massive dose of funds pushed into the consumer's hands (the interest reductions alone gave an extra $6.5 billion to consumers on their credit card expenditure) and the resulting increase in consumer spending by 2.5%, the growth rate dropped to as low as 0.2% in the second quarter of the year. All economic indicators dropped drastically: industrial production fell again in July for the tenth consecutive month — the longest period of decline since 1983; corporate profitability was down 12% and corporate defaults were soaring; the use of industrial capacity at 77.4% was the lowest since 1983; and the stock exchange dropped a further 8% in the first six months of the year. [13]

Layoff announcements reached such levels not seen since the 1980s. In June, Business Week reported that claims for jobless benefits had risen over the 4-lakh mark, "*a level usually associated with recession*". By end August, US jobless was at a nine-year high reaching 4.9% of the population. [14] The job cuts continued apace. Big layoffs were taking place in the automobiles sector, IT sector and even in the financial services sector. Ford and General Motors temporarily closed down their US plants, as did other motorcar plants. Ford retrenched 5000 more white-collar workers. The steel industry was in the doldrums, with 18 firms having gone bankrupt, including two of America's biggest producers, LTV and Bethlehem steel. Plagued by over-capacity, steel prices slipped to a 20-year low. AOL Time Warner announced a 7.5% job cut reducing staff by 1,200. Over-and-above the 25,000 jobs lost since the beginning of the year in the investment banking firms, Citigroup announced another 3.500 job losses, and Morgan Chase and Goldman Sachs announced plans for big operational cuts. The internet sector alone lost jobs over 1 lakh in 2001 i.e. 2.5 times to the last year figure.

Corporate profits have been falling at a dramatic speed. In the first quarter of 2001, the S&P's top 500 companies showed a drop of 6.1%; in the second quarter profits fell by 17.3%. Profits in the technology segment fell by 40% in the first quarter, and was expected to drop by 60% in the second quarter. Overall profits of major companies are expected to drop by 8% this year. In the second quarter, companies' capital spending plummeted by an (annualized) 13.6%, its biggest drop since the 1982 recession.

It was under these desperate circumstances that the Bush administration came out with its monetarist medicine to boost domestic spending and spur new investment. In unprecedented measures, the government reduced interest rates 8 times in every month from January to September 2001, thereby reducing the interest rates by over half from 6.5% to 3%. This was supposed to spur corporate investment by reducing the cost of capital. This was also meant to boost consumption through the availability of cheap credit — the bulk of US consumers purchase on credit cards and through instalment payments on which interest is charged; a reduction in interest rates makes credit and instalment payment cheaper, encouraging expenditure. In addition to this, they decided on a $1.3 trillion tax rebate of which $38 billion was refunded in the current year, with the sole purpose of further boosting consumption expenditure. [14]

Yet, in spite of such drastic measures (where the tax cuts alone amount to boosting the GDP by half percent) the economy has not recovered; on the contrary it went into an even deeper depression. The third quarter (July to Sept.) corporate profits reported were the worst in a decade. So, for example, both Kodak and Intel reported a 77% drop in third quarter profits. **In spite of all the money pumped in and nine consecutive cuts in interest rates, third quarter results showed that the US's economy contracted by 0.4%*.**

After the Sept. 11th attack, there was a leap in the number of layoffs. The airlines have already retrenched over one lakh; Boeing announced a 30% cut, laying off 30,000; Honeywell announced a 12,000 cut, tourism and hotels were announcing big cuts, as was insurance, banks and the entire IT and telecom sector. As the New York Times reported "*six days ago (i.e. before Sept. 11) the economy seemed to* *be at best stagnant. Now, as a result of last week alone, many experts believe that it is already contracting, perhaps by as much as an annual rate of 1%".* [15]

After the Sept. 11 attack on the US, to prevent a further slide in the economy, the Bush Administration came out with a massive Marshal Plan-type* package to try and prevent a recession. Within two days it injected $70.2 billion into the system by buying government securities and arranged a $50 billion swap with the European Central Bank. It pushed through a $40 billion spending bill — half of it for war on 'terrorism' and half for relief work. In addition, it has planned a $15 billion bailout package for the crisis-ridden US Airline industry.[16] Together with all this, at the international plane, the ECB and a number of Central Banks immediately pumped in $80 billion to prevent any bank defaults; and 13 countries simultaneously reduced their interest rates.

In spite of all attempts to boost the economy, layoffs continued, consumer confidence fell further and investment continued to stagnate. In the month of October the huge layoffs continued, and there were numerous reports of a drop in corporate profits. Sears Roebuck cut 22% of its workforce, Bank of America 7.5% of its investment branch, Kodak cut 10%, the huge entertainment industry has cut 10% of its 1999 peak, and Merrill Lynch announced cuts of 15% of its worldwide workforce. This is just some of those reported; daily reports appear of US companies laying off workers. In October 4,68,000 jobs were lost, and in November it was 3,31,000. Together, this constituted the sharpest decline in 20 years. With all other efforts of revival having so far failed, Bush's war cry can be an attempted solution of last resort. No doubt, other compulsions are also there, but an attempt at economic revival through war is one factor. With the crisis deepening, in end October, the US government announced yet another $100 billion stimulus package plus a further half percent cut in interest rates (the third cut since Sept.11), bringing it down to 2% — the lowest since 1961. More important, it placed its highest ever order for defence equipment — of hundreds of the latest fighter jets worth roughly $300 billion with Lockheed Martin. Deliveries of these are expected from 2006. No wonder it was defence stocks that were doing the best on the American stock exchange.

Yet, there is no sign of a recovery. In fact, in end November the US witnessed the biggest bankruptcy in corporate history. Enron, placed 18th on the Fortune-500 listing (i.e. the 18th largest company in the world, and the 7th largest in the US) crashed. With a market capitalisation of \$80 billion earlier, its value fell to a mere \$220 million by end Nov.2001. Its share prices dropped from roughly \$90 to 26 cents (i.e. \$0.26). corporate bankruptcies for the year 2001 are expected to be over \$120 billion.

What then is the genesis of this recession in the USA?

There are multiple factors precipitating this recession. Primarily, it is a classic case of the crisis of overproduction. This has been aggravated by the huge infusion of debt, financing both investment and speculation. With demand drying up and the real economy in a state of atrophy, the speculative bubbles began to burst one after another. A debt dependent economy has a snowballing effect once the tempo of growth cannot be maintained.

The crisis of overproduction is a necessary aspect of capitalism from which the capitalist can never escape. It arises from the inbuilt contradiction within capitalism, where maximization of profit and accumulation of capital can only take place through increased exploitation of the masses generally, and workers in particular. But, the more the exploitation, the less is people's purchasing power, resulting in shrinkage of the market. So, as accumulation proceeds apace and with it production of commodities necessarily grows, the market for this does not grow proportionately resulting in a crisis of overproduction.

In the early 1990s, taking advantage of the setback to communism and people's movements, US big capital launched an offensive against the people throughout the world. This resulted in enormous profits to the TNCs and the mass impoverisation of the masses throughout the world and even in the US. Real wages in the US has been declining for more than 20 years, taking them to the 1987 levels, which itself was below 1967's. This resulted in the enormous accumulation of capital but stagnant markets. An article in the summer 1998 issue of *Foreign Policy* reported that the income of the poorest 20% of US households has declined steadily since the 1970s, while the income of the richest quintile has increased by 15%, and the income of the top 1%, by more than 100%.

A look at the Fortune 500 listings indicates clearly that the market for commodities has not been growing. Whereas profits have been huge, sales have been stagnant, particularly of US TNCs. Throughout the 1990s these huge surpluses were used to buy up other companies in a wave of Mergers and Acquisitions unprecedented in the history of capitalism. Each acquisition was followed by a 'rationalisation' package, which entailed the displacement of thousands of workers. So, with these M & As, though profits skyrocketed due to greater productivity (particularly through the large investments made in the IT sector), markets did ~~not increase~~ due to displacement of labour, reduction in social security and a drop in general working conditions (outsourcing, contracting, etc.). Though part of these lacunae was made up by a gigantic rise in salaries of the officer class, and particularly the top one percent, it could in no way balance the market shrinkage caused by the huge drop in purchasing power of the masses worldwide. Besides M & As, vast amounts of the surplus went in speculative activities, creating the financial and infotech bubbles*. With markets not growing, little of the surplus went into creating new production. With impoverisation reaching unimaginable levels, and capital accumulation continuing at a frenzied pace, a crisis of overproduction was inevitable. With the returns on investment being much higher in the service sector (particularly financial) vast amounts of new capital generated found their way into the so-called ICE (information, communication & entertainment) sectors. The share of GDP generated from the service sector in the US increased from 64% in 1980 to 74% in 1999.

The pace of Acquisitions has its limits, and the froth of speculative profits can exist only on the base of the productivity economy. Once the base becomes shaky the bubbles in the froth begin to burst. This was the situation that hit Japan a decade back; it is what began hitting the US economy from mid-2000. The cycle of dropping consumer demand, rising stocks, increasing layoffs and reduced corporate profits has been pulling the US economy down since a year-and-a-half. The Bush administration has sought to revive it by increasing consumer demand by continuous cuts in interest rates and a massive tax rebate — but, so far, this has been ineffective. After the Sept.11 attack it has, in addition, sought a Marshal-Plan* type infusion of funds, together with war expenditure. It is yet to be seen what impact this has on the economy.

Now, to look at the second aspect — the financial bubble, built around gigantic quantities of debt (mostly bonds and equity shares)*. **There is**

no aspect of the US economy that is not laden with massive amounts of debt. The Public Debt*, the Corporate Debt, the Trade Debt (called Current Account Deficit — CAD)* and even the Household Debt, have all reached astronomical levels. These have been built on the basis of the confidence gained by: a strong dollar, high interest rates, and the rise of an exceedingly powerful banking industry which has grown to mammoth size through 8,000 M & As (in the 1980-98 period) involving $2.4 trillion in acquired assets. As a result money from all parts of the world have been flowing into the US economy.

According to the Federal Reserve Board's data the aggregate outstanding public debt grew from $1,028 billion in 1964 to $25,679 billion in 1999 — an annual compound rate of 9.6% which far outstrips the growth of GDP. This amounted to more than half the world's outstanding public debt. The total foreign holdings of US financial assets (stocks, treasury and corporate bonds) is over $ 42 trillion*. It is this vast infusion of funds that resulted in a rate of market capitalization in the 1994-99 period faster than that of even the 1925-29 boom. If we look at the domestic business financial sector's debt, it rose from $53 billion in 1964 to over $7.6 trillion in 1999 — a 144-fold increase. In the foreign trade sector, the CAD grew nearly ten-fold over the 8 years from -$48 in 1992 to -$420 billion in 2000 — i.e. 4% of the GDP. [17] This huge deficit requires an annual injection of $500 billion to sustain it.

If we turn to household spending we find that here too the debt has risen dangerously in the last few years. Personal borrowings have leapt from 26% of personal income in 1985 to 34% in 2000. As a result the household saving ratio, as a percentage of disposable income has dropped from 8% in 1990 to less than -0.8% today — a post-war low, similar to the depression year of 1933. [21] In other words, people are spending more than they earn, leaving a huge yearly deficit of $247 billion. A booming stock market (giving an illusion of wealth) and a relatively low unemployment rate aroused confidence for such profligate expenditure that fuelled the huge consumer expenditure, which created a demand for not only American goods, but also imports from all over the world. This confidence now lies shattered due to the fall in stock prices and the rise in unemployment, and will strongly impact future purchasing ability.

These huge debts need to be continuously serviced, and all the factors that facilitated the massive infusion of funds are now

reversed — a weakened dollar, low interest rates, a declining stock market, and a shaky financial sector. This has resulted in the bursting of the bubble and the artificially created boom.

In addition there has been a huge crash in the infotech bubble*, which was the backbone of the so-called 'new economy'. An example of this bubble was reflected in the rise and fall in value of the dot com stock. To take an example, Yahoo's share price dropped from $237 to $15; Lycos from $109 to $11.25. [18] There has also been a massive slowdown in the computer hardware industry and the other factors of the 'new economy'; i.e. in the communications, entertainment, and tourism sectors. Tourism, the largest industry in the world, has been the worst hit after the Sept.11 attack.

So, to sum up, the present recessionary-type conditions in the US economy is the result of a combination of a crisis of overproduction together with a bursting of the bubble in the financial and infotech sectors of the economy. The causes are deep-rooted and all encompassing and not the result of just one or two factors. It is for this reason that recovery (even if partial) will not be that easy as it was with the other downturns in the past three decades.

Japan : Dark Clouds Sans Silverlining

Japan is already in deep recession, the worst in the post-war period. This recession comes on top of a decade long period of stagnation, which has witnessed four recessions. There is not a single economic indicator that is positive. It is estimated that Japan's GDP growth will drop by as much as 5% this year. Already, in the second quarter, industrial production dropped at an annualised rate of 17%.[19] Unemployment has skyrocketed to 5.3% from just 2% a few years back. It is at its highest in the post world war II period. Yet, layoffs continue to rise at a frightening pace. In end August, the three major electronics manufacturers, Hitachi, Toshiba and Fujitsu announced layoffs of 20,000 each. All these giant electronic companies are showing huge losses.

Bankruptcies continue at an enormous rate. In October last year Japan's 12th largest life insurance company, Chiyoda Mutual, went bankrupt with a debt of $27 billion. This was the biggest bankruptcy since World War II. Three months earlier, a departmental store, Sogo, collapsed with debts of roughly $18 billion. In the first eight months of the year 2000 12,625 companies went bankrupt — a rise of 30% compared to the same period in the previous year. [20] Bankruptcies continue to rise. In the first six months of the current year debt accumulated by Japanese corporate bankruptcies totalled $58 billion, hitting the second highest total since the end of World War II.

Japan's public debt has skyrocketed over the past decade from 55%of GDP to 130% of GDP today. It is now a massive $5 trillion. [21]. It has the highest ratio of public debt to GDP in peacetime. Its fiscal deficit has jumped from a surplus of 3% of GDP in 1991, to a deficit of 7% in 2000. Corporate debt is already 97% of GDP. Land prices dropped 5% in the year 2000, the 10th consecutive year of decline. The stock market index has been continuously falling, and in just the 2 months from mid-July to mid-Sept. it dropped 18% to reach its lowest level since 1983. Even the value of the Yen dropped by 7.2% in the first 7 months of this year.

The stagnation in the economy has been so deep that prices have been dropping by 2% yearly — i.e. instead of the normal inflation, there is a deflation of 2% annually. This is the first bad case of deflation of a big economy since the 1930s.

The crisis in the Japanese economy has also resulted in a decline in its control over world markets, even in its own backyard in S.E.Asia. Japan's FDI around the world has fallen by 36% in the past decade, while that in S.E. Asia has halved. Though FDI investment in China has doubled the absolute quantum is relatively small compared to what it had in East Asia.

Japan's boom and crash 'bubble economy' was an extreme case of what is today unfolding in America. Its massive growth in the pre-1989 period was fuelled by speculative mania in real estate and the stock market. Values reached dizzying heights. For example, the lands of the Imperial Palace in Tokyo were worth more than the entire real estate of California. By 1987, Japan alone accounted for 45%of the world's market capitalization (compared to the then US's 30%). But since the bubble burst in 1989, its financial sector was crippled with bad debts to the tune of Y 35 trillion ($300 billion). Though the bulk of this had to be written off, these bad debts are continuously being generated and are now 6% of the GDP. To meet these gigantic payments the Japanese govt. continues its frantic borrowings, being the world's biggest borrower. Its gross borrowings in 2001 will be $560 billion — twice as much as the US. [22]

The crisis of the Japanese economy is so acute, that in this decade of stagnation, it is estimated that $8 trillion of the country's assets have been wiped out — an amount comparable only to the amount destroyed in Russia after Yeltsin's neo-liberal coup!! Even with an interest rate reduced to about zero percent and enormous funds pumped into the economy by the government, there is yet no sign of recovery.

Europe: Limping Along

Though not as drastically hit as Japan and America, the EU is also facing a severe slowdown. Some estimates put the growth in the Euro area in the second quarter of this year at close to zero. Forecasts put the growth rate for the entire EU in the current year at a maximum of 1.9% compared to an average of 2.7% over the past four years. [23] A number of TNCs are laying off workers in thousands. The European Central Bank (ECB) has also cut interest rates three times this year, bringing it down to 4%, in a bid to revive the economy.

Amongst all the Euro zone countries Germany, which accounts for one-third of its GDP, has been the worst hit. In the second quarter of the current year GDP growth rate was zero; industrial output grew by just 1.1%; and inflation reached 3.5%, the highest since 1993. [24] In Germany unemployment has gone over the psychological barrier of 4 million and continues to rise as major and minor companies are reducing staff. Most predict that the German economy will not grow by more than 1% this year. The slowdown in Germany has seriously impacted neighbouring countries, which depend on Germany for much of their exports. Poland, the Czech Republic and Austria each send over one-third of their exports to Germany.

In Britain, manufacturing slipped into recession this year by falling for two consecutive quarters, while total industrial production fell by 2.2% compared to the same period last year. Total output of financial services in the city of London dropped from 4.6%of GDP in 2000 to 1.6% this year. It has been estimated that nearly one-and-a-half lakh jobs will be lost in the city of London alone by the end of next year.

Of the other EU countries, Italy's GDP fell by an annualised rate of 0.5%; that of the Netherlands was zero, and France's economy had also slowed.[25]

After the Sept. 11 attack the index fell sharply on all the European stock exchanges, with London's falling to a three year low.

Through the 1990s though Europe's growth rate has been somewhat sluggish, it has not had that type of volatility as witnessed in America and Japan. If America goes into recession, which seems most likely, it will pull the entire world's economies down with it, including that of Europe. Though it may not be that badly devastated, it does not have the strength to act as a counterbalance to recession in America. It too is likely to be badly hit.

Russia, CIS & East Europe : United We Fall

Ever since the collapse of the state capitalist economies a decade back these economies have been in a state of chronic sickness. The EBRD (European Bank for Reconstruction & Development) reported that only Poland and Slovania were close to regaining what was lost during the 1990s. Till 1996, for East Europe as a whole, GDP was still 15% below 1989 levels. [26]

Russia is in a chronic state of atrophy. GDP in Russia has fallen by over 40% since 1989.[27] All business has been taken over by the mafia. Capital flight continues unabated, estimated to reach a gigantic $25 billion in the current year. The Rouble has little value, and estimates indicate that about 75% of all business transactions are carried out without using money — either through barter or by mutual non-payment. The black economy continues to be half the GDP. Russian made civil goods accounts for less than 1% of world markets (US is 36%, Japan 30%). Russia's GNP is ten times smaller than that of the US. Its per capita annual GDP at $3,500 is five times smaller than the average of the G-7 countries. Though Russia saw some growth last year due to the hike in oil prices, this year the growth rate has already dropped by half. [28] Besides, inflation, which was under reasonable control for the last two years, has once again risen to 25% this year. Last year's growth of about 8% is unlikely to sustain as its fundamentals are shaky due to the devastation of the past decade.

