

MARXISM AND TRADE

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In the Marxian Theory of Capitalism, trade is an act of voluntary exchange of commodities by their owners for money in a free market at equivalent values or prices of production and vice-versa. The key elements of capitalist trade are ‘voluntary’, ‘free market’ and ‘equivalent value’. Trade is a crucially important element of political economy. When Napoleon branded the English ‘a nation of shopkeepers’, he meant trade. For capitalism, Marx has theoretically held trade as a constituent of the mode of production, particularly as “a phase of the total process of reproduction”¹. He has also convincingly established that the act of exchange or rather the business of trade does create no new value, let alone any surplus value². What it eminently does is to realize in money form the value and thereby also surplus value, embedded in the commodity. Profit of the trader comes from a share of the surplus value residing in the commodity, just like ground rent, banker’s interest etc.

Question one, we see with our own eyes that prices of commodities fluctuate in the market rather frequently; in that case how can one say exchange takes place at value? Values do not rise and fall in such a manner! Marx replies that the observed phenomenon is a temporary feature; in a length of time and width of space, when buyers are also sellers and sellers, buyers and when after several transactions occur above and below values, “prices are regulated by the average price, i.e., ultimately by the value of the commodities.”³

Question two, what we usually see, it is traders that invariably get rich, small and big alike, they never lose, never fall sick unlike some manufacturers who often fail, are even liquidated. Who then gets the lion’s share of the surplus? Trader or the capitalist entrepreneur, the much celebrated profit-maker? Marx replies that in a capitalist economy, manufacturers obviously get the lion’s share since commodities are sold at value. “It is true, commodities may be sold at prices deviating from their values, but these deviations are to be considered as infractions of the laws of the exchange of commodities, which in its normal state is an exchange of equivalents, consequently, no method for increasing value.”⁴ Frankly, had there not been entitlement to a larger share of the surplus, entrepreneurs wouldn’t have undertaken the risk of uncertainty in investment and the arduous task of managing production, would rather have preferred trade.

FREE TRADE

Now comes the hitherto unasked and unanswered question – What then is ‘free trade’? How does it differ from simple ‘trade’? Free trade is a very frequently used category in classical political economy. In theory, trade with free competition means free trade and the question of a difference between the two doesn’t arise, but in practice, it is often the

reverse. Free trade usually refers to international trade. When one country gives permission to another country usually under terms of reciprocity or some special privilege, for the sale of the latter's commodities in the former's territory, it is called free trade. Thus a country obtains freedom to trade in another country. Here we must remind the reader of the established but forgotten dictum that freedom to trade includes the freedom not to trade. Now the most important element of freedom of a country is to be able to restrict or nullify the freedom of another country to invade and subjugate it. This is our doctrine. But you won't find any sahib to endorse, defend or preach this doctrine. That is why, by free trade they mean unfree exchange. The practice of trade is as old as community life. When the civilized Asian traders dominated in world commerce, international trade was free trade. After the barbarian European ascendancy in international trade, the character of trade changed. In the so-called mercantilist period (1500-1800), exchange of goods were led and conducted by European guns. J P Coen, founder of the Dutch empire, thus precisely described this European trade, "Your Honours should know by experience that trade in Asia must be driven and maintained under the protection and favour of Your Honours' own weapons, and that the weapons must be paid for by the profits from the trade; so that we cannot carry on trade without war nor war without trade."⁵ In Marx's words, "Merchants' Capital when it holds a position of dominance, stands everywhere for a system of robbery, so that its development among the trading nations of old and modern times is always directly connected with plundering, piracy, kidnapping slaves, and colonial conquest."⁶ And don't laugh, this plunder is called 'free trade' in both imperial and Marxian political economy.