If Russia is in a bad state the CIS countries are in an even worse condition. A large part of the population of these countries is living in a state of acute poverty and even starvation. The expectancy of life has dropped by 5 years. Instances of TB and hepatitis have doubled since 1990. Ukraine has seen the collapse of its living standards since 1991. In a country like Moldova, half the population lives on a yearly income of $220, compared to $2,000 in 1992. In these countries the average monthly wage varies from $25 in Azerbaijan, $30 in Armenia, $40 in Kyrgyzstan, $60 in Uzbekistan; and even in countries like Bulgaria and Romania it was $70 and $90 respectively.[29] A large part of the population of the CIS and East Europe has migrated to the West, working in manual jobs, as prostitutes, etc.

These countries have been in an acute state of crisis and recession for the last decade, a world economic downturn can only push them deeper into the morass.

East Asia gets Pneumonia as America Sneezes

With the East Asian economies totally dependent on exports, mostly to America and Japan, these economies have been acutely hit by the downturn in these countries. Real GDP turned negative in the first two quarters of this year in Singapore, Taiwan and Thailand. Singapore's production fell by 11%in the year to May 2001. In the second quarter of 2001 Singapore's growth rate in GDP fell to minus 10.1%. Exports from East Asia declined by 10% over the past year, compared to a growth of 30% in early 2000. Even China's exports have slowed from 40% to 4% over the past year.[30] Many stock markets fell by over 30% in the year 2000. It is estimated that unemployment will leap by 12% in the current year.

The following table [31] gives a picture of the projected fall in GDP growth rates for the current year:

Change in GDP (%)		
	2000	**2001**
S. Korea	9	3
Indonesia	5	2.5
China	8	7
Hong Kong	10.5	2
Thailand	4.5	1
Taiwan	6	1
Malaysia	8	0.5
Singapore	10	-0.5

The '*Asian Tigers*', the '*Asian Miracle*', the '*emerging economies*' much propagated as the model for third world countries, was nothing but sweat shops for American (and to a lesser extent, Japan) TNCs. Their 'boom' in the 1990s was nothing but part of the American IT boom, with these countries manufacturing components for the US IT giants. Then came the 1997 economic war on these countries by US TNCs and the financial tycoons. The huge devaluations that resulted from these attacks, meant that export prices in dollar terms dropped by more than half, giving windfall profits to the US PC manufactures. Though exports boomed again, the terms of trade were extremely unfavourable to these countries. Besides, through the devastation of these countries, domestic consumption dropped, making these countries even more dependent on exports. So, for example, S. Korea's exports of goods and services jumped from 30% of GDP in 1996 to 45% of GDP last year; Thailand's rose from 39% to 66%. [32] Quite obviously they are at present far more vulnerable to international fluctuations in the economy than ever before, particularly that of the US.

The following table [33] gives a picture of the extent to which these countries are dependent on exports, particularly those of electronic goods:

	Exports (total) as % of GDP (2000)	Electronic Exports As % of total exports (2000)
Singapore	179.9	64.2
Malaysia	125.4	58.8
Taiwan	54.2	47.3
Thailand	66.4	33.3
Philippines	56.3	59.2
Indonesia	38.5	14.6
S. Korea	45.0	38.2
China	25.9	24.9

With such massive dependence on exports to the US (Japan accounts for 13%), the slump in the US IT sector since last year, has hit East Asian economies severely. In May 2001electronic production in the US was down a huge 35.5% compared to the same month last year. The impact on East Asian manufacturers of such a drastic fall, who have been used to galloping increases (for the last 20 years spending on IT in the US has grown at two to three times the rate of the economy), can well be imagined. In addition, the US TNCs have sought to push the impact of the recession on to these component manufactures, by forcibly reducing rates of the goods purchased. To take an example, the price of standard 64-megabyte RAM chip dropped 90% from $8.9 to $0.9 between June 2000 and July 2001.

So, these '*tigers*' will be seriously affected by an American recession.

Some Backward Countries in Deep Trouble

Though severely damaged, the above-mentioned economies are not the worst to be hit. **The two ideal models of IMF structural adjustments, Argentina and Turkey, are in the midst of their worst ever crisis in modern history.** Argentina is the third largest economy in Latin America, and Turkey is the largest in the Middle-East region. Both have been the most faithful lackeys of the US, implementing all IMF/World Bank stipulations with a fervour that made their Western bosses ecstatic. Both have recently received gigantic IMF bailouts; but their crisis persists, nay deepens. Caught in the quicksand of recession, both are also sucking their neighbours into the vortex.

Argentina, which has faced a capital flight of $80 billion, finds its currency {which is pegged (1peso=1dollar) to the dollar} in a state of collapse. For a decade the dollar has been fully convertible (on capital account) with the peso, and the Central Bank is therefore unable to print pesos unless it has dollars to back it. As a result there is no cash in the country, and so the local authorities have resorted to issuing another paper note, called '*pataconeses*' to pay salaries. As this has no legal tender, the dollar regime has, de facto, pushed the country into the dark ages of a barter system. Argentina has now been in recession for three successive years.

But, in Latin America, Argentina is not alone in a state of crisis. Mexico has a zero growth rate in the current year, compared to 7% last year. With 80% of its exports going to the US, the crisis can only deepen. Brazil, the largest economy in the region, also went into recession in the third quarter of this year. Brazil's currency has lost 22% in the first six months of this year. This, in spite of Central Bank intervention and interest hikes. Chile's peso is also falling, and Uruguay is already in recession. Rarely in the past decade have the prospects for Latin America's economies seemed so threatening. In fact, entire Latin America is already in recession.

In Turkey, where its currency is not thus pegged, the Turkish Lira has recently lost 50% of its value with respect to the dollar. In the first six months of this year six lakhs lost their jobs; unemployment is now at 42%; hundreds of businesses have been going bankrupt and inflation is at 65%.

The plight of the people of these countries has been turned into a nightmare.

India : Stagnation Continues

The Indian economy has been in stagnation for three years now; and, each year the crisis has only been deepening. Predicting a bleak future for Indian industry the CMIE (Centre for Monitoring the Indian Economy) has revised its forecast for industrial growth for 2001 from 4.5% to 3.5%. In the first half of the year the Index for Industrial Production showed a mere 2.3% growth. In fact, during the entire period of globalisation, growth rates have fallen compared to the earlier decade. The average annual growth rate in the index of industrial production was 7.8% between 1980/81 and 1990/91, that slumped to 6% between 1992/93 and 1999/2000. The corresponding figures for food grains are 2.9% and 2%, and for non-food grains 4.3% and 2.4%. Thanks to low purchasing power over 50% of spending is towards food items.

Even the most industrialised state of the country, Mahrashtra, presents a bleak picture. The leader of the opposition stated in the Vidhan Sabha said that while only 5% of the population wallows in wealth, 95% are out on the limb; and that 60% of the big industrial units and 80% of the smaller units in the State have downed shutters. Even if somewhat exaggerated, it is an indication of the plight of Indian industry and manufacturing. Proposals to set up new industries have come to a virtual standstill, with SICOM receiving applications worth only Rs.200 crores.

If such is the plight of the most developed State, one can imagine the situation in the rest of the country. Unemployment is skyrocketing, the rural economy is in the doldrums, agricultural prices have crashed due to cheep imports, and even the much hyped service sector is in decline. Middle-class savings have been vanishing with the drop in interest of PFs and even the collapse of such blue chip mutual funds as the UTI. Besides, a very small elite, the rest of the country faces a bleak future, with the decline intensifying each day.

Conclusion

So, wherever we look in the world we see nothing but countries hurtling towards economic devastation. The situation appears to be getting from bad to worse. According to a recent estimate by the '*Centre for Economic and Business Research*', [34] the GDP may fall next year by as much as 2.2%. Morgan Stanley has predicted a global growth rate of just 1.25% for the coming year.

In the early 1990s the imperialists were euphoric, portraying the setback to communism as the '*end of history*' — i.e. capitalism forever. The hype over the long American 'boom' of the 1990s, built on the blood and loot of the backward countries and the American masses, was portrayed as the '*end of the business cycle*'. Both have turned out to be shallow hoaxes with the present recession, and the growing people's movements against globalisation and war.

What then would a recession of such magnitude mean for the world's people?

It would mean, first and foremost, a great danger of growing fascism and wars. Second, it will mean heightened contention between the major imperialist powers. Third, it will mean greater domination and loot of third world countries. And fourth, it means great revolutionary potential for the oppressed masses of the world.

Since the last few years, we have seen a growth in the fascist forces throughout the world, with many right-wing governments themselves introducing fascist measures and promoting fascist organizations. This can clearly be seen in Europe. Also, in Japan the new prime minister has for the first time openly paid homage to the fascist's war memorial of those killed in WWII. In the US, the Bush administration, even before Sept. 11, had openly been pushing the most reactionary policies regarding militarism, Zionism, ecology, and on numerous other issues.

After the Sept. 11 attacks, both the US and British rulers, together with their media, have gone crazy, whipping a maniacal war hysteria, jingoism and racist paranoia. Attacks on non-whites, particularly Muslims, have been encouraged, and have been taking place on a wide scale, with even the police taking part. Not only has Bush been speaking like a Hitler, but also even Blair has outdone the extreme right-wing

Tories in his xenophobic statements. British tabloids and TV have been whipping up panic and have carried massive footage glorifying the war preparations and the Afghan war. The message sort to be portrayed was: *the good civilized west versus the Islamic beasts*! Immediately civil liberties are being curtailed, and the police are being equipped with draconian powers, normally seen only in the third world countries. It is portrayed as a *clash of civilizations*, much similar to what the old colonialists said.

The US has threatened a long war — first Afghanistan, then Iraq, and then anyone who does not bow before the almighty. It is not just a war against terrorism (i.e. mass discontent of the masses), but also a war to grab, seize and maintain markets, in a fanatical drive to overcome the recession. Its WAR, besides being against pockets of resistance, has the twin purpose of browbeating third world countries into greater servility to US dictates, and also of keeping the other imperialist powers out of its spheres of influence. As has already been mentioned all these factors can be seen in the war unfolding in and around Afghanistan.

It is not surprising that therefore the contention between the US and EU is growing, both in the economic and political spheres. Trade wars over agricultural commodities continue. In Dec. 2001 the European commission blocked the biggest ever industrial merger between two US giants — General Electric & Honeywell — which had already been approved in America. France's media giant, Vivendi, the least exposed to the world-advertising slump, has been buying over a number of American companies. Besides, in the political sphere, not only have many European countries opposed the US extending the war to Iraq and other countries, but so also has Britain. There have also been conflicts on how to conduct the war in Afghanistan and on the NMD.

In this period of recession, the most affected will be the masses throughout the world. Unemployment will skyrocket, the agrarian economy will crash, social security will be further cut with govt. spending being geared to war and sustaining a monolithic fascist state, and millions more will be pushed to death by hunger, starvation and disease. And in the name of war and national chauvinism, all civil liberties, trade union rights, and rights to free speech and movement, will be ruthlessly curbed. Xenophobia, racial hatred, and communal passions will be incited, creating rivers of blood, sprouting from the springs of frenzy. And, together with all this inhumanity there will be wars — imperialist sponsored wars, fascist wars, wars that kill, maim and slaughter lakhs for the sole purpose of enhancing profits of a microscopic few.

But, all is not that bleak. Amidst this ocean of horror, the masses will rise against their tormentors. They will more easily take to arms, as in war/fascist conditions any other form of struggle will look increasingly futile. Oppression breeds revolt. Intense oppression will result in gigantic revolts.

Where Maoists forces exist they will lead these revolts and take it forward towards the seizure of power. Where they do not exist they will get formed, as it is only they who wield the political and organisational ability to take on the fascists, and it is only they who have a real alternative to the crumbling, degenerate and inhuman system. Besides, with this ruthless offensive of imperialism, vast sections of the masses will be drawn into this struggle, opening up the scope for the widest possible front against US imperialist aggression and all the lackeys that ally with them.

The increasing exploitation and oppression in these times of recession will catalyse the revolutionary process, by drawing in the vast masses into the great historical movement for a just order. Besides, in these conditions of economic crisis, the dogfights amongst the reactionaries will intensify as they scramble for their shares in the diminishing cake. This, together with the greater contention amongst the imperialist powers, will facilitate greater mobility and speedier advance for the revolutionary forces, through an astute handling of the contradictions within the enemy camp.

The present situation, though fraught with grave dangers, is opening up avenues for great advances in the revolutionary movement. There is urgent need to build the widest front against the fascists and the US imperialist sponsored war effort, under the leadership of the proletariat. What Com. Mao said in 1970 is once again relevant today: "*people of the world unite, defeat US imperialism and all its running dogs*"

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The Great Oil Robbery

Rajan

The United States' current strategic agenda is of staggering proportions. The US plans a massive expansionist drive around the world (and indeed even in outer space). In this it plans to take full advantage of its overwhelming military supremacy, including hitherto impermissible means, with inevitably terrible effects on the targeted populations. Not only inconvenient regimes but even certain US client regimes (such as Saudi Arabia) may be targeted. These countries are slated for direct rule by the American military, or rule under close and detailed direction by US monitors — encompassing not only foreign policy and economic policy, but political, social and cultural institutions as well. *Direct* control of oil will pass into American hands. Importantly, this drive is also intended to prevent the emergence of rivals to American worldwide hegemony. Of course, its primary aim is colonial-style exploitation, in order to maximize the loot and widen its captive markets.

Months before George W. Bush assumed office in January 2001; a report was drawn up by a group called *Project for the New American Century* (PNAC). The driving force behind the group was Richard Perle, a member of the Reagan administration, a member of the board of extreme right-wing think tanks such as the American Enterprise Institute and the Hudson Institute, and currently the head of the Defence Policy Board (now out due to proof of fraud in his business dealings), an advisory group to the Pentagon. Other founders too of the PNAC now occupy leading positions in the Bush administration: Dick Cheney, now vice-president, Donald Rumsfeld, defence secretary, Paul Wolfowitz, deputy defence secretary, I. Lewis Libby, Cheney's chief of staff, William J. Bennett, Reagan's education secretary, and Zalmay Khalilzad, American special envoy to Afghanistan and imminently to the "free Iraqi people". (Governor Jeb Bush, George's younger brother, was also among the founders.) Hence the report reflects the intentions of those now in office.

Titled "*Rebuilding America's Defences: Strategy, Forces and Resources for a New Century*", the report spells out "*American grand strategy*" for "*as far into the future as possible*". Among its highlights, as ountlined in the *Aspects of India's Economy Nos. 33 & 34*, are the following:

1. The report says, "*The United States has for decades sought to play a more permanent role in Gulf regional security. While the unresolved conflict with Iraq provides the immediate justification, the need for a substantial American force presence in the Gulf transcends the issue of the regime of Saddam Hussein.*" Clearly, the American plan to invade Iraq has nothing to do with Saddam Hussein or any weapons of mass destruction. Invasion of Iraq was on the cards, and Saddam is the excuse. The report adds that "*even should Saddam pass from the scene*", bases in Saudi Arabia and Kuwait would remain permanently as "*Iran may well prove as large a threat to US interests as Iraq has*".

2. The US should be able to "*fight and decisively win multiple, simultaneous major theatre wars*", and increase military spending by $48 billion to ensure this.

3. The US should develop "bunker-buster" nuclear weapons. Whereas till now nuclear weapons were considered *strategic* weapons — a threat of massive retaliation to deter an attack — the development of such uses for smaller nuclear weapons would make them into *tactical* weapons, that could be used in the ordinary course of battle, as it were. The US, the report unmistakably implies, "*should also develop biological weapons: New methods of attack — electronic, 'non-lethal', biological — will be more widely available.... combat likely will take place in new dimensions, in space, cyberspace and perhaps the world of microbes.... advanced forms of biological warfare that can 'target' specific genotypes* (i.e., kill people selectively based on their race or ethnicity) *may transform biological warfare from the realm of terror to a politically useful tool.*"

4. The US should create "*US Space Forces*" to dominate space. The 'star wars' programme, officially known as National Missile Defence, should be made a priority.

5. The report says that "*it is time to increase the presence of American forces in southeast Asia*". This may lead to "*American and allied power providing the spur to the process of*

democratisation in China." In other words, the US should strive to replace the present Chinese regime with a clearly pro-American one, and for this South Asia could be used as the launching pad. .

6. Supposedly in order to check regimes such as North Korea, Libya, Syria and Iran the US military should set up a "*worldwide command-and-control system*".

7. The PNAC supports a "*blueprint for maintaining global US pre-eminence, precluding the rise of a great power rival, and shaping the international security order in line with American principles and interests*." Thus the document explicitly calls for preventing the "*American century*" becoming anyone else's, even if peacefully. Close allies such as the UK are referred to as "*the most effective and efficient means of exercising American global leadership*" — that is, a mere mask for American hegemony. Peace-keeping missions are described as "*demanding American political leadership rather than that of the United Nations*".

Perhaps the most startling element of this plan is the targeting of Saudi Arabia, long considered the most faithful American ally among the Arab countries — the base for the American assault on Iraq in 1991, a continuing US military base thereafter, the US's second largest market for weapons, the largest supplier of oil to the US (at a special discount to boot), and the source of up to $700 billion of investments in the US. On July 10, 2002 a researcher from the RAND Corporation (a prominent think-tank, created by the US Air Force but now quasi-independent, that regularly does projects for the American defence and foreign policy establishments) made a presentation to the Defence Policy Board — headed, by Perle. The briefing, titled "*Taking Saudi out of Arabia*", claimed that "*The Arab world has been in a systemic crisis for the last 200 years*" and that "*Since independence, wars have been the principal output of the Arab world*". It went on to describe Saudi Arabia in bizarre terms as an enemy of the US ("*the kernel of evil, the prime mover, the most dangerous opponent*", "*The Saudis are active at every level of the terror chain, from planners to financiers, from cadre to foot-soldier, from ideologist to cheerleader*"), and recommended that the US give it an ultimatum to prevent any anti-US activity in Arabia, failing which its oil fields could be seized by US troops and the House of Saud replaced by the Hashemite monarchy that now rules Jordan. The latest removal of the US base from Saudi

Arabia may be a part of the process of implementation of the report.

Incidentally, a $3 trillion lawsuit has been filed in an American court accusing several Saudi institutions and charities and three members of the royal family, including the defence minister, of financing terrorism. Following the filing of this lawsuit, Saudi investors have withdrawn up to $200 billion from the US.

These series of semi-official documents finally ended up with the official document "*National Security Strategy of the USA*" released on September 17, 2002 (hereafter "NSSUSA"). This document is a de facto Charter for US hegemony for the future.

It says that the United States "*enjoys a position of unparalleled military strength and great economic and political influence*". "*Today, the world's great powers find ourselves on the same side*" — that is, the US lacks any rival. This is "*a time of opportunity for America.... the United States will use this moment of opportunity to extend the benefits of freedom across the globe*". But, it goes on to add: "*Despite its unrivalled supremacy, the US is faced by a new type of enemy: "shadowy networks of individuals.... organized to penetrate open societies.... To defeat this threat we must make use of every tool in our arsenal.... The war against terrorists of global reach is a global enterprise of uncertain duration....*".