Initially, Europeans used precious metals, plundered from the Americas by guns, to purchase superior Asian commodities and sold them in the European markets as well as in America and Africa. This process has thus been explained by Marx, "Prima facie, a pure and independent commercial profit seems impossible so long as products are sold at their value. To buy cheap in order to sell dear is the rule of trade. Hence, not the exchange of equivalents."⁷ Comparing the primitive, barbarian and mercantilist trade with the contemporary capitalist trade, Charles Fourier said, "Our civilized trade mechanism is thus an amalgamation of characters of all periods, with those of the civilized trade, however, predominating – and these are much more despicable still than those of barbarism, because our trade is nothing but organized and legitimized robbery under the mask of legality ... How can one have any esteem for an out-and-out rascally profession or a class of people who lie with every word they say and by means of this magic art earn millions Meanwhile for a century a new science called Economics has been exulting hucksters, stockjobbers, corner-men, usurers, bankrupts, monopolisers and commercial parasites to the peak of honours... . The economists, who have found in this merchants' hotch-potch a nursery of new dogmas, a mine of systems, have overthrown morality with all its high-sounding talk of truth in order to enthrone their favourites, the stockjobbers and bankrupts ..."⁸ Fraudulent trade in a foreign land is not easy unless one applies force. That was what the Europeans eventually did; they conquered Asian lands by means of guns and thereafter indulged, first in plunder and then systematic exploitation through unequal exchange. This turned out to be the pattern everywhere. So, when our great Rabindranath, in a poem coined this well-known verse, "the merchant's

scale at dawn after the passage of darkness of night, appeared as the scepter of a monarch”⁹ the poet was factually wrong. As an Indian Marxist mentioned, “Very often, Europeans came in first as traders ... But, of course, the conquering guns of the Europeans were never far from their measuring balances”.¹⁰ The guns escaped the notice of the poet.

From the very beginning, however, the English planned to conquer by guns, as Marx said, “Although they had, even as early as 1689, conceived the establishment of a dominion in India and of making territorial revenue one of their sources of emolument, yet, down to 1744, they had acquired but a few unimportant districts around Bombay, Madras and Calcutta.”¹¹ What sort of trade the English practiced after it established its armed power in the Indian lands, e.g., in Bengal since 1757? Mir Kasim Ali Khan, a puppet ruler of Bengal complained in 1762 of the East India Company’s trade: “In every Perganah, every village, and in every factory they [the company’s Gomastahs] buy and sell salt, betel-nut, ghee, rice, straw, bamboos, fish, gunnies, ginger, sugar, tobacco, opium, and many other things, more than I can write, and which I think it needless to mention. They forcibly take away the goods and commodities of the Reiat, merchants, & C., for a fourth part of their value; and by ways of violence and oppressions they oblige the Reiat, &C., to give five rupees for goods which are worth but one rupee... deprived of my duties, I suffer a yearly loss of nearly twenty-five lakhs of rupees...”¹² Such was the character of trade the English pursued in India till 1947 and this is what Marx as well as the imperialists call ‘free trade’. Free trade in the Marxian narrative is not what the dictionary or common sense tells you. For the sahibs, free trade signifies freedom of European country to freely and forcibly indulge in buying and selling in a non-European country at monopoly terms by means of guns. It is an exercise of freedom to deprive others of their freedom; that is, it is neither *free* nor *trade*. You don’t have to be told what ‘free’ means and you have already been told what trade is at the beginning of this essay. Free trade is thus a hypothetical concept invented and universally used in the Economics of the North world. Do you need a gun to go to a market for a buy or sale? No, nobody does. But the Europeans needed guns for trading in the non-European countries. This gives away the fact that the Europeans were there not for trade but for plunder and that was what they actually practiced in the name of free trade! In order to cover up the barbarity of this act they used the term ‘free trade’, for the act of unfree exchange. But here we are concerned with the Marxian narrative.

On China, Marx said, “Then came the English and won free trade for themselves by dint of *force* in five ports”.¹³ Free trade by force! This is just like that funny misnomer in Bengali, “golden stonepot” (*sonar patharbat*)! Does it mean that the Europeans were actually ignorant about the literal meaning of free trade? Oh no, not that. They were not only very much aware of what really free trade was, but they actually practiced free trade among themselves. When the English decided to trade in France, they did not first conquer France by guns as a precondition. What they needed was just a permission of the Government of France for such activity. It is only in case of peoples of ‘inferior race’, e.g., Indian or Chinese, they proceed with guns. As it is said, “Probably the best known dictum relating to colonial expansion in the late nineteenth century is that ‘trade followed the flag’; that is, new colonies were acquired because possession secured their trade to

the metropolis.”¹⁴ It is only by means of guns you can plant your flag in a foreign land. Thus in the colonial lands European guns came first and trade followed; frankly, measuring scales were rendered redundant. This characteristic feature of so-called European capitalism, however, had not escaped the notice of the poet Rabindranath, who never claimed to be a specialist in Economics or Politics. On Britain’s opium trade in China, the poet remarked, “An entire nation has been forced to drink poison for avarice; such vicious swindling has never been heard of. China cried out ‘I won’t take opium.’ The English merchant bantered, ‘Don’t you say!’ Tying up her pair of hands, China’s mouth was stuffed with opium by means of canon; then they said, ‘pay for the opium you have devoured.’ For long the English has been practicing such novel trade in China ...If such means of accumulation is called trade instead of robbery, that’s obviously for the sake of politeness.”¹⁵ The poet incidentally described the atrocities and plunder committed by Europeans on the Amerindians, Asians and Africans and traced the inspiration of their fiendish greed to Christianity and racism.¹⁶ Anyway, in the Marxian narrative such robbery is called free trade of capitalism and a progressive move to civilise the barbarian non-Europeans. Ironically, Rabindranath’s thesis was corroborated when John Quincy Adams said, “the moral obligation of commercial intercourse between nations is founded entirely, exclusively, upon the Christian precept to love your neighbour as yourself... But China, not being a Christian nation, its inhabitants do not consider themselves bound by the Christian precept, to love their neighbour as themselves... This is a churlish and unsocial system... The fundamental principle of the Chinese Empire is anti-commercial ... It admits no obligation to hold commercial intercourse with others.... It is true that this enormous outrage upon the rights of human nature, and upon the first principles of the rights of nations, should cease.”¹⁷ Not being acquainted with history, Adams was simply ignorant of the fact that the Chinese were a great trading nation, though only involving civilised trade, while Adams’ business was barbarian trade operated by guns as the poet mentioned. Moreover, the Chinese had already learned to their misfortune that American Christian love was manifested by gunfire against and murder of their loved ones. No doubt, just in order to be true to Jesus Christ if not to Adams, the Europeans discharged millions of firearms against the non-Europeans and *enforced their characteristic Free Trade!* To reiterate once again, when your country conquers another country by force, reigns over it, runs the administration, then whatever varieties of exchange you may practice that is invariably and always unfree trade, never free trade. It is thus preposterous on the part of various scholars to hold colonial exchanges as ‘trade’ or ‘free trade’. The imperialists had a monopoly in the captive colonial markets, obtained and exercised by guns and this fact was well known to Marx and the Marxists. To keep the record straight, however, Marx once did concede the observable fact when he said, “Whenever we look closely into the nature of British free trade, monopoly is pretty generally found to lie at the bottom of its “freedom”.”¹⁸

Obviously, an economy built up and run by such Free Trade cannot be called capitalism, at least not according to the Marxian theory of capitalism which insists that coercion has no role at all in either capitalist production or exchange or accumulation. Force or violence is a non-capitalist economic force. Elsewhere, in a critique of the European economy we reached the conclusion that Marx’s capitalism never existed in

Europe.¹⁹ The false nature of Europe's colonial Free Trade as mentioned above, reinforces that conclusion.