Casting its eye about the world, NSSUSA spells out America's tasks in different regions.

Europe is to be kept subordinate to, and dependent on, American power. While the US supports the goal of European integration, it adds "*we must seek to prevent the emergence of European-only security arrangements which would undermine NATO, particularly the alliance's integrated command structures*."

NSSUSA issues a blunt warning to China against "*pursuing advanced military capabilities that can threaten its neighbours in the Asia-Pacific region*." The US threatens China with interference in its internal affairs: "*To make that nation truly accountable to its citizens' needs and aspirations... much work remains to be done*." US deployments in the region are to be beefed up, and in order to ensure that American troops are stationed as close as possible to China, South Korea is to be convinced to "*maintain vigilance* [ie hostility] *towards the North while preparing our alliance to make contributions to the broader stability of the region over the longer term*."

US ARM-TWISTING FOR ARMS DEALS

Far Eastern Economic Review reported (Sept 26, 2002):

Daniel Fremont arrived in Australia to lead Dassault Aviation's bid for a $6 billion contract to supply the Australian Air Force with 100 front-line strike aircraft. But, within hours, the Australian government announced it had abandoned its normal tendering procedures and had signed up with the US defence giant Lockheed Martin. Within days Fremont had packed his bags and returned to Paris. ...Rivals airily protest that this is an increasingly lopsided contest for lucrative arms deals, especially in Asia, the US applies a combination of diplomatic, military-to-military, commercial and technological influence to win the Australian deal with an aircraft that has yet to be built.

Earlier, Australia angered another European defence consortium, STN Atlas, when under pressure from Washington, it aborted a tender to supply a $200 million combat system for the Australian Navy's conventional submarine fleet. Though superior, the contract was given to the US Company, Raytheon.

The deal that probably aroused most open resentment against what is seen as growing US influence, was the South Korean government's controversial move to award a $4.2 billion deal to American aircraft manufacturer, Boeing. Here again Dassault lost out, though the aircraft were technologically better and the deal was $350 million cheaper than that of Boeing.

Malaysia's $1.5 billion for fighter aircraft is likely to go the same way.

Among the regional defence spenders, S.Korea and Australia are coming under heavy pressure to buy American. Japan is virtually a captive market where Washington has expended considerable effort to block the emergence of a potentially competitive weapons industry; while Taiwan is forced to buy the vast majority of its arms from the US (last year Taiwan was the largest arms importer in the world).

Vice-President of Dassault, Robins, said "*this trend of increasing US political pressure in arms deals is extremely obvious*".

Even in India the Economic Times reported (April 6, 2003) : the Indian Airlines deal for 43 aircraft worth $2 billion has been stagnating since March 27, 2002, when the IA board approved an all-Airbus (European consortium and main rival of Boeing) fleet. The Cabinet has been stalling the purchase and has been pushing for purchase from Boeing. A similar huge deal of Air India's has also been stalled for similar reasons.

In a case of outright humiliation, on April 28, 2003, the Bangladesh Prime Minister, Begam Khaleda Zia, abruptly cancelled her scheduled meeting with the visiting French Minister of State for Foreign Affairs, without giving any reason. A number of local dailies reported the last-minute cancellation was prompted by the intervention from the US authorities based in Dhaka. This was the first ministerial-level visit to Bangladesh from France in the last 12 years, undertaken at the request of President Chirac.

In contrast with China, India is presented as a pillar of American influence in Asia: "*We (the US and India) are the two largest democracies, committed to political freedom protected by representative government. India is moving toward greater economic freedom as well. We have a common interest in the free flow of commerce, including through the vital sea lanes of the Indian Ocean. Finally, we share an interest in fighting terrorism and in creating a strategically stable Asia.*"

The document outright opposes the emergence of imperialist rivals. It crudely states: "*Indeed American 'national security' lies in the absence of any other great power. We are attentive to the possible renewal of old patterns of great power competition.... our military must... dissuade future military competition.... Our forces will be strong enough to dissuade potential adversaries from pursuing a military build-up in hopes of surpassing, or equaling, the power of the United States.*"

The document openly demands that countries open up their economies to the US. It states: "*Free markets and free trade are key priorities of our national security strategy.*" "*Respect for private property*" is among the "*non-negotiable demands of human dignity.*" The economic policies of other countries — their legal and regulatory policies, *tax* policies ("particularly lower marginal tax rates"), financial systems, fiscal policies, and (what the US calls) "*free trade*" are considered part of the "*national security*" of the US. "*Free trade*" is put as "*a moral principle*". However, "*free trade*" refers to **others** opening their markets to the US.

The NSSUA is a veritable charter for a new style colonisation. It says that the US will now more directly than ever before intervene in and supervise all aspects of "*governance*" of the lands under its sway.

This then is now the official policy of the United States Government. It is horrific and terrifying, but clear, without any ambiguity. Iraq was the first victim of this policy.

Oil, A Major Tool for Domination

The basic economic logic underlying the war — and the opposition of some countries to it — is the most obvious: **oil**. It is widely believed, by Iraqis and others in the Arab countries, and by a majority of people throughout the world, that this war has to do with American companies getting direct control over Iraqi oil. A look at some relevant data will make this clear. America consumes 19 million barrels of oil, i.e. three thousand million (3,000,000,000) litres of oil **every day** (1 barrel = 160 litres). Two-thirds of that is consumed by cars and private transport, the rest in heating houses, offices, and manufacturing. US oil production fell by 15 per cent in the 1990s, whereas its consumption of oil grew in the same decade by 11 per cent. That demand is only expected to grow in the foreseeable future. Currently, it imports at least half its oil, which will rise to over 60 per cent in the next few years: the world's oil consumption is expected to grow from 77 million barrels per day to 120 million barrels over the next twenty years, and the highest increase in demand is expected from the US. This enormous American appetite for oil comes from two factors: public transport was dismantled by the powerful car industry in the 1920s and 1930s, and there exists virtually no public transport in most American towns. Most people use cars for their most basic daily needs. Americans currently own over 200 million cars; two cars per family on average! And two, the advanced capitalist, recklessly consumerist American way of life, all of which is sucking up a quarter of the oil that is consumed worldwide. Which is where the gigantic oil companies come in, and their interest in Iraq. Oil is the most dominant aspect of Iraq's economy, and is responsible for 95 per cent of its foreign exchange earnings. Iraq's known reserves have been estimated at 112 billion barrels, the second largest in the world, after Saudi Arabia. Besides, unexplored reserves are expected to be another 100 to 200 billion barrels more. However, oil is not a finished product. It needs to be extracted from the ground, processed, transported to the right markets and sold for profits to be generated. It is less known that the costs of extracting Iraqi oil are among the cheapest in the world: less than a dollar a barrel, compared to $ 2.50 in Saudi, at least 4 dollars a barrel in the North Sea area and upto $12-15 in the US and Russia. In addition, Iraqi oil is of exceedingly good quality — i.e. it has a very low sulphur content. Lesser costs obviously mean greater profits, and the profits on this vast quantity of oil, cheaply extracted, are *huge*: by one estimate, if oil prices were US$25 a barrel (they currently vary between $25 and $28 a barrel), and if the profits were equally shared by the companies and whatever Iraqi government is in place, **the potential annual profits for the companies from Iraqi oil would be 29**

billion dollars, i.e. 1,36,500 crore rupees every year, for fifty years! (In case this seems an unreal figure, let us bear in mind that the profits of the five largest private companies in the world in 2001 were 44 billion dollars, i.e. 2,10,000 crore rupees.)

However, the problem for American and British oil companies — and for the American political elite, such as George Bush, vice-president Dick Cheney, George Bush Sr., many of whom were CEOs, directors of or connected to oil companies, and thus have a vested material interest in war — is that none of them have rights to Iraq's oilfields. Control by western powers and companies over Iraq's oil was loosened in 1972 when the Baathist government nationalized the Iraq Petroleum Corporation, owned at the time by oil companies from the US, France, Holland and Britain. In 1973, during the Arab-Israel War, the Iraqi government took over the Basrah Petroleum Company operating in southern Iraq from the Americans and the Dutch. Never since then have America or Britain managed to have a direct stake in Iraqi oil. The US wants a pliant regime in place, a regime favourable to American companies and interests, as they imposed earlier in Afghanistan.

What are China's interests? The government-owned China National Petroleum Corporation has been awarded the Al Ahdab oil field, which can produce close to a lakh barrels (160 lakh litres) a day. China's stakes are high in the medium term: its demand for oil is expected to grow the fastest after the United States in the next twenty years. But China does not have the oil to meet this demand; unlike Russia, it is a net *importer* of oil. From a low base of 25,000 barrels per day in 1993, China's oil imports increased 18 times, to 4,50,000 barrels per day in 1996. As Chinese industry expands, oil supply will be China's main concern. The US establishment seeks to establish its dominance over China in the long-term by keeping China out of West Asia, the largest source of oil in the world, and making it dependent on oil supplied by US companies. This was one of its strategic interests in invading Afghanistan as well, restricting China's access to the oil and natural gas reserves in the Caspian region.

French, Chinese, and Russian governments and companies realize that their current contracts carry little weight with a new, pro-US regime. True, contracts are subject to international law, such as the UN Resolution 1813: *Permanent Sovereignty over Natural Resources.*

Under international law, property rights awarded by a previous government must be respected by a new regime. New governments, representing sovereign nations, can change or cancel contracts, but would have to pay compensation. However, there are loopholes to avoid this: the new regime can show that the process by which contracts were awarded was not transparent; or there was corruption; or they were awarded on political considerations, either or all of which are likely.

It's not just a question of existing contracts being under threat. **Even bigger profits are to be made on as yet unexplored oil. Iraq is known to have 112 billion barrels of reserves, but potentially it may have twice that volume of oil, over 220 billion barrels.** It has been reported that 417 new oil wells have been planned. Iraq's output at about 3 million barrels per day is low relative to its potential, and could be easily doubled in a few years. It will require a lot of investment, but the profits, as mentioned earlier, are enormous. These nations opposing the war well realize that a pro-US regime will help American companies dominate current and future markets in Iraq. And current reports suggest that the Pentagon will have a big role in administering Iraq either directly or indirectly.

US companies will also corner **reconstruction** deals. When asked whether France would have a role in postwar Iraq, a US official said that given France's "*anti-Americanism*", it would be left to "*pick up the garbage*". Five corporations, all American ones, were asked to place bids for contracts worth $900 million. The contract is now given to the giant Bechtel, whose CEO, for a long period, was former Secretary of State (under Regan), George Schultz. A subsidiary of Halliburton, which vice-president Dick Cheney used to head until he joined the Bush team, got an initial contract for $500 million to repair seven oil wells in Rumeila. Reconstruction contracts will amount to billions of dollars in postwar Iraq. Even Britain is getting anxious at US arrogance, and the fact that reconstruction projects are already being awarded to American companies, none to any British ones. Which explains why Britain, as a pressure tactic, has recently been saying that the United Nations will have a hand in how postwar Iraq is run. The US response: nothing doing; the UN's role would be restricted to humanitarian aid. **In short, the US seeks to socialize the costs, and privatize (for US companies) the profits.**

The Arms Industry

It's not just oil and reconstruction, there's also the lucrative arms industry. France and Iraq have had excellent trading ties in general. As far back as 1983, a thousand French companies, large and small, were active in Iraq. There were about six to seven thousand French specialists based in Iraq. Even today, about 21 per cent of Iraq's trade is with France. Of those specialists mentioned above, some represented the largest French weapons companies. Forty per cent of French military exports during the decade of the eighties was to Iraq. Between1979-89, France was the second largest arms supplier to Iraq after the Soviet Union. In fact, Iraq owes France US$4.5 billion from arms sales in the past, which it is highly keen to recover. Russia, if anything, has even older military ties, going back to when the Soviet Union signed a Treaty of Friendship and Cooperation with Iraq in 1972. Iraq owes Russia US$ 8 billion for previous arms sales; impoverished Russia is even keener than France that its debts are repaid. Arms deals with some of these countries were negotiated in the 1990s, violating the UN embargo on arms sales to Iraq after the first Gulf War. For instance, Russian firms Livinvest, Mars Rotor and Niikhism supplied parts for military helicopters in 1995. Mars Rotor and Niikhism sold missile parts to a Palestinian who transported them to Baghdad. In 2001 and 2002, the Chinese firm Huawei Technologies sent supplies towards Iraqi air defence. Germany too violated the UN embargo. In fact, recent UN documents suggest that Germany is currently Iraq's biggest arms-trading partner with eighty German companies, including Siemens, selling weapons technology and arms to the Iraqi regime. The German government reportedly "actively encouraged" the arms trade with Iraq. Defence is a highly lucrative industry. The arms market after this war, not just in Iraq but also other countries of the region, is expected to be large, and these countries are keen that they do not get edged out by American arms giants. In 1993, after the first Gulf War, arms exports of American companies doubled from sales to Israel, Saudi, Egypt. This time too, Raytheon, Boeing, and General Dynamics, part of America's enormous military industrial complex, will stand to gain, at the cost of French, German and Russian suppliers.

A War of Currencies

There's another economic factor as to why this war took place, and at this time: the euro's challenge to the dollar as the world's dominant currency. Currently that is of course the dollar: half of all global exports, two-thirds of the total foreign exchange reserves of governments, and four-fifths the value of foreign exchange transactions are carried out in dollars. This has many, huge, and interconnected advantages to the US economy and to American companies and banks. To be able to pay for your imports in dollars, you need to earn them in the first place by selling goods or services to the US, that too cheaply given the strength of the dollar. Rather than converting those earnings to your own currency and then re-convert to the dollar when you need to pay, it makes more sense to keep them in dollars in American banks. Given the importance of the dollar and the relative safety of the American economy, many foreign exchange earners would prefer to keep their surplus earnings in dollar accounts or buy American assets. For instance, Arab investors invest nearly 1,500 billion dollars every year in the US economy. Governments have to keep a portion of their foreign exchange reserves in dollars, which means having to invest in US government bonds, the stock market, or in real estate.

Most of all, it allows the US to sustain its enormous deficits. Hypnotized by the sharp rise in the value of their stockholdings, consumption by American households shot up in the second half of the 1990s. The US economy itself was and is consumption-driven, as Americans consumed, beyond their earnings, and beyond what America could produce. Imports therefore grew rapidly, at 11 per cent between 1995 and 1999 (even as exports declined, partly because of the high value of the dollar), leading to record trade and current account deficits. These deficits and America's enormous debt can be sustained only because of the primacy of the dollar, as investors abroad are willing to lend and invest.

Till 1999 there was no currency to challenge to domination of the dollar. In the late 1980s the yen did arise as a potential threat, but with the decade-long collapse of the Japenese economy, this faded out. To-day, **the dollar's primacy can be challenged only by the euro, and that can happen only if the trade in oil, at over one thousand billion dollars a year (10% of the world's merchandise trade),**

moves from the dollar to the euro. On 6 November 2000, Saddam nudged it in that direction by telling the UN that Iraq's oil earnings would henceforth be in euros, not dollars. Later, Iraq's foreign exchange reserves of $10 billion were also converted to euros. Iraq was the first oil exporting country to do so. Others followed. Iran converted half its reserves into euros. Russia increased its share of reserves in euros from 10 to 20 per cent. Venezuela, North Korea, and many other countries began considering the euro as an alternative. All of this led to a rise in the value of the euro vis-à-vis the dollar, by as much as 20% in 2002. There was the fear that OPEC countries may move to the euro — partly because of the declining US stock market since January 2001. Were that to happen, the dollar would get a great shock. The problem for the US is that the harmful effects, like its advantages, are also interconnected. A move in oil trade to the euro would lead successively to a sharp fall in the value of the dollar, to a sale of dollars, to a further fall in value, to panic and loss of confidence, to a shift of investment to other economies, and the incapability by the US to support its enormous debts and cover its huge trade deficits of over $450 billion. And as the scramble for markets gets more desperate in the growing recessionary situation worldwide, the conflict between the Euro and the dollar, which represent the two largest markets in the world, are bound to intensify.

France and Germany knew that were the US to gain control over Iraqi oil, it would pressurize OPEC, Russia and China to stay with the dollar. Then, French and German banks and companies would have to give up any hopes of the euro becoming the dominant currency in the world, at least in the immediate future.

This war of currencies is part of imperialist rivalry, which is growing due to the deepening economic crisis throughout the world. After the 'victory' of the US adventure the more conciliatory statements from Russia and Germany, and the anxieties of French companies at being left out of the spoils, reflects this eventuality. **Their conciliation has a vested economic interests, just as their opposition to the war had. But their rivalries will not be resolved by how Iraq's tragedy unfolds. Iraq is only an initial battle in a long phase of growing inter-imperialist contention.** The US will continue to use its enormous military dominance to try to get an economic edge over everybody else. That means repeated conflict and warfare.

Oil, A Weapon for World Hegemony & Source for Huge Profits

Direct American control of oil would render potential challengers for world or regional supremacy (primarily Europe's imperialist powers) **dependent** on the US. It is clear the US is following this policy.

Except for Russia and the UK all the major countries are dependent on imports for their oil. Therefore control of oil and oil routes, can help the US dictate terms to their rivals. The US imported, in 2000, 9.8 million barrels a day of its *19.5* million barrel requirement — that is, about half. By contrast, Japan imported 5.5 out of 5.6 million barrels; Germany 2.7 out of 2.8; France 2.0 out of 2.1; Italy 1.8 out of 2.0; and Spain 1.5 out of 1.5. In other words, these countries imported 90 to 100 per cent of their oil requirements. China too is a major importer of oil and gas: it is projected to import 10 million barrels a day by 2030 — more than eight per cent of world oil demand. **They would therefore be very vulnerable to blackmail by a power, which is able to dictate the destination of oil.** (*Aspects of India's Economy; Nos 33 & 34*)

In order to push for its control over oil worldwide the US has adopted the following steps:

- French, Russian and Chinese firms will get evicted from Iran and Iraq once the US takes full control. Besides, Europe depends on Middle East oil for 50% of its needs. With US control over this, it can arm-twist European countries to dance to its tune.
- The US has gone to great lengths to frustrate alternatives to its Baku-Ceyhan pipeline (which is to run from the Caspian through Turkey to the Mediterranean). With the US invasion of Afghanistan, the US has set up a chain of military bases in Central and South Asia — Pakistan, Afghanistan, Kyrgystan, Tajikistan, and Uzbekistan, with military advisers in Georgia as well. Part of the US desire to reduce the Indo-Pak conflict is their plan to bring Central Asian gas to the huge market of India (and even beyond) through pipelines across Afghanistan and the Pakistan. Even in Bangladesh Unocol is seeking to control its huge gas reserves on the condition that the Indian market is opened out for that gas. It is then no wonder that it is the US that is also encouraging the Free Trade Area within SAARC countries.
- The US is about to send two battalions of Marines to help suppress the insurgency in Colombia; it is training a new brigade to protect

Occidental Petroleum's pipeline in that country. At the same time it is actively organising the overthrow of the elected Pro-Europe Chavez government in Venezuela.