Consider the most popular Marxian description of the encounter between European capitalism and non-European non-capitalist world: "The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian nations into civilization. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces barbarians' intensely obstinate hatred of foreigners to capitulate."²⁰ Marx himself negated this thesis of the Communist Manifesto on various occasions to admit the historical fact the Europeans did not trade but actually plundered, i.e., took away, without any equivalent, the wealth of the non-European countries.²¹ Engels's comment "The discovery of America was due to the thirst of gold... The conquest of India by the Portuguese, Dutch and English between 1500 to 1800 had imports from India as its object – nobody dreamt of exporting anything there"²² directly refutes his own thesis of Manifesto. The Marxian assertion of European trading approach with goods of "cheap prices" was simply untrue as the Europe didn't possess any such saleable article in any of its countries. Listen to what Thomas Munro said in 1813: "No nation will take from another what it can furnish cheaper and better itself. In India, almost every article which the inhabitants require is made cheaper and better than in Europe.... From the most distant ages of antiquity, there was a constant intercourse between India and the countries on the Persian Gulf and the Red Sea, without the introduction of foreign manufacturers among the Hindoos." Munro went on to say that even after trying hard, the Europeans could not fare better and could not succeed in selling their wares without overcoming the handicap of 'cheapness and excellence' of Indian manufacturers.²³ Munro didn't talk about gunplay in trade because that was alien to Oriental trading culture, though a trademark of enlightened European culture. Thereafter, Marxists all over, sahib and colonial alike, repeatedly asserted the fact that the Europeans, in the early period of encounter, indulged in direct plunder, and purchase of superior Asian goods by paying, where unavoidable, with the gold and silver plundered from the Americas, at such terms as mentioned by Mir Kasim. In the course of this plunder, Europe conquered non-European lands by firing real 'heavy artillery' and subjugated the civilized Orientals by indiscriminate killing and torturing. From the second half of nineteenth century onwards, however, Europe used to sell its industrial goods to the non-Europeans in their captive colonial markets after destroying the colonial industry.²⁴ Rosa Luxemburg went so far as to characterize their methods and acts of trade as non-capitalist but nevertheless called, as did the others, the European economy capitalism, at least admitting thereby this much that the European capitalism was built by non-capitalism.

Similar methods were applied to the employment of labour. Please don't presume employment of labour is an issue out of bounds of our agenda. Not at all. Purchase of labour power is plain and simple trade when, in capitalism, labour power itself is a commodity. Trade in slave-labour, however, is neither trade nor capitalism. The labourer, in capitalism, is free and voluntarily sells his labour power to the capitalist in a free

market. This freedom of the labourer to freely exchange labour power is an unavoidable marker of the Marxian theory of capitalism. But while all Marxist scholars including Lenin not only admitted that all European countries employed open and disguised slave labour in building their own economies, they at the same time did not hesitate to declare this slave mode of production as capitalism.²⁵ Well, let's not exclude Marx Engels. Marx not only admitted the fact of widespread English and American slave mode of production and called it capitalism but speaking of the good side of slavery he stated, "Directly slavery is as much the pivot of our industry today as machinery, credit etc. Without slavery no cotton; without cotton no modern industry. It is slavery which has made the colonies valuable; the colonies have created world trade; world trade is the necessary condition of large-scale machine industry. Thus, before the traffic in Negroes began, the colonies supplied the world with only very few products and made no visible change in the face of the earth. Slavery is therefore an economic category of the highest importance."²⁶ Engels likewise said: "without slavery, no Greek art and science; without slavery, no Roman Empire. But without the basis laid by Grecian culture, and the Roman Empire, also no modern Europe. We should never forget that our whole economic, political and intellectual development presupposes a state of things in which slavery was as necessary as it was universally recognized. In this sense, we are entitled to say: without slavery of antiquity no modern socialism."²⁷ The point is – if you at the same time, never forget the Marxian theory of capitalism, you are also entitled to say: without free labourer and free exchange of labour power, there cannot be any capitalism and hence there was never any Marxian capitalism in Europe. The Marxists of the world, however, never spared a moment to consider the proposition that an economy with unfree exchange of labour and commodities cannot fulfil the criteria of the Marxian theory of capitalism. Marx only conceded that accumulation through such non-capitalist manner of exchange was the feature of pre-capitalist primitive accumulation which was a pre-condition for the advent of capitalism.²⁸ But Rosa Luxemburg insisted "that the mechanisms of primitive accumulation, with the concomitant use of force, fraud and state power, are not simply a regrettable aspect of capitalism's past, but persist throughout the history of capitalism at the margin where capitalist and per-capitalist economic systems meet."²⁹ Rosa's contribution was that "capitalism is the first mode of economy which is unable to exist by itself, which needs other economic systems as a medium and soil ... Capitalism needs non-capitalist social strata as a market for its surplus value, as a source of supply for its means of production and as a reservoir of labour power for its wage system... At the times of primitive accumulation, ... by modern colonial policy... Accumulation, with its spasmodic expansion, can no more wait for, and be content with, a natural internal disintegration of non-capitalist formations.... Force is the only solution open to capital; the accumulation of capital, seen as an historical process, employs force as a permanent weapon, not only at its genesis, but further on down to the present day."³⁰ Thus we see, Rosa captures the essential barbarian character of European trade with non-Europeans i.e., force and fraud, and holds the European governments as the main actor. The purpose and result of this entire exercise of European encounter with non-Europeans is to cause and maintain a steady flow of surplus from the colony to Europe, operated chiefly through unequal exchange by guns. This mode of accumulation is to be called imperialism and not capitalism. This is what Lenin had failed to capture in