• The Institute for Advanced Strategic and Political Studies, an Israeli lobby group that met President Obasanjo of Nigeria in July 2002, claims the US is on the verge of a "*historic strategic alignment*" with west Africa and that the region is "*receptive to American presence*". The institute has advocated the setting up of a US Gulf of Guinea military command: the island of Sao Tome, south of Nigeria and a possible site for a naval base, hosted a visit from a US general in the same month. The activity comes while the Nigerian government is considering leaving OPEC, and developing its oil trading relationship with the US instead. The US is also maneuvering to control the oil reserves of Angola, Gabon, Cameroon, and Equatorial Guinea. Africa already provides 15 per cent of US oil imports, and these are set to rise to *25* per cent by 2015. The British/Dutch Company, Shell, has also major interests in this region.

• A major consideration in the US's great oil grab is its desire to check China. As China attempts to arrange its future oil supplies, it finds itself checked at each point by the US. China's attempts in Kazakhstan did not get off the ground after the entry of US forces into Central Asia. In 2002, Chinese firms have bought two Indonesian fields for $585 million and $262 million, respectively. Indonesian president Megawati Sukarnoputri has visited China twice since becoming president in 2001, hoping to bag a $9 billion contract to supply liquid natural gas to power industries in southern China. No surprise then, that the US has stepped up its activities in the vicinity of Indonesia — forcing the Philippines to accept its "help" in the name of hunting fundamentalists, patrolling the Malacca straits in tandem with the Indian navy, and pressing Indonesia to accept US 'cooperation' in suppressing Al Qaeda elements in Indonesia itself. In addition, China has struck oil field development deals with the very countries in West Asia hit by US sanctions —Iraq, Iran, Libya and Sudan. With this entire region now to be targeted through the US occupation of Iraq, China's deals are sure to meet the same fate as its Central Asian pipeline.

Besides oil being used as a weapon for world hegemony, it serves as a source of gigantic profits for the oil giants of the US and Britain — some of which are in the top 15 TNCs of the world. In fact in the

Fortune 500 listing of 2002, five oil companies ranked amongst the top 15, all of which made gigantic profits. Exxon (USA) at No. 2 had a profit of $15 billion; British Petroleum at no.4 had a profit of $8 billion; Shell (a British/Dutch company) at no. 8 had a profit of $11 billion; ChevronTexaco (USA) at No. 14 had a profit of $3 billion; and TotalFinaElf (French) had a profit of $7 billion. Besides these there are the Russian oil giants Lukoil, and with the recent merger of Yukas (2nd largest) and Sibneft (5th largest), this merged company has become the 4th largest oil company in the world. Oil exports are crucial to Russia's economy; with the taking over of Iraqi oil by the US and the likely fall in oil prices, the already fragile Russian economy will be badly hit.

Both in America and Britain oil magnates have been the most powerful houses in the country. Rockefeller, who founded the Standard Oil Company of the USA was the world's richest person. Exxon (formerly Jersey Standard) has been one of the top 5 companies of the world for decades. But many of their oil fields in the US, Alaska, North Sea are getting depleted and extraction more expensive. **Iraqi oil will come as a windfall, because of its huge reserves, high quality and very cheap costs. Chalabi and others have already stated they will hand over the fields to US firms on unbelievably good terms — this was even before the aggression began.** While all the oil fields of the Middle East are nationalized, with governments getting good royalties from the extraction by TNCs, Chalabi and Co. wants to set the trend of de-nationalisation to enable the oil TNCs to maximize their profits. It is believed that after Iraq sets the trend Saudi Arabia will be put under pressure to de-nationalise .... followed by Iran.

This then is the Great Oil Game in the Middle East. The stakes are high. Earlier too wars have been fought over oil. Today the scramble for control is even more desperate. In all this loot the losers are the great Arabian people. No doubt they will not stay silent at this great oil robbery. Till today they have been duped and pacified by their own puppet rulers. This has enabled the robber barons of today to make their new onslaught. But their patience has a limit, which has already been stretched far by Israeli humiliation of the Palestinians. The Iraqi occupation and rape of the country, is the proverbial last straw. No doubt they will now burst into revolt. In the forefront will be the Palestinians and the Iraqi people.

World Recession and the Iraq War

Arvind

On April 28 the BBC reported that *at last life appears to be coming back to Silicon Valley after the bursting of the dot.com bubble a couple of years ago. The reason: $6 billion of orders from the US Defence Department and Homeland Security; with promises of much more. With defence and internal security going hi-tech, Silicon Valley is much in demand.*

This is only the tip of the iceberg of what ails the US economy, which drives its politics of war. The rot is far deeper. To get at the truth one has to remove the chaff created by the huge media complex, which is today nothing but a gigantic lie-producing machine, packaged in glossy presentations.

Imperialist wars, geo-political maneuvers and economic interests are an intricate web within the prevailing capitalist/imperialist system. It is inconceivable to look at one aspect without the other. As Lenin once said: *war is the continuation of politics by other means; and politics is nothing but the concentrated expression of economics.* The internal dynamics of the Iraq war can only be fully understood by seeing them in these inter-connections. Besides, it is only with such a scientific understanding of the overall situation that a comprehensive tactic can be evolved to counter the war-mongering of US imperialism internationally and its repercussions on our country locally.

After all, the whole point of seeking to understand the situation is to effectively act on it in order to change it.

The problem with the pacifists is that they see only the superficial manifestations of the war, and are therefore unable to understand its inner dynamics or evolve effective methods to fight it. Notwithstanding their good intentions, they easily fall prey to pessimism — whether from the (temporary) defeat in Iraq, or the vacillations of the other imperialist/reactionary powers, or due to defeatism in the face of the US's "*shock and awe*" campaign, which is designed specifically to create a feeling of helplessness before US might.

The problem with the social-democrats/revisionists, though they know the reality, their opposition is half-baked, hesitant, and more particularly geared to make political capital out of the situation in support of one or the other ruling factions. Often they also act as a fifth column within the anti-imperialist movement to sabotage it from within; or to push it along harmless, peaceful, ineffective lines, as is evident with the World Social Forum.

Here, in this article we shall try and understand the internal dynamics of the Iraq war and the international situation from which it has evolved, in order to find the most effective method of opposition. Also, through this analysis we shall try and predict the future line of conduct of the imperialists, particularly the US, its impact on the class alignment of forces worldwide, and the evolving growth in the anti-imperialist movements throughout the world. Finally, we present the challenges before the democratic and revolutionary forces within the country in the light of the present international situation.

Imperialist Crisis and War

The deepening economic recession worldwide since early 2001 is having the following results on world politics:

First, the imperialists, and particularly US imperialism, is seeking to push the burden of the crisis onto the backs of the working people throughout the world, particularly onto the backs of the backward countries of the world — so, the aggressive promotion of the policies of globalisation (economic reform), increased hegemony, arm-twisting and dadagiri, and even wars to conquer backward countries (e.g. Afghanistan and Iraq). This is resulting in the sharpening of the contradiction between imperialism and the oppressed countries and nations of the world. The increasing exploitation of the workers in the developed countries is enhancing the contradiction between labour and capital in these countries.

Second, the recessionary conditions are leading to increasing contention amongst the imperialist powers, in their desperate grab for a dwindling market and sustaining profit-levels. The collusion of the post-cold-war period is slowly evolving into growing contention; particularly between some countries of Europe and Russia on the one hand and the US on the other. Though collusion continues, when agreement is possible over the division of the spoils, this is becoming increasingly difficult, where the desperation to grab the maximum is becoming essential for the very survival of their giant TNCs — in the face of recessionary conditions, with a falling rate of profit and even big losses and bankruptcies.

And third, the US superpower, is now launched on a path of military adventurism throughout the world, with a twin purpose: (i) to grab markets and sources of raw materials and step up the level of exploitation of the third world to levels that existed in the colonial period and even beyond, and (ii) to keep at bay rival imperialist powers, by the flexing of its military muscle (and not merely through economic competition). It dreams of a US Empire, dominating, controlling and/or occupying, the entire world. This is reflected in increasing US unilateralism, contempt for the UN and other multilateral institutions and relying on its military might to gain economic, political and diplomatic advantage. It resorts to outright and crude threats, against not only the backward countries, but also against its imperialist rivals.

This is the dawn of the New World Order, where Pax Americana seeks to rule the waves, where none shall raise a finger against this tyrannical overlord. Hitler and fascism was born in the wake of the Great Depression, which pushed the world into the horrors of World War II. Today, the war-mongering and fascist demagogy of the Bush/ Blair kind is also evolving amidst a severe recession of the major world economies, including that of the US — the worst since WWII. One-and-a-half years of desperate fiscal monetary measures have failed to pull the US economy out of recession.

Let us then see the extent of this recession to get further insight into the current geo-political maneuvers of the US and the reactions of the other imperialist powers.

Growing World Recession

Ever since the bursting of the dot.com bubble in early 2000 the world economy and the US economy has been in a downswing. By March 2001 it passed into recession. The Economic Outlook of the OECD 30 richest countries has forecast a mere 1.9% growth in the current year for its member countries. Anything below 2.5% is seen as recessionary.

Not that the economies were all booming in the earlier period either; it was only the boom in the American economy, which is huge in size, that gave some strength to the world economy. While, now the downturn is worldwide (except for China), in the earlier period, while America boomed, some country or the other faced severe crisis. **So, during the 1990s there were a total of 60 recessions in the developed and underdeveloped countries** [1]. Of these, there was the ERM crisis in 1992, the Mexican crisis in 1994/95, the East Asian crisis in 1997, the Russian meltdown in 1998, the collapse of the Real in Brazil in 1998/99, and the major collapse of the Turkish and Argentinean economies since 2000 — the latter is still continuing. Japan has been in continuous recession; while the Russian and East European economies defacto collapsed over the 1990-1998 period, and it was only from 1999/2000 that they were able to somewhat stabalise at a small fraction of their earlier size.

The world's second largest economy, Japan, has been in a state of decline for the entire decade. Japan is also the world's largest creditor, the world's largest saver, the possessor of a giant trade surplus and has the world's largest foreign exchange reserves. Today its economy has been reduced to a desperate condition. Its crisis-ridden economy, with falling prices, shrinking output, anaemic aggregate demand and rising unemployment, has not been responding to various monetary measures. **Several fiscal stimulus packages in the past decade have failed to avert deflation and prolonged economic stagnation.** Unemployment is at its highest figure ever at 5.5%, and continues to grow. Bankruptcies continue unabated at 19,458 in 2002 — the second highest in the post-war era. The GDP growth rate for 2002 was yet again negative and is projected to be a mere 0.3% in the current year.[2] It has recorded its largest fiscal deficit ever in 2002 at 7.9% of the GDP. [3]

Russia's economy, once a rival superpower, is now reduced to that of the size of a tiny country like Belgium. Though somewhat stabalised after the severe crash of 1998, it is today a weakened imperialist power, though it has a large military machine. Its political strength will lie in its alliance with one or the other major imperialist blocs, as and when they arise.

The East Asian crisis (actually economic attack of finance capital) of 1997 badly affected the so-called tiger economies pushing them deeper into the arms of the US octopus. Their financial bankruptcy and crash in stock exchange values allowed US TNCs to swallow up companies (e.g. Daewoo by GM) at throw-away prices.

Europe though not hit by any major crisis is also in the doldrums since the last three years. Particularly the German economy, which is one-third bigger than that of Britain and France, is the worst hit. GDP growth rate for the Euro area was a mere 0.2% in 2002 and is expected to be a mere 1.3% this year. Of this, Germany's growth rate last year was just 0.2% and expected to be just 0.6% in the current year. Unemployment has peaked in Europe and keeps rising — by early this year it was 10.3% in Germany, 11.9% in Belgium, 12% in Spain and 9.1% in France.[4] In Germany, 5 lakh more jobs were lost in just the two months of February and March this year. Massive bankruptcies have hit the German economy, including some large companies like Kirch (media), Holzman (construction) and Dornier (aircrafts) — 32,000 companies collapsed last year; the figure is expected to be 40,000 in the current year. Germany's leading stock exchange fell last year by 44%, the biggest drop in the developed countries. Some indicators say it is facing the worst crisis since WWII.[5]

The economies of the backward countries of the world are in dire states, where impoverisation and exploitation has been pushed to extremes rarely seen before. The richest 20% of the world grab more than 85% of the income. The three wealthiest persons in the world have combined assets greater than the combined population of the 48 poorest countries with a combined population of 600 million. One-third of the world's 3-billion labour force is either unemployed or severely underemployed. The third world debt has now reached the astronomical figure of $2.8 trillion.[6] Some economies, like those of Turkey and Argentina were pushed to collapse. Argentina saw its GDP decline yet again by 10% last year, its per capita income has halved and unemployment is at 25%; it is in the fourth year of its economic collapse.

Growth in global trade was zero in 2001 and barely 3% last year — compared to an average of 7% through the 1990s.Overall a UN survey has estimated that the global growth rate for 2003 will be just 2.3% (i.e. after including China's growth rate of 7.5%), which means a continuation of the recession (under 2.5% is seen as a recession). **Last year stock markets fell for the third year running — measured by the decline in the ratio of equity wealth to GDP, the current bear market (i.e. decline in stock-market valuation) is the deepest in**

history.[7]

But through all these ups and downs it is the US economy that has been able to make the maximum use of the offensive of capital, launched under the signboards of 'economic reforms' and globalisation. **Its gigantic loot has resulted in its economy growing in the 1990s, from comprising 22% of world output, to as much as 30% of the total world output today. This is a phenomenal increase of nearly 1% per year.** (Looked at from another angle the US economy was 3.7 times the German economy in 1990, today it is 5 times its size.) An example of the type of loot boosting the US economy was the estimated net outflow of a huge $30 billion from the 29 biggest third world countries in 2001 [8] — the bulk of such loot would have been cornered by the US. Globalisation has benefited the US economy the most. Though a superpower even earlier, it has now achieved giant size (amounting for roughly one-third of world output), and is therefore able to more easily dictate to one and all, including to many of its other imperialist rivals.

Ofcourse, to counter the US monolith some countries of Europe have united into the Euro, which is posing a stiff challenge to the dollar. Besides, since 2000/01 the US too has been in a severe crisis, and like the Japanese economy, has not been responding to the huge stimulus packages handed out by the Bush administration. Though there was an enormous increase in the size of the US economy, the artificially inflated dot.com/tele-com boom of the late 1990s, resulted in a deep crisis, once the bubble burst.

Crisis in the US Economy

In the year 2002 the US joined Japan in, what economists call, a Liquidity Trap: a situation in which the short-term nominal interest rates (controlled by the central bank), are so low (now down to 1.25% in the US) and so loosely connected to the level of aggregate demand, that further reductions are ineffective in fighting recession. The only time such a situation existed was during the Great Depression during the 1930s.[9] **In addition the US faces the biggest stock deflation since the 1930s — since early 2000 there has been a continuous fall in the stock market index, whereby Americans have lost some $8 trillion of net worth on the US stock exchange.**[10]

A report says that the ongoing recession is firmly dated to March

2001. **Since then, in the past 2 years, 2.1 million jobs have been lost in manufacturing alone and another one million in the service sector. Measured by employment, this is the worst recession in the US since the Great Depression.** Joblessness is now at 6% of the working population and is expected to rise to 6½% by end June, compared to 3.9% in 2000. By late Sept 02, the US Census Bureau reported that the number of people living below the poverty line rose by 1.3 million in 2002, pushing up the total number of poor in the US to 33 million or 11.7% of the population. At the same time the average household income fell. 2.2% in 2002, for the first time in a decade.

In 2001, of the top 500 TNCs of the US, though revenues rose by 3.3%, profits fell by a gigantic 53.5% — that is the biggest drop in corporate profits ever since the 48 years of the Fortune 500 listing began.[11] The same report adds that 97 of the FORTUNE 500 companies reported losses of a total of $148.5 billion. These include giants like Ford, Lucent, Motorola, Qwest, Corning, AOL Time Warner, etc. In the year 2002 AOL Time Warner recorded the biggest loss ever in corporate history — $99 billion. The 11 largest airlines of the US recorded net losses of $7.7 billion in 2001, $10 billion in 2002 and another expected loss of $10.7 billion in the current year. They have shed one lakh jobs since 9/11 and are expected to shed another 13,000 by Sept. this year. The industry is carrying more than $100 billion in debt.12 Indebtedness of corporations stood at an all-time record high at $7 trillion of 70% of the GNP in the first quarter of 2001.

Over the last two years the US has witnessed an unprecedented rise in corporate bankruptcies including giants of the FORTUNE 500 listing. The WorldCom bankruptcy was the largest in US history. With assets of $100 billion, it was twice as large as Enron and four times as large as Global Crossing. WorldCom had 60,000 employees in 65 countries, 20 million customers and transmitted half the world's Internet traffic.

Capital spending by business dropped 5.2% in 2001 and 5.7% in 2002 — the worst two-year decline since World War II.[13] **US manufacturers are today using just 73.5% of their capacity; i.e. 27% is lying idle.**[14] The situation in the car industry is even worse — it has the capacity to produce an extra 2 million more cars a year, as it is functioning at just two-thirds its capacity. Ford is planning to slash production by 16 per cent, or 9 lakh vehicles, by 2004, shutting five plants and slashing 12,000 jobs.[15]

The telecommunications industry took on *$2.1 trillion* in debt between 1996 and 2000 and jacked up investment by 15 per cent per year in real terms. Each *firm tried* to steal a march on the others, on the basis of projections of a massive growth in demand. By 2000 the telecom industry accounted for a quarter of the increase in the US economy's equipment spending. Today the world has 39 million miles of fibre-optic lines, and telecom networks are operating at *three percent* of their capacity. In addition, despite 45 semiconductor fabricating plants having shut down in the US, the American semiconductor industry is said to suffer from 15 per cent overcapacity.[16]

It is a classic case of a crisis of over-production. In the past, lowering interest rates caused all business cycle indicators — production, sales, and employment — to move upwards. On this occasion, though interest rates have been reduced 12 times (in 13 months) to as low as 1.25%, there appears to be no light at the end of the tunnel. Besides, in order to create demand the Bush administration has given to the rich over $130 billion a year (for the next 10 years) in tax cuts. But even this stimulus has not worked. In the US two-thirds of the GDP comes from consumer spending. But with household indebtedness so large, it undermined consumer spending. American households had more debt than disposable income for the first time since 1999. By early 2001 household debt grew to 120% of disposable income.[17]

What is even worse is that all the economic fundamentals of the US are exceedingly fragile. A slight disturbance can bring the economy crumbling down. In 2002 the US dollar had fallen about 20% against all major currencies, particularly the Euro — the largest drop in value since 1987. In 2002 the trade deficit crossed $456 billion; i.e. 5% of the GDP. To cover this huge deficit, capital inflows of dollars must be $1.5 billion per day. If confidence in the dollar falls and investors from capital surplus countries park their money elsewhere, the $ will crash.

In addition, the budget, which has been in surplus all these years, is expected to run up a deficit of $300 billion this year.[18] The US is also the most indebted country in the world with a domestic and foreign debt approaching $3.4 trillion or $12,000 (Rs.6 lakhs) per capita. Not only that, States and many municipalities are grappling with their worst fiscal crisis since World War II. Thousands are being laid off every month and some states have even delayed medicare payments for six months. From surpluses through the 1990, it is projected that state deficits in 2003 will be $29 billion, rising to #82 billion in 2004.

The crisis of overproduction and a falling rate of profit makes the scramble for world markets all the more desperate. With the US economic crisis so deep, the government, acting on behalf of its powerful TNC combines, will go to any length to gain further access to markets and sources of raw materials. More vigorous arm-twisting, threats, and further wars of conquest are bound to follow. **The extent of the fierceness of US policy makers in this regard, is even to be seen in India, with the US government once again putting India on the Special 301 watch list (on May 2, 2003), threatening sanctions against the country.** This is inspite of the fact that the Vajpayee government has bended over backwards to implement all the demands of the WTO and other such imperialist bodies. In other words the US is demanding even further capitulation to its demands. This order has come immediately in the wake of the Iraq conquest.

Of course, such attacks on the backward countries of the world will continue; but what has particularly disturbed the US is the rise of the euro. For the first time in the post WW II era a currency has risen as a potential threat to the hegemony of the dollar. For the first time the decline in the US economy was threatening to result in a rival imperialist center displacing its domination over the world's economy.

Dollar Hegemony & the Rise of the Euro

Normally, a country whose national debt grows rapidly faces serious problems. Investors worry that it will not be able to service its debts, and they begin withdrawing their investments; bankers refuse to provide it fresh loans; and the country soon suffers a balance of payments crisis. If the debtor is a third world country, it is forced to turn for loans to the International Monetary Fund and the World Bank. These two institutions in turn stipulate a programme of 'structural adjustment', which depresses the consumption of the vast majority, depresses the cost of labour power, cheapens the country's raw materials exports, hawks off public sector assets and natural resources to foreign investors at cut-rate prices, and so on.

However, till now the United States has been able to run up a truly giant national debt for a special reason. Being the world's leading capitalist economy, and a military superpower, its currency has been used for payments between countries (and therefore for their reserves of foreign exchange as well). When it needs to pay its debts it merely issues a treasury bond (ie borrows from the capital market) to which investors from around the world rush to subscribe. Foreign investors buy bonds issued by the government, but also American corporate bonds, shares, and real estate. These inflows, soaking up as they do the world's savings, ensure that the US is able to import more than it exports, year after year, without suffering the treatment handed out by the IMF and World Bank to countries like Argentina, Brazil, India, and so on.

This endless supply of golden eggs depends on the US remaining the supreme imperialist power and the dollar remaining the currency for international payments. However, that is precisely what is now threatened.

After Iraq, as country after country began switching to the euro (See article *Politics of Oil*.... In this issue) the hegemony of the dollar came under threat. Not only were some countries shifting to trade in the euro, they began investing their surpluses/reserves in euros rather than dollars. This process led to the weakening of the dollar vis-à-vis the euro, which is projected to drop even further by the end of this year. This weakening of the dollar further encourages countries to shift to the euro.

So, as mentioned in the *Aspects of India's Economy Nos. 33 & 34, as the dollar's share of trade declines, central banks will want their foreign exchange reserves to be similarly distributed between the two currencies. Asian central banks have accounted for 80 per cent of the growth in global foreign exchange reserves, with current holdings of a gargantuan $1.5 trillion, most of it invested in American bonds. Around 85 per cent of Asian central bank reserves are estimated to be in US dollars. A shift of just 15 per cent would subtract $225 billion from the dollar and add it to the euro.*

Another source of huge funds were the continuous flow of petrodollars into the US. After all, oil comprises 10% of world merchandise trade, and the billions of revenues generated each year by the Arab countries, flow back to the US in the form of dollar reserves of these countries.

But, the revelations that a stellar gallery of American corporations led by Enron and WorldCom have been cooking their books, *and that US manufacturing corporations' profits fell by 65 per cent between their 1997 peak and 2002, would also unnerve foreign investors — who own a reported $1.5 trillion in US corporate equities*. Also, with the Fed having drastically cut the interest rates (to a nominal 1.25%), in order to get the economy out of its crisis, there is little attraction for US bonds any longer. All this would result in these countries beginning to shift their funds to more secure investments. In fact the process had already begun since 2001 and began to pick up speed as the dollar continued its decline.

Of course; there are certain checks on these trends. For one, the world's major financial centres are still New York and London, and Britain has still not joined the euro. The euro has as yet no financial centre to rival London and New York. Thus Iran is hesitant to actually

The Carlyle Group

The March 28, 2002 issue of FORTUNE said, " *The Carlyle Group, a Washington D.C. buyout firm, is one of the nation's largest defence contractors. It has billions of dollars at its disposal and employs a few important people. Maybe you have heard of them: former Secretary of State Jim Baker, former Secretary of Defence Frank Carlucci, and former White House director Dick Darman. Wait, we're just getting warmed up. William Kennard, who recently headed the FFC, and Arthur Levitt, who just left the SEC, also work for Carlyle. So do former British Prime Minister John Major and former Philippines President Fidel Ramos. Let's see if we are forgetting anyone. Oh, right, former President, George Bush. ...... The firm also has about a dozen investors from Saudi Arabia, including, until recently, the bin Laden family. .... Shafig bin Laden, one of Osama's many brothers and a Carlyle investor, was in attendance at a Carlyle conference at a Washington hotel on the day the WTC/Pentagon were attacked!*"

The kind of profit it makes is like that of any mafia outfit — not counting the standard 20% cut that goes to Carlyle's partners and managing directors, the firm's average annual rate of return has been 36%. Over and above this, the likes of George Bush Sr. are still paid roughly $5 lakh annually for the five odd lectures that he gives. One of the chiefs of Carlyle, Carlucci, happens to be a very close friend of Donald Rumsfeld. He claims he never discussed the 'Crusader' missile production contract with him. Maybe, but the Crusader is on the 2003 defence budget, making it likely that the Pentagon will ultimately buy 480 of the artillery systems for $5 billion.

make the switch to the euro because London is still the financial centre for Iran's overseas business.

Moreover, neither Europe nor the Asian economies want to see the US economy collapse. First, they would not be able to liquidate their holdings in the US before that happened, and therefore would suffer huge losses. Secondly, the collapse of the US market for their goods would deal them a heavy blow. Thirdly, if the dollar lost value, American goods would become cheap in terms of other currencies, and displace European and Asian goods in their home markets. So, unlike Iraq, the EU and Asia would want to proceed slowly, protecting the value of their investments as they withdrew them.

However, that is assuming rational collective behaviour on the part of investors, far removed from reality. Once a sudden shift takes place, herd behaviour takes over. As each investor races to pull out his investments, investors collectively drag down the value of all their investments. "*We seem to be approaching the cliff edge*", says Avinash Persaud, head of research at State Street, a leading New York-based investment bank. "*Even if everyone expects just a modest fall in the dollar they end up getting a violent one, simply because everyone will wait before buying*" the dollar.[19]

So, with the capture of Iraq and its huge oil reserves, the US can prevent (or at least postpone) the catastrophic slide of countries shifting to the euro. In addition, of course, the US oil giants stand to make huge profits by cutting off France and Russia's massive interests in Iraq. With Iraqi oil within its control the US will dictate terms, not only to Saudi Arabia, but also to Iran, Russia, Venezuela, all of who were beginning to shift to the Euro. In fact it will in all probability make Iraq pull out of the OPEC. So, through this military action it can, not only safeguard its huge stocks of petro-dollars, it can also prevent the trade in oil shifting to the euro. So, the military action will give the US economy big gains and prevent (for the time) the collapse of the dollar vis-à-vis the euro. On the other hand this will be a severe hit to the euro, just as it was beginning to rise.

Geo-politics of War

To sum up :

* The US, and indeed the world economy, is suffering from a crisis of overproduction.

* In order to stave off recession, the US central bank has been boosting demand by pumping in unprecedented amounts of credit.

* The US has the funds to do this because foreigners put their savings in US dollar assets.

* The US's overall global supremacy and in particular its control over oil have sustained its status as the safest harbour for international capital.

* However, the US's ability to soak up the world's savings is a double-edged sword. If foreigners, who hold half or more of all the US currency, should decide to dump the dollar, its value would plummet, leading to yet more capital flying from the country.

* In order to prevent that happening, and to get foreign capital to return, the US would have to raise its interest rates steeply.

*But if that were to be done, given the vast addition to US debt since 1980, this time round a steep US interest rate hike could cause a crash heard round the world. This would happen because debt-laden American corporations and consumers would be unable to service their debts, so their assets would flood the market; asset prices would collapse, and banks — swamped with worthless assets instead of income — would in turn collapse. In short, there is a threat of a new Great Depression.

* For the time, with the military action on Iraq, the US will be able to stave off the challenge of the euro and the super-profits from oil will help in easing the recessionary conditions. A drop in oil prices will also help consumer spending on other commodities, which is at a new low, and on which the US economy is so dependent for it sustenance. It has also opened out a huge new market to the US, not only in reconstruction activities, but also for grains, etc., all of which will be paid for from oil revenue shared with the new Iraqi puppet government.

Now, given the above scenario of a deepening economic crisis, with a crisis of over-production, there is a desperate scramble for markets. This is particularly aggravated after the worldwide downturn since 2001.

Initially, in the early 1990s, the imperialists ganged up to increase their penetration ten-fold into the backward countries, penetrate the huge markets of a reformed (capitalist) China, and those that came under the hegemony of the erstwhile USSR. Globalisation was the catch-phrase of this massive offensive of Western capital.

In the first phases there was largely collusion between the imperialist powers — they jointly aggressed on Iraq, they had a common understanding on the Balkans, they jointly launched their offensive against the backward countries through the WTO, IMF, World Bank and even the United Nations, and they peacefully competed for the newly opened up markets of China, the USSR bloc, and the new markets prised open by 'economic reforms' in the backward countries of the world. Thereby, with this offensive the imperialists, particularly the US, saw windfall gains.

Yet, competition within the capitalists was acute. This was reflected in the frantic wave of Mergers and Acquisitions, creating monolithic enterprises in order to oust the competitor. Also, big business in Europe saw the necessity to merge, in order to withstand the competition of the giants from across the Atlantic. This necessity led to the step-by-step merger in Europe. First, there was the formation of the EU and then the floating of the common currency, the Euro. So, by the latter half of the1990s, the EU, with all its dissentions, began to emerge as a contender to the US. There were also plans for a separate European defence, independent of NATO.

Tensions were growing even earlier. Trade wars, particularly on the prices of agricultural commodities, which were simmering below, burst out into the open at the Seattle WTO meet in 1999. The current Doha round is deadlocked due to battles between the US and EU on this issue. In trade, the US has leveled heavy tariffs on European steel imports in order to protect its own industry. It has unilaterally retaliated at what it sees as European restrictions on imports of American beef and bananas, each retaliation accounting for a hundred million dollars or so of annual trade, and has rejected all European efforts to resolve these disputes. Without sanction from any international body, the US levels sanctions against European firms that deal with American enemies such as Cuba and Iran. More trade clashes loom. The world's biggest aeroplane makers, the American Boeing and the European Airbus, are fighting a frenzied battle for shrinking orders. (See Box) In the current year, a dispute is set to explode over agricultural subsidies, genetically modified products, and overall agricultural trade.

Though united in their aggression of Yugoslavia on the Kosovo issue, the US's arbitrary military methods began to surface, and the bulk of the fruits were grabbed by the US. Again in Afghanistan, though united in their aggression, US unilateralism came out more bluntly; the

EU was cast aside to play a peripheral role, and the US seized not only Afghanistan but also the rich oil and gas deposits of Central Asia. The spoils of war went only to the US (with the British being given a small share); the EU countries were left with nursing humanitarian aid.

In other words, the US was beginning to use its military superiority to upstage Europe. Besides, with Afghanistan, the war for conquest and colonization has once again begun, of course under the pretext of a fight against terrorism. As part of this we witness the Israeli Zionist's new round of aggression against the Palestinians, with full backing of the US. Here, 'regime change' has been peacefully achieved, with Arafat being virtually turned into a figurehead, and all power passing to the new puppet Prime Minister and his chosen ministry. But, on the Palestinian question too contradictions with Europe have been intense, with the EU not only supporting Arafat, but having funded a large part of the Palestinian Authority over the years.

Meanwhile, at the diplomatic level US unilateralism began to manifest crudely in all spheres — total contempt for the UN, and at all international forums. Whether at the WTO (access to essential drugs), or on the Kyoto protocol (on the environment), or on the World Food Summit (where it pushed its biotechnology products, rather than hunger of the poor), or on the Treaty on Torture (which the US refused to sign), or on the International Criminal Court (which it not only refused to join, but even threatened those who joined up with sanctions), or even at such innocuous bodies as the as the UN Population Fund (where the US withdrew its funding on the pretext that the UNFPA was assisting abortion in China), and even at the conference against Racism in South Africa.

After 9/11, the US used the event as a pretext to flex its military muscle throughout the world. By early 2002, the U.S. had sent troops into the Philippines, into Yemen, and Somalia. It had set up 13 new military bases in the oil-rich and gas-rich countries surrounding Afghanistan. And it had embarked on the biggest military build-up since the cold-war years of the Reagan administration. The joint chiefs of staff have quietly adopted a 20- to 30-year military plan for waging warfare against different states and armed groups across the world. In March of 2002, the administration announced that it was prepared to use tactical nuclear weapons in first strikes.

With the aggression and colonization of Iraq, the US has openly declared its intention to aggress and colonise any country that does not bow to its dictates. **In other words the aggression on Iraq amounts to an attack on all third world countries.** Even before the war was over it began military threats to Syria. It bombed the oil pipeline to Syria from Iraq. In end April a top US official warned Syria to mend its way or face "*devastating attack*". He demanded: Syria wind up its 'terror offices', stop support for Saddam, destroy all its chemical weapons (without providing any proof that they have them), stop support to the Hizbollah in Lebanon, release from prison all dissidents, and introduce democracy. He also reminded Assad that with Iraq in US control, Syria is ringed on all sides with pro-US regimes. Obviously 'regime change', with or without war, in Syria, is only a matter of time. Iran too has been threatened. Incidentally, both Syria and Iran have excellent relations with the EU and Russia.

The writing on the wall is clear: Under the banner of the "war on terrorism," U.S. imperialism is utilizing its political, military, and economic strengths to restructure relations throughout world and to entrench and fortify its position as the hegemonic power over the world economy and the international system. U.S. imperialism is widening its military superiority. It is seeking to secure monopolistic control over the world's sources of oil — in the Persian Gulf, Caspian Sea, Africa and the South China Sea. It is seeking more privileged access to markets and raw materials. This is a quest to create the conditions for the unchallenged exploitation of hundreds of millions of people throughout the world.

Military Solution to an Economic Crisis

The US's grand strategy, while portending tremendous upheaval and suffering for the rest of the world, thus has its logic. **It is a pattern familiar to students of imperialism — a weakening imperialist power relying on military power and possession of colonies to make up for its ebbing economic strength.** Even before the 1990s, as a superpower and in its contention with the USSR, the US had a massive net of military bases throughout the world : 627 in Europe, Canada and the North Atlantic; 121 in the Pacific and South-East Asia; 39 in Latin America; and seven in the Middle East and Africa. The 1991 assault on Iraq helped bring about the US bases in Saudi Arabia; its intervention in Bosnia, and later its assault on Yugoslavia, brought it bases on the rim of Europe in case Europe should secede from the US-dominated NATO. Since the invasion of Afghanistan, the picture has changed dramatically. US bases — at first temporary but soon permanent — sprang up in Uzbekistan, Tajikistan, Kyrgyzstan, Afghanistan and Pakistan, and US military advisors are stationed in Georgia. American naval vessels now regularly visit Indian ports, and a naval base in northern Sri Lanka appears in the offing with the US intervening in the Tamil national struggle there. "*Over-all, the American military global presence is more pervasive today than at any point in American history*", says John Pike, a military analyst in Washington.[20] But bases are not enough. The US needs to suppress the mass and political forces that are struggling against it in these diverse regions. To meet this need there is a massive hike in US spending to train foreign militaries – which had already risen steeply during the 1990s (by 1999 US Special Operations Forces were carrying out joint exercises with 152 countries). "*It's like the counter-insurgency era all over again*", a US Congressional aide is quoted as saying, referring to the Vietnam war era. "*Only this time we're going to be fighting 'terrorism 'instead of 'communism.*'" "*On any given day before September 11, according to the Defence Department, more than 60,000 [US] military personnel were conducting temporary operations and exercises in about 100 countries.*"[21]

And in the ongoing military adventure of the US there is no military force that is any match to the US. It accounts for 40% of defence production worldwide, and (together with Britain) 50% of the arms exports.[22]

With economies of roughly the same size ($8 trillion), Europe (including Britain) will spend roughly $180 billion on defence this year, to the US's $440 billion + an extra $75 billion for Iraq. Britain spends about $35 billion, Russia $31 billion and China $44 billion. While the US spends 3.5% of its GDP on defence, the EU-15 spends 1.9%.[23] In other words the US/British/Israel AXIS will be spending over $550 billion on defence, while the rest of Europe will spend a mere $150 billion. It is a very uneven match, and Europe has further fissures. Besides it is not merely the expenditure, the US has today the most sophisticated arms, including the most deadly nuclear arsenal. Though France, Germany and Belgium have planned to go ahead with their own Force (independent of NATO) and France plans to increase its military hardware by $14 billion per year for the next six years, it will take much time to catch up with the US. Though an alliance with Russia may give it some teeth, due to Russia's nuclear arsenal, they will still be no match to the AXIS powers in a conventional war.

If we turn to exports, we find that in the year 2000, US arms exports was $14.2 billion; UK $5 billion; Russia $3.5 billion; France 1.5 billion; Germany $0.8 billion; Sweden & China $0.5 billion each. The main arms importers, except China, were governments close to the US, and those likely to be a part of the US global strategies. Between 1996 and 2000 the main importers were: Taiwan $12.2 billion; Saudi Arabia $8.2 billion; Turkey $5.8 billion; China $5 billion and India $4.2 billion.[24]

Besides the military bases already mentioned, the US today has 12 armadas or battleship groups, each based on a giant aircraft carrier (like Enterprise) which patrol the 7-seas round the clock. As an example the Enterprise is as high as a 20-storeyed building and 330 metres long; it has a crew of 5,600 and 70 hi-tech aircraft; accompanying it are 15 warships, including two submarines, 2 Cruisers, 6 destroyers, and 14,000 servicemen.