his fantastic theory of imperialism. Rosa also didn't arrive at the logical conclusion from her exposition of this non-capitalist exchange that imperialism is, in essence, a mode of accumulation and not a mode of production and as such quite a different entity from capitalism which is a mode of production.³¹ Marxists, however, were influenced by Marx's own way of looking at things. Marx sacrificed all moral and civil scruples to condone the persistent European practice of piracy, aggression, plunder, murder, rape, fraud, treachery, spoliation, opium-isation, slavery, forcible conversion, racist oppression, genocide etc, etc., all conceivable heinous crimes in the name of trade, in order to name it Free Trade. He went so far as to make a mockery of his own theory of capitalist trade characterized by free voluntary exchange of equivalents in a free market. Following in his footsteps, Lenin also devalued the significance of the barbarian character of European trade and thereby missed the fundamental difference between imperialism and capitalism. The protagonists of Marxism had an abounding faith on the progressive nature of capitalism and repeatedly declared that European capitalism introduced and established capitalist mode of production in the subjugated colonies though none of them were able to witness such a phenomenon in their own lifetimes.

Revisiting this Marxian theory of colonial transition to capitalism in 1967, A G Frank of the world system and dependency theorists held that colonies also belonged to the world capitalist system and the essential condition of this system was to cause and maintain by various means a steady flow of capital from the periphery to the core resulting in concomitant under-development of the periphery and development of the core. In the post-colonial Latin America, the major instrument of this centripetal capital movement is pseudo-trade with politics in command. A local comprador clique rules, production and trade of export commodities as well as import and sale of metropolitan products are run by metropolitan companies. The ruling clique that includes the army collects the fruits of the remaining sections of the economy and in case of peoples' revolt or insurrection, receives direct military assistance from the imperial patron to remain in power.³² The Indian Marxist scholar A K Bagchi in his excellent work on the subject endorsed this mechanism of development of underdevelopment in the colonies. He, however, persistently registered the overwhelming importance of the application of imperial force in production and trade as well as employment of open and disguised slave labour. Contrary to the Marxian theory, Bagchi convincingly demonstrated that the Europeans destroyed the surplus-generating economy, retarded the productive forces and undermined industrialization in the colonies. Bagchi went further on to observe: "capitalism is, of necessity, a deeply unequal system of domination of one class by another, of one nation by the ruling class of another." This is what he calls "capitalist colonialism"³³ and it is here we frankly disagree. Elsewhere we have shown with fact and logic that application of force is incompatible with capitalism, that forcible exploitation of one nation by another is pre-capitalist and quite unrelated to capitalism, that exchange by force is never capitalist, that capitalism is all about intra-national exploitation of one class by another and thus capitalism and imperialism are entirely dissimilar to each other.³⁴

What happened to the post-colonial world? Did imperialist pseudo-trade disappear yielding place to civilized trade? No, to the detriment of the ex-colonies, it did not.

Trade in neo-imperialism

Ordinarily neo-imperialism/neo-colonialism is characterized by extraction of surplus from one nation/country by another through exploitation without forcible occupation and administration. Since the exploited country is formally independent it is assumed that armed forces are not employed. But we have already seen that the state of affairs in the Latin America is different. The remarkably conspicuous trait of the sahib scholars, revolutionary and reactionary alike, is that they invariably forget the most obvious feature in international intercourse – power and violence. Emmanuel Todd told a truth that an imperial economy depends on drawing wealth from abroad, without any reciprocity.³⁵ It is really a half-truth since the matter of force in the act of drawing is omitted, though even illiterate people understand that drawing of wealth without reciprocity can be done only by means of violence. If this error is corrected, one finds that the same holds true for neo-imperialism. While the dependency theorists correctly analysed the mechanism of northward neo-imperialist transfer of capital underwriting the interface of underdevelopment and development, they placed the relationship upside down. It was the exploiter countries of the core that are voluntarily dependent on the periphery for their survival and growth; whatever the situation of the neo-colonies it is involuntary. Let's have a look at the variety of devices in operation causing the northward capital flow:

1. *Institutions of trade* : From the beginning of their international expedition in quest of gold and wealth, the Europeans assiduously built up various mechanisms and institutions for extraction and transport of wealth in various forms, mostly in the form of commodities. The more it developed more sophisticated and consolidated it became. Thus came into being ports, shipping, entrepots, markets, banking, credit, money, exchange standard and rate etc., internationally as well as within the countries. By centuries of operation and usage, these institutions and mechanisms came to be under the firm control of, in fact, the exclusive reserve of the sahibs. Further, anticipating the changed situation after de-colonisation they established a variety of international authorities e.g., IMF, World Bank, UNO, particularly the General Agreement on Tariffs and Trade (GATT) for determining the rules of trade. By this controlling network the neo-imperialists were able to dictate the terms of trade and thus maintain the imperial practice of unequal exchange, through captive trade, though not without resistance.
2. *Production for export* : It is not that the Euro-American imperialists were uninterested in productive i.e., manufacturing activities in the colonies. They were very much interested in the extraction of the natural wealth of the colonies and in fact did their utmost to rob the colonial world of this wealth, e.g., mining of petroleum, metals etc., plantations of cash crops, even factories for processing of these products, e.g., mills of jute, sugar etc. As a result, the pattern of productive and trading activities of the colonies were drastically altered to the detriment of the people who had perforce to move from a self-sufficient economy to become exporter of food and raw materials to the core as well as to be dependent on import of food and industrial use values from the core. This pattern of trade had steadily become so entrenched that even long after liberation, most of the ex-colonies failed to shake off this pattern of production and

trade, keeping themselves prisoners of the institutions of trade controlled by the core. In the words of an American Marxist, “the colonies had been intertwined with the world capitalist markets; their resources, economics, societies had become adopted to the needs of the metropolitan centers ... (their) productive capacity ... has been created or transformed by foreign capital to conform to the needs of the investors of capital. Their industrial (and agricultural and mining) structure is inflexible and confined primarily to meeting the specific demands of the major industrial powers for food, fuel, minerals and other raw materials ... The bulk of the foreign exchange income of the underdeveloped countries comes from one to four natural resource products... A reduction in world demand for any one product is almost sure to trigger a balance of payments emergency.”³⁶ The point to emphasise is the fact that investment of a part of the extracted colonial surplus by the core-countries on productive activity in the periphery had neither been intended for nor resulted in the industrial development of the periphery but essentially served to transfer much needed mineral and agricultural wealth to the core through unequal exchange.

3. *The financial system* : There are several arms of the fraudulent financial system imposed by the imperialists over the third world that serve as the chief vehicle for the northward transfer of, as also frequently for an instrument of extraction of the surplus.

Dollar as Gold : One such is the case of currency standard. Since the most dominant imperial power has abandoned precious metals as the standard world currency and instituted its own currency to take its place, the other national economies of the world had to turn more or less dependent for trading activity on this dominant power. Initially it was pound and the British reaped the benefit. After the second imperialist war dollar became the world currency and thereby the headquarters of the world money market settled there. This was advantageous enough for the US but the imperial supremo exploited also its post-war dominant military and economic position for trading advantage to an unprecedented extreme. Since 1971 the US reneged on its promise to pay gold against dollar on demand, and thereafter in the economic world the US became the emperor of emperors. Since then paper-dollar had come to be accepted as a substitute for gold and thus the US became a bottomless gold well; whenever it requires this new gold for international exchange it has only to print it while others have to earn it. This endows US with infinite purchasing power and what is more, it merrily exercises such power. “In every year since 1950, with the exception of a single year... the United States balance-of-payments has been deficit.”³⁷ This means the US revels on a sustained shopping spree. It buys more than it sells, imports more than it exports. It can afford to live as a fabulously rich spending virtually counterfeit money. Presently it receives a subsidy from the world citizenry of at least 1.2 billion dollars per day to keep up its level of spending. By 2004, its current account deficit is \$413 billion, the gross national debt around \$7 trillion. Strictly speaking, the barbarian US aggressions against Korea, Vietnam, Afghanistan, Iraq etc have actually been financed by other countries who possess no enmity against the victims. While the debt burden of Southern countries is called ‘debt trap’ strangulating their economies, the debt of the US is a bonanza to it, just due to the fact that dollar is the international reserve currency.³⁸