The arrogance of the AXIS, seen during the Iraq war and after, is partly due to this overwhelming military superiority. Though France, Germany, Russia and others made diplomatic moves against the AXIS on Iraq (that too hesitantly) they could not dare lend military assistance, even though it may mean loosing billions of dollars of interests in Iraq. In such a scenario it is the gun that determines both the politics and the economics. At best the allies will seek a part of the spoils of war through diplomatic pressures and compromises. On the other hand, **the cake will be grabbed by the US TNCs, a few crumbs thrown to the puppy Britain, and the US will utilize the doling out of other Iraqi contracts primarily to seek to break the alliance of France, Germany and Russia; particularly to isolate France, which has been most vocal in its opposition.**

Yet, due to the severe crisis in the US economy, the amount handed out is likely to be a pittance, thereby only enhancing the contradiction between the AXIS and the other imperialist powers. In fact, even Britain is dissatisfied over the way the US has acted to monopolise the bulk of the Iraqi contracts even before the war started. So, increasing contention is inevitable.

'Shock and Awe' do not Frighten the People of the World

As we write this article today news has come in that US troops fired blindly into a procession taken out on the occasion of Saddam Hussain's birthday, in a small town 50 kms from Baghdad. They were demanding the US troops to get out. Official reports say 13 were killed (6 children) and 75 wounded. The actual figures would be much higher. Since then, reports (though heavily censored) have been coming in of demonstrations in numerous towns all over Iraq. So, resistance in Iraq continues and will increase. Together with this, Israeli aggressiveness against the Palestinians (the US's new 'road map') and US threats to Syria, Iran and a lesser extent even Saudi Arabia (it has withdrawn it military base from there, afraid of mass discontent) is turning the entire Middle East into a boiling cauldron. The entire Arab world is likely to rise up in arms against, not only the AXIS, but also their Arab puppets that rule them.

But the US's destabalisation plans extend well beyond the Middle East. Its domination of Central Asia through the occupation of Afghanistan; its pincer movement in S.E. Asia by its threats to North Korea (S. Korea already stations 37,000 US troops) and the setting up of a base in the Philippines; its extensive military intervention in all the countries of South Asia; its attempts to overthrow the government of Chavez in Venezuela and its military intervention in Columbia; its strategic fear of China and its attempts to encircle and contain its growing influence in Asia; and its high profile diplomatic offensive in Europe and Russia to subvert the growing potential of a rival imperialist power bloc — are all a part of the new grand strategy of the US imperialists to build its Empire and maintain the hegemony of the Dollar.

This will result in great instability throughout the world, growing militarisation, fascism, and wars of aggression by the US directly or through their surrogates in other parts of the world. Increasing discontent at home due to the growing economic crisis will be subverted through a new kind of McCarthyism — fascist repression through the newly built up 'Homeland Security'; mass hysteria whipped up by control of the monopoly media (already seen after 9/11), and Gestapo-style intelligence networks stretching deep into all sections of society. The so-called rule of law is already being replaced by the rule of the mafia. The Bushes, Rusmfelds, Cheneys, Ashcrofts, etc already speak in a

Hitler style. And as the economic crisis deepens their ruthlessness, at !both home and abroad, will grow by leaps and bounds.

Yet, in reaction to the horrors of war, impoverisation and globalisation, we have already witnessed a mass upsurge throughout the world, particularly in the developed countries. The millions who have taken to the streets before the war and even after have been unprecedented in their size. But the war could not be stopped. On the contrary the ruthlessness and brutality of its '*shock and awe*' campaign is to show to the world the futility of opposing US designs. It was planned to '*shock and awe*' not only the Arabs, but also all dissidents throughout the world and even potential dissidents. The rulers of some countries, who meekly opposed the war, have themselves turned weak-kneed, many currying favour to seek a piece of the spoils. This may, for some time, demoralise a section of the mass upsurge. A feeling of helplessness in the face of a mighty power may result in passivity amongst a section.

Yet, on the other hand, the brutalities will give rise to enormous discontent and resentment. Besides, to look only at the immediate without seeing the potential of the future can lead to some to wrong conclusions. No doubt, in the face of such an inhuman kind monster the carnival-type opposition of the West will have to take on a more militant character to be at all effective. The growing anti-imperialist/globalisation cultural movement will have to take on more effective forms of struggle and organization as well. But, in the present international scenario any form of compromise with or appeasement of the AXIS forces will only result in their increasing aggressiveness. History has shown that any appeasement of the fascists only whets their appetite for greater ruthlessness.

Besides, '*shock and awe*' may frighten some only in the immediate sense. The recklessness of the AXIS, built on their arrogance of military and economic power, will result in pockets of resistance growing in places least expected. To fight such a monster the people will soon realize (as the Iraqis did) that guerrilla forms of struggle, whether rural or urban, will be the only effective form to neutralize their mighty firepower. Today in Iraq, the US forces are panicky at even the smallest form of guerrilla action, or even open mass actions. In such a situation the AXIS forces will be hit on hundreds of fronts, turning their arrogance into a nightmare. The more they extend their Empire, the more they will get enmeshed in thousands of battles.

Besides, with the deepening economic crisis and the growing dog-fights amongst the imperialists and various capitalist groupings, the increasing contention will evolve into imperialist blocs. Even today the present alliances are not at all consolidated — in the US grouping, countries like Italy and Spain are likely to fall out; and in the other group, Germany has a sizable opposition party demanding alliance with the US. Though it may take time for a rival bloc to evolve and directly confront the AXIS, due to their lack of unity and poor military strength, these powers are bound to become more assertive than presently seen, and may even discreetly support anti-AXIS forces economically and even militarily, in order that the US get bogged down on numerous battle-fronts. Though there are much interlinking economic interests across the Atlantic, (which tend to reduce the sharpness of the conflict at times), growing contention between the imperialist powers is inevitable. This will give a big boost to the anti-AXIS, anti-war movements throughout the world. Even within the AXIS there is a large section of the British ruling class opposed to it.

These two factors combined will knock the teeth out of the US's '*shock and awe*' arrogance. So, in such a scenario if the revolutionary and democratic forces maintain and develop their strength; develop a wide anti-war anti-US movement uniting with all possible forces; strengthen guerrilla and partisan combat; advance people's wars in the backward countries; utilize the contradictions in the imperialist camp effectively, without compromising on principles; the difficulties being faced today in standing up to this monster will turn into its opposite. With correct tactics, the people's forces can, in the future, come on to the offensive, turning the AXIS to the defensive.

In the oncoming battles it is the genuine communist forces alone that will be able to give the lead for the type of struggles mentioned above. Unfortunately today they are as yet weak. The big mass upsurges chiefly involved a various assortment of forces dissatisfied with the impact of globalisation. The communists and those seeing socialism as the only alternative, were few. But, however small, if they, in future, are in the forefront of the oncoming battles, they will win the confidence of the vast masses that are at present uncertain about the future due to the failures in the USSR and China. Merely debating the advantages of socialism will have little impact over the vast masses. To be in the forefront of the battles; to simultaneously scientifically analyse the present situation in a way that is convincing to all; and finally to link all this to the socialist alternative as the only possible alternative — could be the most effective way to draw the advanced sections amoungst the masses to the communist alternative.

No doubt the situation for a new revolutionary upsurge is turning more and more excellent. Amidst the impending great turmoil, and untold sufferings, sparks of a new light flash on the horizon. Let us all together, hand in hand, walk towards that new dawn.

Notes

1. *The Economist,* Dec.1, 2001
2. *The Economist,* Dec.1, 2001
3. *Economic Times,* March 12, 2003
4. *The Economist,* Feb.22, 03
5. *The Economist,* Jan.11, 03
6. *The Spark,* March 23 2003
7. *The Economist,* Jan.4, 03
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9. *Economic Times,* August 2, 2002
10. *Economic Times,* Feb.20, 2003
11. *FORTUNE,* April 15, 2002
12. *Economic Times,* March 13, 2003
13. *FORTUNE,* March 13, 2003
14. *Business Week,* Feb.10 2003
15. *Aspects of India's Economy,* Nos. 33 & 34
16. ibid
17. *The Spark,* March 23 2003
18. *Economic Times,* Feb.20, 2003
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20. *Aspects of India's Economy,* Nos.33 & 34
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23. *The Economist,* Nov. 23, 2002
24. *The Economist,* July 20, 2002

World, a Boiling Cauldron

As Contention Intensifies, War Clouds Gather

Arvind

The world today is a boiling Cauldron. There is great disorder in every corner. Everyday, in every part of the earth thousands more are pushed to the brink — starvation, hunger, disease and desperation are to be seen even in the most developed countries. The situation appears hopeless for the multitudes; while the elite corner wealth on a scale unheard of in the annuls of capitalism. Never before in the history of capitalism have the contrasts been so extreme. Rage is therefore inevitable. Why, for example should the lakhs of starving humanity in India die a slow agonising death, when virtual mountains of grain are seen overflowing in all government godowns? Why should they remain silent spectators to a gory game where the winners and losers are pre-fixed?

In such a scenario anger, rage, revolt and revolution are not merely legitimate, they become a necessity for mere survival. Passivity and silence may be OK for the well-off, it means death for the poverty-stricken. Endless discourses on violence and non-violence may be a luxury to be enjoyed by the liberal intellectual, but for the poor there is need for a daily battle with the owners of wealth, merely to survive. And when this does not happen, it results in death by suicide, death by starvation and hunger. Such deaths in India, though passed off casually, have reached gigantic proportions; and are the direct result of a hopelessness that comes from an inability to fight injustice due to lack of effective organisation and an increasingly terroristic state apparatus.

And as the economic and political crisis deepens, to the devastation caused by poverty, is to be added the holocausts of war and state-terror. Iraq, Palestine and Afghanistan are only the first victims of the insatiable appetite of the voracious imperialist monster, particularly that of US imperialism. More victims are to come, unless of course resistance ties them to the present battlegrounds. Resistance and organised resistance alone are the only method to stop the onward march of these tyrants.

Nearly three years of a severe economic crisis of the entire imperialist world does not appear to be coming to an end in spite of the massive fiscal and monetary packages to pull the economy out of the dumps. The war in Iraq has no doubt, to some extent, increased the GDP rate in the US and caused a small boom in the US stock-exchange, but still, this largest economy in the world continues to be as sick as ever.

In this article, which should be seen as a follow up to earlier ones written in this magazine on the same subject in the course of the past two years, we show how the growing crisis is enhancing tensions between countries, particularly between the two major global players, the US and EU (and to some extent even Russia), leading to a renewed build-up of military stockpiles. The old dictum that "*imperialism means war*" looks exceedingly relevant even today. And imperialism in crisis means more fierce wars.

DEEPENING ECONOMIC CRISIS

Except for Russia, which has been seeing some economic growth over the past few years, all the other major developed countries have been continuing into their third year of economic crisis, which began in March 2001. The forecast for GDP growth in the world's developed countries in 2003 is a mere 1.7% (under 2.5% is treated as recession).[1] In September this year Argentina defaulted on its $3 billion debt repayment to the IMF — the biggest single missed payment in the IMF's history.[2] According to the UN Labour Agency, the number of jobless worldwide has risen by 20 million over the past two years and hundreds of millions more are employed, but make so little money that they can barely survive. All the major economies of the developed countries continue in a state of atrophy, notwithstanding the huge packages to bail them out.

The US Bubble

There is much media hype that at last the US economy, the major economic growth engine in the world, is now recovering and so the situation of depression the world over is on the verge of change. For this the 30% rise in the value of the stock market and the 2nd Quarter

GDP growth rate of 2.4% is given as an example (though growth in the 1st Quarter was a mere 0.5%). Also consumer consumption has slightly grown. This is only the surface appearance, driven by two factors: (a) the largest run-up in government spending since the Vietnam War; in the second Quarter of this year government spending rose by an annualised 22% contributing roughly 1.5% of the 2.4% growth. (b) Massive pump-priming (infusion of funds) of the economy whereby the US has accumulated an additional $ 7 trillion debt in three years to expand the economy by $ 1 trillion, resulting in the lowest net national savings rate the US has recorded in recent history. Besides, in June 2003, the Fed cut the interest rate for the thirteenth time since the start of the economic turndown in 2001, bringing its lowest level in 45 years at 1%.[3]

Over the past three years the US's economy has received the biggest monetary and fiscal stimulus in history. This has resulted in turning a budget surplus (1.4% of GDP in 2000) to a massive budget deficit of about $500 billion (4.6% of GDP) in the current year.[4] Not only this the Current Account Deficit (excess of imports over exports) has grown from 1% of GDP in 1997 to 5.1% of GDP in the current year — in other words, the trade gap grows at the rate of $1-2 billion per day. Even in this period of "growth" job-losses in the US have been sky-rocketing at about 5-7 lakhs per month, taking the unemployment rate to 6.4% of the total labour force.

The US economy has fallen to its worst hiring slump in 20 years. Since March 2001 two million jobs have been lost and one million have dropped out of the labour force. The US economy sent 1.4 million people into poverty last year. Overall 12.4% of the population (35 million people) live in poverty today.[5]

So, in spite of all the hype we find the US economy in a fragile condition, boosted by various artificial means — a new bubble which could burst at any time. Both the current account deficit and the budget deficits are around a huge $ 500 billion each.

The massive current account deficit can be met only due to the infusion of dollar funds from the reserves of various countries. It is these funds that help balance the deficit. If this dries up because of the low interest rates and lack of confidence in the dollar, the US will face a severe balance of payment crisis. In fact already the euro area, which was one of the main centres for US securities, have yielded place to

Asia and Latin America. In the year 2000, the Euro area purchased 25% of the total foreign purchases of dollar-denominated assets; in 2002 this fell to a mere 5%. On the other hand Japan's share increased from 9% to 17%, while that of East Asia and Latin America increased from 19% to 35%. In just the second quarter of 2003 Japan and China bought $39 billion and $27 billion respectively — this alone would fund 45% of the US's 2nd Quarter current account deficit. It is then no wonder that Bush recently buckled under Chinese pressure on the issue of Taiwan. China accounts for a total of 11.3% of all foreign exchange reserves in the world, and if this were shifted to the euro area the US economy would face serious problems.

The huge tax cuts by the Bush administration (to boost consumer spending) and the gigantic leap in defence/homeland-security expenditure, have fuelled the spiralling budgetary deficit. This has created other problems. Consumer spending has created a boom in the housing market, creating yet another bubble which could burst any day. In addition, in the first six months of 2003 household debt has increased at its fastest pace in 17 years. For the last 40 years, up to 1997, America's private sector was always a net saver (meaning that total income of households and firms was greater than their spending). But in the year 2000 private sector 'savings' was a net deficit of a huge 5% of GDP. In just one year the ratio of debt to household income grew from 102% in 2001 to 111% in 2002.[6]

In fact the entire US economy is seriously debt-ridden — the people are in debt, the corporations are in debt, the government is in debt, and even the States are in huge debts.

Till today the huge US economy is the chief motor of economic growth worldwide. It accounted for 60% of cumulative GDP growth since 1995. If this were to falter the entire world economy would head for a crash. For the last two-and-a-half years, not only is it faltering, it is going deeper and deeper into the morass. It is sick to the core and no amount of fiscal/monetary medicine has been able to cure it. It is hoping to get out of this crisis through wars of conquest, to seize the natural resources of other countries (as in Iraq and central Asia), and markets to boost its sluggish industrial growth.

Other Major Economies

In Europe, the growth rates of France and Germany have been faltering for the past three years. Italy, Canada and the UK are all showing sluggishness. Japan, after one of the longest recessions in living memory, is still in bad shape.

In the second quarter of 2003(April to June), the euro zone economies stagnated, hit by recession in two of its major economies — Germany and Italy. Germany's economy contracted 0.2% in the 1st Quarter and 0.1% in the 2nd Quarter. Italy shrunk 0.1% in both Quarters. There was deepening recession in the Dutch economy, which shrunk 0.5% in the 2nd Quarter. Growth in the entire euro zone in the 2nd Quarter was a mere 0.4%. That is deep recession.[7] To help get out of this crisis the European Central Bank also trimmed interest rates in June 2003, to a record low of 2%.

Though Japan's GDP grew at 2.6% in the 1st Quarter, its growth of nominal GDP continued to shrink. Japan's GDP deflator (fall in prices) was as big as 3.3% from a year ago — the biggest decline of any rich country in over 50 years. Falling prices are particularly troublesome when Japan's debts loom dangerously large.[8]

The Russian economy is set to grow by 6% in the current year, The recovery over the past few years is built primarily on the hike in world oil prices — oil exports are roughly half of Russia's exports; and activity relating to oil comprises a fifth of Russia's GDP. The economic devastation Russia suffered in the 1990s was even worse than WWII. During 1940-46, Soviet industrial production fell 24%. In 1990-99, the fall was 60%, while GDP fell 54% The crippling financial crisis of 1998 resulted in a debt default of $40 billion.[9] But since the last three years there has been some revival. Yet, its economic size is still small (equal to that of Belgium) compared to the three powerhouses of the US, Europe and Japan. But, this economic revival has resulted in greater political assertion internationally and even military muscle-flexing, particularly in its backyard — the CIS countries of the former Soviet Union. In this, the Putin era can be differentiated from the slavish Yeltsin era.

Besides these the only other major economy in the world is that of China, which has witnessed a consistent high growth rate after the restoration of capitalism in that country. It absorbs a massive amount of foreign capital each year — to the tune of $40 billion — and acts as a major source of production due to its excessively cheap labour. It also acts as a big market for commodities. It is also fast expanding its markets throughout south and south-east Asia. It uses its economic clout as a bargaining tool, but is playing, as yet, a low-key role in international affairs.

So, we see that overall in the three major economies of the world — the US, Europe and Japan — simultaneous recessions continues into their third year. These continuous recessionary conditions restrict the markets for commodities and thereby result in an intensification of the trade wars.

GROWING SCRAMBLE FOR MARKETS

The debacle at Cancun is a reflection of the growing contention for markets, between the two major players, Europe and the US, and those aligned on either side of the battlefield. Since Cancun there has been little progress in the WTO negotiations. In fact it has been the reverse -- the EU which had agreed to remove two of the four Singapore issues (investment and competition policy) from the agenda, now speaks of talks going ahead on all four. Soon after Cancun the US ridiculed the WTO, saying it will henceforth go for bilateral agreements. Also the EU had insisted that the WTO decision-making structure should be first overhauled before serious WTO negotiations can begin. Re-negotiations were fixed to start once again on Dec.15, 03, but, till date, there is no news of any progess.

Today, in fact protectionism is growing in all the major countries. In November 2003 the EU Executive approved a proposal to launch sanctions gradually on the US from March 2004. This is in lieu of a WTO ruling allowing the EU to impose penalties on up to $4 billion of US imports. The EU has warned the US to repeal the export tax breaks to avoid the sanctions being imposed. In this conflict the US was forced to retract on its recently imposed steel tariff.

The conflict between the two aerospace giants, Airbus and Boeing, has become so acute that, for the first time ever, top US aerospace and military figures boycotted the opening of the Paris Air Show in June 2003, a prestigious event held every two years. French Defence Minister said that the US was pursuing the "*logic of an economic war*".

In Latin America the US aim to envelope the entire continent in a trade agreement, FTAA, is facing serious problems with Cuba leading the opposition, drawing in countries like Venezuela and Brazil. In fact, Cuba went so far as to insist that the WSF be shifted back to Porto Alegre in 2005, to use it to lobby for opposition to FTAA. Meanwhile the US continues its attempts to destabilise the governments of Chavez in Venezuela and Castro in Cuba. The US again vetoed a resolution in the UN against the lifting of the embargo on Cuba. And this year, USAID has earmarked $1.602 million to create 'independent' NGOs in Cuba and $2.132 million to bring about "*regime change*" there.

Besides the trade wars, the conflict over Iraq was basically on who should control the rich natural resources. America seized the country and its rich oil-fields using its military might. It was not willing to share the spoils with its erstwhile allies. So the differences over the conduct of the war. Here all the lucrative contracts have gone to Bush cronies. Halliburton (formerly run by vice-president, Dick Cheney), which has cornered the bulk of the lucrative contracts, has already been able to turn a loss into a record second-quarter net income of $26 million.

In Afghanistan too the main aim was control of the rich oil and natural gas of Central Asia. Here oil deposits alone are valued at $ 3 trillion. In the course of the past five years US investment in the region has risen from nil to $20 billion. British Petroleum alone plans to invest $12 billion in the region (mostly Azerbaijan) in the course of the next eight years. A US mining company has grabbed the rich Uzbek gold mines. Already the US and British control 27% of the Caspian Sea oil and 40% of the natural gas. But, Russia's recent new assertion is to be seen once again in this region. On the economic front it scored a major coup against the US with the signing of a mega-deal in April 2003 with Turkmenistan for the purchase of all its gas exports during the next 25 years. This deal effectively kills a US-backed alternative trans-Caspian route via the South Caucasus and Turkey to Europe; and also puts a big question mark over Washington's plan to build a gas pipeline from Turkmenistan via Afghanistan to Pakistan. In addition, during Putin's visit to London in early July 2003, the two sides signed a multi-billion-dollar deal to build a gas pipeline from Russia to Britain

But the main threat to dollar-domination now comes from the Euro. For the first time in the post WW-II period a currency has risen to challenge the hegemony of the dollar. The value of the Euro has risen by 20% in the last year to reach a four-year high of $1.2 to the Euro. With ballooning current account deficits and budget deficit, the US these days is a less attractive place for investors to put money; and other countries, like Japan, scarcely look better. So Europe, by virtue of its stability and relatively sturdier public finances, has soaked up a lot of capital.

The shift towards the Euro is particularly noticeable in the global bond market, with many South-east Asian Muslim countries investing their foreign exchange reserves in Euros. Between 1995 to 1999, 53% of all corporate bonds were in dollars and only 20% in the 12 European currencies. In 2003 now 44% is in Euros to 48% in dollars. Central Banks are beginning to diversify their reserves to reduce dependence on the dollar.

And as the stagnation and crises in the economies continue the scramble for markets is bound to intensify. And, with this political and military contention will grow.

MILITARISATION AND GROWING CONTENTION

Militarisation of economies, growing contention and wars are all an inevitable part of the imperialist system. When in crisis this process gets magnified. The post cold-war collusion between the imperialist powers is giving way to rising contention, muscle-flexing and wars to seize markets and spheres of influence. The problem of the pacifist or the liberal is that they desire a war-free world without understanding the inner dynamics of the imperialist system that inevitably leads to the present state of affairs. The so-called war on terrorism is nothing but a war for control and domination. It is not a Bush ofrCheney that are the creators of the existing state of affairs; but on the contrary the existing state of affairs, with imperialism in crisis, that throws up the Bushes or Cheneys.

War, is after all, the continuation of politics by other means. And politics serves economic interests. Economic interests, political policy and wars are interwoven like a spiders web to entrap the unsuspecting civilian masses. One cannot exist without the other. And in a bourgeois system all follow the laws of the capitalism and imperialism. The liberal naively hopes to wish away the evils in the system, without understanding that they are an intrinsic part of it. One, for example, cannot do away with the greed of the capitalist, without doing away with capitalism itself; as, if capital does not grow, it must necessarily perish — swallowed up by a bigger player. Profit and more profit is the driving force of capitalism; its very essence. Its maximisation is in fact its success, whatever may be the foul means used to achieve it. So, to expect to reform it, as many an NGO may dream, is wishful thinking — an illusion that helps the status quo.

So, with this understanding let us look at the inner dynamics of the threatening war-situation hovering around the globe.

The prime mover for wars throughout the world is US imperialism — the number one enemy of all mankind. They have their presence throughout the globe and seek to extend and deepen their penetration everywhere.

America spends 4% of its GDP on defence, while Europe spends half of that. The defence budget has skyrocketed in the Bush era from \$300 billion in 2000 to \$ 400 billion in the current year. That is, the US alone will spend nearly half of the whole world's military spending of \$839 billion. If we add the funds expended for the Iraq war thus far (Dec. 2003), the US government spends more on the military sector than on education, employment, food aid, housing, pensions, public health and welfare combined. The US economy is highly militarised. In addition, US arms exports accounts for half of the world's total.[10]

A full third of US engineers and scientists work for the DoD (Department of Defence) or else military contractors of the DoD. They are not only dependent on the DoD, but committed to it. Not only does the US government spend more on its DoD than anyone else on the planet, but also 75% of the government funds for research and development go to military projects (and so, to the scientists and engineers who work on arms). Furthermore, a million workers toil in just 10 of the largest arms firms. Not surprisingly, when the stock market crashed after 9/11, three companies posted huge gains. All were weapons makers: Raytheon (up 37%), Nothrup Grumman (up 21.2%) and Alliant Tech Systems (up 23.5%). These arms companies have made ceaseless profits for decades.[11]

In the early 1990s, the arms merchants of the US with the most muscle combined in a series of spectacular mergers to produce the three largest defence producers in the world: Lockheed Martin at \$35 billion is followed by Boeing (which only recently swallowed McDonnell Douglas), and then Raytheon (which owns Hughes Aircraft and Texas Instruments). These three companies get gigantic subsidies from the US government: Lockheed gets \$15 billion, Boeing \$12 billion and Raytheon \$6.3 billion. There are a large number of people within the Bush administration are linked to the military-industrial complex. They are: Dick Cheney's wife once sat on the Lockheed board; Chief of

Staff to Cheney, Lewis Libby, was a consultant with Northrup Grumman; Under Secretary for Defence, Dov Zakheim, worked for the defence firm, Systems Planning Corporation and advised Northrup Grumman; Under Secretary of Policy, Douglas Feith's former law firm represented Northrup Grumman; Under-Secretary for Personnel, David Chu, presided over the Rand Corporation; Air Force secretary, James Roche, presided over Northrup Grumman; Air Force Assistant Secretary, Peter Teets, ran Lockheed Martin; and Deputy Secretary of State, Richard Armitage's consulting firm, worked with Raytheon, Boeing, Haliburton and others.

Besides, the military employs 5.1 million and has the greatest worldwide reach. It is this military-industrial complex that dominates large parts of the US economy and politics. With its huge budgets it, in addition has thousands and thousands of people and companies dependent on it for their orders. It is a colossus, which survives on war and mass murder. Death and destruction is its source of profits.

In its contention with the US, France and Germany has been desperately seeking to build up a defence force independent of NATO, which the US has been vehemently opposing. Finally, in October 2003 an Accord was stuck on Defence, but only after Britain got the Four (Germany, France, Belgium and Luxemburg) to drop their demand for a EU Military Headquarters separate from NATO. In addition, US penetration into the European Defence industry retards independent growth of a potential rival: the Carlyle Group is buying the aerospace arm of the troubled Fiat; One Equity Partners, an investment fund, recently purchased the German naval shipyard, HDW; and Boeing is eyeing the British giant BAE (which has a one-fifth stake in Airbus).

Recently the EU's attempts to tighten its unity by having a new Constitution collapsed due to sabotage by the pro-US forces of Britain, Spain and Poland. While Germany and France wanted power to be weighted according to population size, Spain and Poland opposed it. With the break-down of the Summit a Franco-German alliance is being threatened with a view to build a two-tier EU — those strongly united and the rest in a loose federation. The Franco-German Union proposes common armies, diplomatic corpse and the sharing of France's UN seat in the UN Security Council.

In October 2003 Russia put forward a new defence policy, which vowed to use military force to uphold its strategic interests; and unveiled plans for and all-round defence build up. Buoyed with its economic recovery, Moscow said Russia is ready to use military force to defend its interests in the former Soviet states. The defence Minister said "*Russia retains the right to preventive use of military strikes if faced with attempts to limit Russia's access to regions that are essential for its survival, or those that are important to it from an economic or financial point of view*". The threat of pre-emptive strikes sends a clear warning to the US to accept Russia's dominant role in the CIS countries.

In September 2003 Russia opened an air base in Kyragyzstan. This is the first military base set up by Russia abroad after the collapse of the Soviet Union. This will provide air support to the collective rapid reaction force of the CSTO. The Collective Security Treaty Organisation comprises Russia, Kyrgyzstan, Tajikistan, Kazakhstan, as well as Belarus and Armenia. Russia has maintained a military presence in 10 out of the 12 CIS states and has now decided to boost these. It has decided also not to further cut its troops and keep it at its present level of 1.1 million.

Contention with the US in this region is bound to grow as the US has already entrenched itself there. In addition to US bases in Uzbekistan and Kyrgystan, the US is helping Kazakhstan set up a naval base on the Caspian Sea, close to the Russian border and seeking to lease 3 military bases in Tajikistan. It conducts regular war exercises with Kazakhstan, Uzbekistan and Kyrgyzstan, and has lunched officer-training programmes with Tajikistan and Kyrgyzstan. The US has signed a defence cooperation pact with Georgia and is helping Azerbaijan boost its naval power in its row with Iran in the sharing of the Caspian oil fields.

So, in the coming days tensions between Russia and the US in Central Asia and the Caucasus are bound to intensify.

Today the US has divided the world up into five military commands with 4-star Generals to match; and keeps several hundred thousand troops on active duty in 137 countries around the globe.

The main victims of this growing contention are to be the backward countries of the world, which will be the immediate battleground for their power-play.

CRISIS PUSHES BURDEN ON TO THE BACKS OF BACKWARD COUNTRIES

When the imperialists face a crisis they invariably seek to push the burden of the crisis onto the backs of the people of the backward countries. The policies of globalisation are just that. And with the downturn since 2001 this is becoming all the more intense.

With the crisis of overproduction getting all the more acute the scramble for markets becomes all the fiercer. A case in point was the 1997 S.E.Asian crisis, which was a classic example of how the TNCs battered the economies of these countries, only to take over their assets for a song. The same was the case a couple of years earlier with Latin America. The same too is a continuing, though more gradual process, pushed through by IMF/WB conditionalities and WTO stipulations.

Never before have inequalities reached such gigantic proportions. Today the 500 richest families own $1.54 trillion wealth — i.e. more than the combined income of three billion people.[12] The oil major ExxonMobil had profits (value added) equal to Pakistan's GDP, at $62 billion (in the year 2000). The value-added of just the 10 largest TNCs was nearly equal to the GDP of India ($478 billion in 2000).

When the anti-globalisation movement seeks to look for a "better world" it must factor in the reality that what is taking place are cold-calculated steps by the big powers and not any spontaneous developments. In their frenzy to maximise profits they resort to the most ruthless and despicable means. After all let us not forget two world wars were fought for markets and profits. Today's Bushes and Blairs are no less than the Hitlers and Mussolinis of earlier times. And the TNCs of today are no less than the big business houses that supported the fascists then. To present one example of the S.E.Asian 'crisis' shows how the international financiers smash economies and destroy their people's livelihoods. S,E.Asia was followed by Turkey, then Brazil and the even more devastating attack on Argentina. Today Argentina is a totally destroyed country.

Take the S.E.Asian crisis. First they made these countries make their currencies convertible on current account, to allow the unhindered flow of dollars in and out of the country. The economies were simultaneously geared fully to imports/exports — to outsource materials using their cheap labour and to create a market for the finished products from the developed world. Having created such a warped economy they launched their financial attack in 1997, by overnight withdrawing all their foreign funds. This resulted in a run on their currencies resulting in a crash. With the resulting bankruptcies the TNCs marched in and bought over the companies and banks at throw-away prices. This was nothing short of a neo-colonial attack on these countries, little different from what Robert Clive did in colonial times.

Even their own mouthpiece, *The Economist*, (Feb.8, 2003) had this to say: *"For much of the region, the crisis destroyed wealth on a massive scale and sent absolute poverty shooting up. In the banking system alone, corporate loans equivalent to around half of one year's GDP went bad — a destruction of savings on a scale more usually associated with full scale war"*.

Since 1999 till today the TNCs have been systematically swallowing up industries, banks, mines, everything; that too at throw-away prices in the S.E.Asian countries. They have particularly concentrated on the huge South Korean giants. It was the Korean government that particularly pushed these companies and banks into the arms of the waiting foreign octopus. Immediately after the crisis KAMCO (Korean Asset Management Corporation) took over the bad loans of around $58 billion (30% of GDP) and these assets were slowly handed over to the merchant banks GE Capital, Morgan Stanley, Goldman Sachs, etc. The car giant, Daewoo, was taken over by General Motors. Korea's biggest conglomerate, Hyundai, was being bought over by he US insurance giant, AIG. The US Newbridge Capital took over Korea First Bank. GoldmanSachs took over the bank Kookmin, through a $500 million investment. The IFC (International Finance Corporation, the private sector arm of the World Bank) not only put in $50 million into Hana Bank and $25 million into Long-Term Credit Bank, but also arranged a rigorous programme of technical assistance to help the government sell out to foreign bidders.

South Korea, Thailand and Indonesia all opened their doors to allow full foreign ownership of local banks. The world's biggest and most powerful banks — HSBC, Citigroup, Deutsche and the like — swamped into the area, not willing to miss out on a chance of a lifetime. In Indonesia, its biggest retail bank, Bank Central Asia, was sold to an American private-equity firm, Farallon Capital Management. Next on the block is Indonesia's biggest bank, Bank Mandira, followed by Bank Donamon.

A similar process took place following the Latin American banking crisis of 1994-95 — here foreign banks raised their share of the local banking system from 6% to 22% in Mexico, and from 15% to 55% in Argentina.

While in these countries of Asia foreign capital (particularly US) have entered with speed to swallow up the entire economies, in other backward countries they enter more stealthily, step by stem. The entire policies of the WTO and the structural adjustments of the IMF/WB are geared to push economies into the arms of the imperialist octopus.

Take India for example, banks have been thrown open to the TNCs and the government has decided to reduce its stake even in public sector banks to just 33%. The process of take-over has begun with the recent capture of UTI Bank by the British multinational bank, HSBC. Through this step the HSBC will spread its tentacles far and wide as HSBC has just 34 branches to UTI Bank's 220 branches. Simultaneously, the Centurion Bank has been taken over by sleazy overseas equity funds. In another article here we have already seen that while thousands are being pushed to starvation and death each day in India, big business is making crores and the country is being systematically handed over to the foreign powers and their TNCs. It is their political agents in India that are the prime movers of this sell-out. One of its chief agents in India is Chandrababu Naidu of AP. Yet, though the ASF was held in Hyderabad, and was purportedly organised against globalisation, they said not a word against this stooge.

While such is the case of Asia and Latin America, Africa is a lost continent. Totally marginalised in the globalistion pantheon. It is just being robbed of its natural wealth, with no concern for development, even of a basic kind. Its population is ravaged not only by hunger and starvation, but by internecine strife and now even HIV.

Such is the horrifying situation throughout the world, particularly in the backward countries. If the imperialist rampage is allowed to continue as it has been doing over the past decade there will be death and destruction on a scale unheard of before. Particularly given its serious crisis over the past three years its policies will become all the more ferocious. Like a mad rabid dog it will create havoc everywhere.

WHAT THEN IS THE ANSWER

When one looks for solutions it must be based on realities and a scientific understanding of the situation. Let us then recap once again as to what is likely to be the immediate future for the worlds' people.

First, the economic crisis is likely to deepen. This though will not be even, some will be more affected than others. Uneven development is a law of imperialism. Immediately this will necessarily result in: greater exploitation of the people throughout the world (even in the developed countries) in order to sustain profits; increasing and more intensified attacks on backward countries in order to enhance the imperialist loot — either indirectly through their agents in these countries or, where this is not possible, by wars of aggression; a greater scramble amongst the imperialist power for a shrinking market and for sources of raw materials — growing contention worldwide; and greater militarisation of economies, which promotes demand in a sluggish consumer market, and gives teeth to big capital's ability to swallow others.

Second, the resulting impoverisation of the masses will be sought to be controlled or dissipated to allow the crisis-ridden exploitative loot to continue unhindered. This will require the twin weapons of fascism to crush discontent and diversion through social reform. The enormous suffering that this crisis will impose on the people will inevitably result in growing peoples' anger and revolt. This will first and foremost sought to be pacified or diffused, utilising the services of the social-democrats and the NGOs. When not possible, the fascist arm of the state will enter — whipping up communal/racist demagogy and brutal repression. The fascist trends within the ruling classes are already visible all over the world, and has been particularly intensified after 9/11.

Third, of all the imperialist powers, it is US imperialism that will be the most dangerous and aggressive force on the earth and the number one enemy of the worlds' people. It is today the main source of war and the most reactionary force stomping the world in its jack-boots. Wounded and injured by the economic crisis in its bloated economy, it will turn all the more ruthless, sparing no one who dares stand up to their dictates. It will not tolerate even the slightest dissent, let alone opposition. The Bush dictum, "*those who are not with us, are against us*" — will rule.

This is to be the bleak future before us. In such a scenario what then needs to be done?

First there is need to differentiate real friends (those sincerely opposing imperialism, or even aspects of it, from whichever angle) from real enemies (those who are fake or imperialist planted Trojan horses).

Second, there is need to unite all genuine anti-imperialist forces to build an organised strength in order to target imperialism and their lackeys, while exposing the fake elements. While utilising the growing dissentions within the imperialist camp, it is necessary to primarily rely on the genuine democrats.

Third, it must be understood that the imperialists and all their agents will never reform; unless they are hit they will not fall. So, primarily the task lies in awakening millions in each country of the world against the evils of imperialist globalisation and war, and organising them into militant battles against the enemy.

Fourth, as Iraq has shown, as the battle intensifies, guerrilla warfare, relying on the masses, is the most effective weapon against a monster armed with the most sophisticated weaponry. A people's war is the only answer to the imperialist sponsored wars on the masses and against countries and nations.

Finally, it is a fusion of the peoples' wars with the vast democratic upsurge of the masses of each country, which alone will be able to beat back the imperialist offensive in general, and US imperialist war-mongering in particular.

Let then all revolutionaries and democrats unite to build a strong force against the common enemy. Already the mass upsurges in the west are an indication of the peoples' growing strength worldwide. In addition, the Maoist people's wars in many countries like Nepal, Philippines, India, Turkey Peru, and elsewhere, act as a beacon light to a bright new future for humanity — a future without exploitation, without oppression, based on equality and respect for all. A fusion of these two forces at the international plane and locally will create a force so strong as to be invincible — that alone will send all reactionaries into flight and panic.