Grant and Aid : Brainwashed by the baseless propaganda that economic prosperity of the North is due to capitalism pursued by the sahibs, economists and non-economists, scholars and uneducated alike in the South either believe or propagate that capitalism is the only path to achieve economic growth and for that purpose capital must be borrowed from the North who has it in abundance. It may be frustrating to argue with doctrinaire opinionated people that what the sahibs pursued was imperialism and not capitalism, they didn't borrow but forcibly plundered capital from South for their industrialisation, and if the South wants to imitate the North to achieve prosperity, the former will have to conquer and exploit the latter for at least a century. Let us, then, just have a look at the borrowing process known as grants and aid flowing from North to the South. The debtor country receives the capital (grant or loan makes no difference, though usually it is loan) at the terms of the creditor. "In theory, flows of capital to the Third world are supposed to be invested in productive enterprises which will eventually produce an export surplus from which they can easily service their foreign debts."³⁹ But the debtor purchases from the creditor capital goods as also intermediate raw materials at inflated prices, pay for technology transfer and also for the foreign experts and in this process the larger part of loan is extracted back by the creditor; and it does not count as interest and amortization which come later. On the debtor side, a part of the borrowing is eaten up as cut money by the politicians, another part by the implementers of the productive enterprise and further, whatever may be produced couldn't be sold to earn dollars to remit as interest and amortization. After a period, the amount of this 'payback' reaches so high that the debtor has to acquire further debt just to pay for the interest and amortization on account of earlier debt. The ostensible purpose of this project of foreign aid is to enable the receiver country to increase its export trade for its own economic growth and prosperity, but what actually happened was an increase of trade and prosperity of the aid-giver. Frankly, this was the hidden agenda of the capital exporters. Belying the theory of capital export from core to periphery, the net flow of capital by way of profit from unequal exchange, sale of technology and services, interest, amortizations etc., was found to be Northward, as it was in the good old days of imperialism. The aid, however, enables the South to import unsaleable goods and services of the North and thereby serves an important function of propping up production and employment in the creditor countries.

Exchange rate dynamics : Value of a commodity is determined by the socially necessary abstract labour required to produce it. On this principle capitalist exchange of commodities takes place between equivalent values. But the value of labour differs from country to country, society to society, depending on various factors e.g., standard of living etc. Hence, the price of production of a product of high-wage country is higher than that of a low-wage country. Marx has thus shown that in international exchange of commodities between equivalent values "the favoured country recovers more labour in exchange for less labour."⁴⁰ Presenting a rather detailed analysis of facts based on this Marxian theory, A. Emmanuel has proposed that through trade operates the unequal exchange of imperialist exploitation. High-wage North exchanging its commodities with that of the low-wage South gains from this unequal exchange. The obvious flaw in this theory is that Emmanuel, like most other Marxists,

ignores the glaring fact of power-play, the ubiquitous employment of force that underlie imperialist trade and innocently assumed civilized trade between North and South that never happens.⁴¹ More unequal exchange occurs through the arbitrary determination of the rate of exchange of currencies. Exchange rate of currency ought to be determined by “purchasing power parity” (PPP) and money exchange should take place at this rate. But currency exchange rate is so manipulated by North that South has to pay more than PPP in the exchange with Northern currencies.