Notes:

1. *Economic Times;* June 29, 03

2. *Economic Times*; Sept.11, 03
3. *Economic Times*; Oct.21 03
4. *The Economist*; June 28 03
5. *The Economist;* August 16 03
6. *The Economist;* June 28, 2003
7. *Economic Times;* August 19, 2003-12-03
8. *The Economist;* June 21, 03
9. *Economic Times;* May 27, 2003
10. *Frontline;* Dec.5, 2003
11. *Ibid*
12. *Economic Times;* October, 10 2003

APPENDIX

One Billion = 100 crore
One Trillion = 1000 billion

Stock Exchange:

This is a Market that deals in long-term company securities (stocks and shares) and government securities (bonds). The stock exchange performs two principal functions. It provides (a) a primary or new-issue market where new capital for investment and other purposes can be raised by the issue of financial securities; (b) a secondary market for dealing in existing securities, which facilitates the easy transferability of securities from seller to buyer. The stock exchange thus occupies an important position in the bourgeois financial system by providing a mechanism for converting individual's savings into investments for use by companies. In India the two major stock exchanges are the Bombay Stock Exchange (BSE) and the National Stock Exchange at Delhi. Of late, most cities in the country also have stock exchanges.

Joint-stock Companies:

This is a form of company where a number of people contribute funds to finance a FIRM in return for SHARES in the company. Joint-stock companies are able to raise funds by issuing shares to large number of SHAREHOLDERS and thus able to raise more capital to finance their operations than could a sole proprietor or even a partnership. Once a joint-stock company is formed it becomes a separate legal entity from its shareholders, able to enter into contracts with suppliers and customers. This is a convenient ruse of the bourgeois system where the owner of the company can absolve himself of all fraudulent activities, acting through the 'company'. Joint-stock companies are managed by the board of directors, supposedly appointed by the shareholders, but in fact appointed either by the promoter (i.e. the person who starts the company) or those who control bulk shares of the company. The directors report the progress of the company to the shareholders at an ANNUAL GENERAL MEETING.

There are two types of joint-stock companies:

a) Private Company. Where the maximum number of shareholders is limited to 50 and the shares the company issues cannot be bought and sold at the stock exchange. Such companies carry the term Limited (Ltd) after their name.

b) Public company. Where there are a minimum of 7 shareholders; but otherwise such a company can have an unlimited number of shareholders. Shares in a public company can be bought and sold on the stock exchange and so can be bought by the public. Most big firms are public companies, as in this way they are able to corner vast amounts of money (savings) from thousands of people. Though the shareholders are the official owners of the company, it is the management that effectively controls the company.

Shares:

Financial Securities issued by a joint-stock company as a means of raising long-term capital are called shares. The Shareholders of a company are its legal owners and are entitled to a share in the profits. Shares are traded on the Stock Exchange. The share price is determined by supply and demand. The face value of the share certificate is the price at which company sells it, at the time of a new issue. If the company does well (or due to speculation) the market value of the share certificate on the stock exchange rises well above its face value. If it does badly the price drops.

Shareholders are individuals who contribute funds to finance a joint-stock company in return for shares in that company. There are two main type of shareholders: (a) holders of **Ordinary Shares** (equity — these comprise the major shareholders) and are entitled to a dividend, based on the company's profits; (b) holders of **Preference Shares**, who are entitled to a fixed dividend (like an interest payment), no matter what the profit or loss of the company. In case of bankruptcy, they have the first claim on the assets of the company.

The **Share Capital** is the money employed in a joint-stock company that has been subscribed by the shareholders of the company in the form of Ordinary **Shares (equity)** and Preference Shares and which will remain as a **permanent** source of finance as long as the company remains in existence.

Market Capitalisation is the market value (not the face value) of the share capital as quoted on the stock exchange. Of late this has become the basis for the valuation of companies and not its asset value. This is an irrational method of valuation, as the value fluctuates enormously, depending on many factors, like speculative trading on the stock exchange. An example was the market capitalization of dot com companies, which reached dizzying heights, unconnected with the real value of the companies or the profits earned. These crashed, when the speculative bubble burst.

The Stock Index is the number quoted on a stock exchange at a given time, indicating the fluctuations in the value of the shares. Index numberings are normally set by using a cut-off date, giving the value of 100 on that date. At a future date, an increase in value of the share prices by, say, 20%, would mean that the index will rise to 120. If a week later it drops by, say, 10% the index would fall to 108. So, for example, the BSE index hovers around 3000 to 6000 depending on the value of the shares on a particular day. A **bear** condition is said to exist when the index is low or falling; while a **bull** condition is said to exist when the index is high or rising. If there is heavy selling, demand drops and the index falls. If there is heavy buying, by say FIIs, there is heavy demand and the index can be artificially boosted. With Foreign Institutional Investors (FIIs) dominating the Bombay Stock Exchange, through the huge funds at their disposal, they are able to manipulate the stock exchange index through large-scale buying and selling on the stock market. They thereby make windfall profits through speculative activity on the Indian stock markets.

GDP (Gross Domestic Product):

The GDP is the total money value of all final goods and services produced in an economy over a one-year period. GDP can be measured by calculating the sum of the value added (i.e. by new value created through production and services) by each industry in producing the year's output. There are also other methods of calculating the figure. The growth rate in the GDP is an important measure for estimating the health of an economy. So, for example, if the GDP increases from one year to the next by 5%, the growth rate for that year is 5%. That means that the value added in the given year through economic activity (industrial, agricultural and through service) is 5% more than what it was in the previous year. If there is a contraction of the economy, the

GDP is minus. That means the value added during the current year is less than that in the previous year.

Gross domestic fixed capital formation is the total spending on Fixed Investment (plant, equipment, etc.) in an economy over a one-year period. This chiefly comprises of government investments, and private investments (both local and foreign). However, because of Capital Consumption (fixed capital lost due to wear and tear) the **net domestic-fixed-capital formation** may be considerably less than the gross investment.

Per-capita income is the national income of a country divided by the population. This gives the average income for every man, woman and child in a country if it were all shared out equally. But the distribution of income is not equal, so the per-capita income is not a good indicator of the living standards of the people.

Financial Sector:

It is that part of the economy concerned with the transaction of financial bodies. Financial bodies provide money, transmission services and loan facilities, and influence the workings in the 'real' economy by acting as intermediaries in channeling savings and other funds into investment uses.

The Financial System is the network of Financial bodies (banks, commercial banks, building societies, etc.) and markets (money market, stock exchange) dealing in a variety of financial instruments (bank deposits, treasury Bills, stocks and shares, etc.) that are engaged in money transmission and the lending and borrowing of funds.

Commercial Banks are banks that accept deposits of money from customers and provides them with a payments transmission service (cheques) together with saving and loan facilities. A commercial bank has the dual purpose of being able to meet currency withdrawals on demand and of putting its funds to profitable use.

Merchant Banks are specialist institutions which advises client companies on new shares and underwrites such issues (i.e. guarantees to buy up any shares which are not sold on the open market). They also advise companies in mergers and acquisitions. In America these banks have grown into monoliths dominating the financial world. Companies like Morgan Stanley, Merill Lynch, Goldman Sachs and Lehman Bros, are giants whose octopus-like claws stretch out in all directions of the financial markets.

Venture Capital is any share capital or loans subscribed to a firm by financial specialists (for example, the venture-capital arms of the commercial banks and insurance companies), thus enabling the firm to undertake investments in processes and products which because of their novelty are rated as especially high-risk projects, and as such would not attract conventional finance.

A Treasury Bill is a financial security issued through the discount market by the government as a means of borrowing money for short-term periods of time (3 months). Most Treasury Bills are purchased by commercial banks and held as part of their reserve-asset ratio.

Public Debt:

The public Debt is the national debt and other miscellaneous debt for which the government is ultimately accountable. Such miscellaneous debt would include, for example, the accumulated debts of nationalized industries.

Debt Servicing is the cost of meeting interest payments and regular contractual repayments of principal on a loan along with any administrative charges borne by the borrower.

Foreign Exchange:

These are foreign currencies that are exchanged for a country's domestic currency in the financing of international trade and foreign investment.

International reserves or foreign exchange reserves are monetary assets that are used to settle Balance-of-payments deficits between countries. International reserves comprise chiefly gold and foreign exchange (particularly in US dollars).

Balance-of-payments (BoP) is a statement of a country's trade and financial transactions with the rest of the world over a particular period of time, usually one year. The account is divided up into two main parts: (a) current account, and (b) investment and other capital transactions.

The current account shows the country's profit and loss in day-to-day dealings. It is made up of two headings. The 'visible' trade balance (Trade Balance —i.e. deficit or surplus) indicates the difference between the value of exports and imports of goods (raw materials and fuels, foodstuffs, semi-processed products and finished manufactures).

The second group of transactions make up the 'invisible' balance. These include earnings from payments for such services as banking, insurance and tourism. It also includes interest and profits on investments and loans, government receipts and spending on defence, overseas administration, etc.

In addition to current account transactions there are also currency flows into and out of the country related to **capital items** — investment monies spent by companies on new plant and the purchase of assets, borrowing by the government, and inter-bank/stock exchange dealings in sterling and foreign currency.

The current balance, and the investment and other capital flows, together with the balancing item, result in the BoP. This figure shows whether the country has incurred an overall surplus or deficit. India has huge current account deficits, which is balanced by the big inflow of foreign investments (FDIs & FIIs) and NRI deposits, giving a surplus. But this 'surplus is illusory as the bulk of it comprises hot money by foreign investors, which can be removed overnight.

Financial Bubble

'Money' is for making more 'Money' in Capitalism. It has to, for otherwise, it steadily loses it's value. Idle money buys lesser and lesser goods as loses it's value due to inflation. Thus, 'Capital' is for amassing more 'Capital' in Capitalism.

Traditionally, Capital was invested in productive resources, human resources etc. to generate surplus value/profits, to accumulate more capital. When accumulated 'Capital' is lent for such purposes it becomes 'Finance Capital'.

As Capitalism developed increasing inequalities all around, this uneven development affected demand for various products, as the purchasing power did not keep pace with the ability to produce. Recurrent overproduction rendered 'Finance Capital' idle.

Such slackening of industrial production at the global level and the consequent falling rate of return in the 'productive' economy of the world compelled global finance capital to seek other avenues to maintain their profit levels.

The enormous amounts of idle cash the Middle East gathered selling oil is one such classic example. These 'petro-dollars', as they were called, were parked in International Banks and needed to be invested or lent somewhere to pay interest to the owners of the money and earn commissions for the bankers. It was this money that became the source for the notorious third world debt from the late 1970's.

From the 1980's huge amounts of finance capital began to be lent/ invested in speculations on real estate, stock market, debt, third world country's tin-pot dictators etc. all over the world.

There is always a risk even when you invest in land for cultivation, buy seed for sowing, invest in a factory or start a business. These risks were at least based on reality, real demand, real purchasing power, real products, real quality etc.

The investments/loans of finance capital, on the other hand, were based on speculative risks. Risks and turbulence of this 'finance market' itself became the only source of whatever returns.

With deregulation sweeping the major financial markets during the 1970's, risk-prone business soon became the chief source of financial involvement. Of the different strategies in the international financial market, non-bank financial involvement emerged as a major form of activity, pushing aside traditional operations of banks at the banking and industry level.

As the booming financial flows were increasingly dissociated from the 'real' sector with low growth rates of GDP in the OECD countries, tendencies arose of banks to finance myriads of activities including corporate mergers and acquisitions and real estate transactions. As returns on money capital could only be maintained by creation of debt, finance sought outlets beyond industry in particular because the latter was unable to absorb the growth in finances. The result was a proliferations of financial transactions, which continued on its own, without relation to the 'real' sector. Speculation, involving a high degree of risk, generated the demand for a substantial part of financial flows.

This has resulted in the stock markets being excessively volatile resulting in, what has come to be called, 'Casino Capitalism'. Money trading also in interest rates, equity shares, commodity prices, foreign exchange rates and in derivatives (futures, options etc.) has reached gigantic proportions absorbing vast amounts of capital accumulation. In addition vast sums have also moved into the debt and bond markets. Not only that, with falling returns in Industry, 'finance capital' has sought outlet through an unprecedented wave of Mergers & Acquisitions (M & A), where big TNCs (Transnational Corporations) have swallowed up not only other smaller companies but also other TNCs of equal size.

It is these unimaginable sums of money, which, during this period of globalizations, has gone to fund a speculative bubble — the financial bubble — away from the 'real' productive economy. But, when the 'real' economy went into a demand recession, this financial bubble also burst.

Internet Bubble

In the last half of 1998 and the first half of 1999, Investors caught up in 'Internet mania' drove Internet stocks up to 400 percent, while the S & P 500 Index and the Dow Jones Industrial Average increased 18.9 percent.

While the Internet boom is real, it's valuation was insane. In 1999, Anthony B. Perkins calculated that the 133 Internet companies that went public since Netscape in 1995 could be overvalued by as much as $ 230 billion.

Thus the market valuation of Internet companies & Dot.com Companies began to be referred to as the 'Internet Bubble' about to burst. A 50 percent-plus meltdown was predicted. It was worse when the bubble actually burst.

First the facts. According to International Data Corp. (IDC) , Some 160 million people around the world are logged on to the internet; by 2003, IDC expects that figure to mushroom to 500 million.

At least 30 percent of U.S. companies are represented on the World Wide Web. Advertisement on the internet more than doubled in 1998 to $ 1.92 billion, for the first time surpassing the amount spent on outdoor advertising such ass billboards. This was expected to grow to $ 8 billion by the year 2002.

Such Expectations of Usage & Income coupled with the notion that the value of any network increases by the square of the number of people using it- Fueled an unprecedented spiral of market valuation and rush of investments to the Internet companies

By 1999, the market wealth creation (notional value) by the internet ($ 236 billion) on an equivalent basis, exceeded that created by the PC ($ 221 billion) Industry

In 1998 alone the venture capital industry raised 139 new funds and invested over $ 17 billion in new capital startups — the biggest jump in the history of venture capital. This lead to a public mania of investing in

Internet company stocks by borrowing on their credit cards. As the stock prices escalated, so did consumer spending and debt.

Yahoo's share price jumped 584 percent, Amazon jumped 966 percent, AOL jumped 586 percent. Then, 95% of the dot com companies failed. The bubble burst. In the year since April 2000, The technology heavy NASDAQ stock exchange alone lost $ 2 trillion in value

According to NASSCOM, There are over eighty-thousand India-related websites that have sucked in investments of over $ 5 billion and ICRA predicts that only around 20 major Indian internet companies will survive in the next four to five years.

Social Security System

In the developed countries those who are unemployed get a minimum unemployment pay, which allows the individual to survive. Though these facilities are also being drastically cut, the social security system in these countries are incomparable with what exists in third world countries like India. Besides, with greater general wealth in these imperialist countries, built from the loot of the backward countries, the ability of the individual to cushion loss of income through job cuts is much more.

In the underdeveloped countries there is no social security system, and loss of income can mean starvation and death. Besides, with the generally low levels of earning capacity, the ability to cushion sudden job losses etc. is fast reducing. In addition, with saving systems being looted by the powerful (like the NBFCs, UTI and even banks) and interest rates being drastically cut, savings are vanishing — adding to the already existing insecurities in life.

OECD

Economic Co-operation and Development Organization (OECD), is an international organization founded in 1961 to stimulate economic progress and world trade. Members in the late 1990s included Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, The Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

The convention establishing the OECD was signed on Dec. 14, 1960, by 18 European countries, the United States, and Canada and went into effect on Sept. 30, 1961. It represented an extension of the Organisation for European Economic Co-operation (OEEC), set up in 1948 to coordinate efforts in restoring Europe's economy under the Marshall Plan.

Marshall Plan

Marshall, George C., (1880-1959), general of the army and U.S. Army chief of staff during World War II (1939-45) and later U.S. secretary of state (1947-49) and of defense (1950-51). The European Recovery Program he proposed in 1947 became known as the Marshall Plan. He received the Nobel Prize for Peace in 1953. He was sworn in as chief of staff of the U.S. Army on Sept. 1, 1939, the day World War II began with Germany's invasion of Poland. For the next six years, Marshall directed the raising of new divisions, the training of troops, the development of new weapons and equipment, and the selection of top commanders. When he entered office, the United States forces consisted of fewer than 200,000 officers and men. Under his direction it expanded in less than four years to a well-trained and well-equipped force of 8,300,000.

Also significant during his secretaryship were the provision of aid to Greece and Turkey, the recognition of Israel, and the initial discussions that led to the establishment of the North Atlantic Treaty Organization (NATO). In 1945, Truman, the then President of U.S.A., reaffirmed America's commitment to a "strong, united, and democratic China" and dispatched Marshall to seek a truce and a coalition government between Chiang Kai-shek's Nationalists at Chungking and Mao Zedong's Communists in Yenan. Then, in 1950, when he was nearly 70, Truman called him to the post of secretary of defense, in which he helped prepare the armed forces for the Korean War by increasing troop strength and matériel production and by raising morale.

In other words this military general, responsible for the butchery of millions, was the father of the Marshall Plan.

Marshall Plan, formally EUROPEAN RECOVERY PROGRAM (April 1948-December 1951), was the U.S.-sponsored program designed to rehabilitate the economies of 17 western and southern European nations in order to create stable conditions in which democratic institutions could survive. The United States feared that the poverty, unemployment, and dislocation of the postwar period were reinforcing the appeal of communist parties to voters in western Europe. On June 5, 1947, in an address at Harvard University, Secretary of State George

C. Marshall advanced the idea of a European self-help program, to be financed by the United States in order to counter the communist threat.. On the basis of a unified plan for western European economic reconstruction presented by a committee representing 16 countries, the U.S. Congress authorized the establishment of the European Recovery Program. Aid was originally offered to almost all the European countries, including those under military occupation by the U.S.S.R. The U.S.S.R. early on withdrew from participation in the plan, however, and was soon followed by the other eastern European nations under its influence. This left the following countries to participate in the plan: Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, The Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, the United Kingdom, and western Germany.

CIS Countries:

They comprise the erstwhile countries of the USSR — Armenia, Azerbaijan, Belorussia, Estonia, Georgia, Kazakhstan, Kirghizia, Latvia, Lithuania, Moldova, Tadjikistan, Ukraine, Uzbekistan.

LDC's

The 49 countries with an average per capita income of about \$1 a day, known as the least developed countries, continued to suffer from low prices for their commodity exports, rising protectionism in Western markets, high prices for imported food and for oil imports, declining foreign aid, and, in sub-Saharan Africa, lower per-capita food production because of unwise economic policies and devastating drought.

The 49 LDCs:

Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea Bissau, Haiti, Kiribati, Laos People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mawuritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen, Zambia.

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जंगल हमारा है *(उपन्यास)*	जल्द आ रहा है
जमीन बंधन मुक्ति के लिए *(जन जीवन संघर्ष की कहानिया)*	जल्द आ रहा है
झंझावत *(चीनी उपन्यास)*	जल्द आ रहा है

What then would a recession of such magnitude mean for the people?

It would mean,

First and foremost, a great danger of growing fascism and wars.

Second, it will mean heightened contention between the major imperialist powers.

Third, it will mean greater domination and loot of third world countries.

And fourth, it means great revolutionary potential for the oppressed masses of the world.