4. *Globalisation through World Trade Organisation (WTO)* : The trade control mechanism mentioned above proved to be not entirely successful for the North to its heart's content. There were various forces antagonistic to this mechanism providing resistance. On many occasions puppet comprador regimes in the Latin America were replaced by not so pliant governments. In the Asian countries anti-imperialist resistance was always there. Further, attempts to import-substitution industrialization often achieved successes to some extent. Japanese competition thwarted Northern penetration at many places. Oil producing countries wrested more and more control over their own sources from the Northern companies. Alternative trade with the socialist world provided another escape route for the South. Some countries exercised their sovereignty by putting restrictions on foreign investment, high tariff or outright ban on certain imports and exports, state subsidy on certain other exports, exchange control etc etc. All these resulted in reducing and thwarting neo-imperialist exploitation through trade. The North desperately felt the need to restore the old imperialist control over the terms of trade so that pseudo-trade in the name of free trade be brought again into practice. This was how the latest GATT and WTO came into being.

By the WTO regime freedom of the North to sell its wares inside the Southern lands was restored (a la Marxian ‘free Trade’), the South was made to abolish or dilute its restrictions on foreign investment, tariff wall against import of Northern commodities was broken down, absolute Northern monopoly on invention and trade of certain commodities was established through the revised universal patent regime. Under this WTO regime the economic condition of the industrially backward countries has deteriorated so severely that spontaneous resistance to globalisation is steadily gaining momentum all over the world.

But the most obvious question in the first place is – why the independent South allowed the North to rule over itself and dictate all terms and conditions of trade just as it had happened under the old empire? Our answer is – essentially the circumstances have not changed much. In colonial times Marx noted that the English obtained the right to free trade by force. In this post-colonial times also, it is force that is doing the trick. The USA has spread its military tentacles and established power centers all over the world to such a capacity that it can drop bombs and troops on any place on earth in an hour's notice. This is unprecedented and apparently unbelievable but terrorizing, and this is reality. Barring North America and pacific islands, the USA didn't much go for conquest and occupation though it ventured into a number of sporadic occupation regimes in the Latin America, Caribbean and Philippines. In its neo-imperialist job, the USA found it profitable and, of course, less hazardous to exploit neo-colonies by the threat of military

intervention and occasional actual interventions. By the time the decline of the socialist world became apparent, every country came to realize that on major issues whatever maneuverings one could manage to execute, ultimately it had to obey USA. And so that's what the countries did. Almost all the Third World countries spoke against and condemned the GATT proposals but eventually all signed on the dotted lines. You may ask yourself – had the military power of USA been equivalent to that of Nepal, would all these countries have signed the agreement? The answer to this question will remove the veil over the real face of neo-imperialism. Just as it was in the old colonial times, the present neo-imperial power is now conquering countries even when it appears inessential or refractory to accumulation but politically necessary. Sometimes it becomes imperative to let them know who is the boss. We mean Afghanistan and Iraq.

So we see, imperialism and neo-imperialism or globalisation are two sides of the same coin. In this light a simple theory of development politics comprehensible to all, may be relevant.

Surplus is the key instrument for development. Surplus you can produce for yourself or plunder others. The latter way was chosen by the white Christians, but we prefer the former on cultural compulsion. After production, you have to realize the surplus by trade i.e., civilized trade, not captive trade of imperialism. To conduct civilized trade you need independence, and to work for your peoples development with that surplus you need a peoples government. For independence, there is no alternative to the old prescription of struggle against imperialism, now neo-imperialism. Sure, you cannot match the armed supremacy of the white Christians, but Vietnam and Iraq have shown that even the strongest force of the barbarians ultimately fails to subjugate the civilized Asians. Yes, even in this unipolar world this experience of successful armed resistance tells you to combine with as many Third world countries as possible to organize anti-imperialist struggle. This struggle includes a disengagement of the South from trade with the North. It is known from the socialist experience that it is feasible and operable. The point to emphasise is that the North cannot maintain itself for long without Southern trade and eventually some of them may break ranks and come to terms with civilized trade with the South. Meanwhile, the more important task of the Indian people is to replace the present comprador regime with the peoples government. No doubt, these twin tasks at present appear impossible to achieve but then there seems to be no alternative.

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