SHIFTS IN THE WORLD ECONOMY

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At the end of World War 2, the US accounted for roughly 50 percent of world Gross Domestic Product (GDP), and an even higher percentage of world manufacturing capacity. This reflected the historically specific outcome of World War 2 : the rise to preeminence of US imperialism and the destruction of much of the productive capacity in the imperial-industrial heartlands of Western Europe and Japan.

By 1960, the US share of global GDP had fallen to 30 percent; today it stands at some 21 percent. The relative economic decline of US dates back several decades-1968-71 is a kind of turning point, marked by the European challenge and abandonment of the gold-US dollar standard. The emergence of Japan as an industrial-financial competitor, and major exporter of capital, in the 1980s marked another kind of turning point.

But what is different today is something even more seismic in magnitude and suddenness: China's rise in the world economy. In 1976, socialism was overthrown and capitalism restored in China (following the death of Mao Tsetung and the arrest of the so-called "Gang of Four").

The phrase "China's rise" is both descriptive and analytic. China is not an imperialist power, but it is a growing and competitive world economic and geopolitical power in the world system.

The sheer size of China's rapidly growing economy; its central place in the global accumulation process, as a destination of imperialist capital and axis of world manufacturing; its massive export earnings that have contributed to China's central bank becoming the world's largest foreign holder of dollars; China's regional impact in East Asia and global reach (into Africa and South America, for example); and its rapidly expanding military capability-all this is having profound effects on world economic and geopolitical relations. And for reasons that need to be explored further, the baton of leadership for an East Asia-based challenge to US dominance in the region seems to have passed from Japan to China.

GDP quantifies in money terms a given country's output of goods and services in a given period, typically a year. From a Marxist perspective, the GDP measure is flawed and incomplete: it covers over the reality of exploitation, issues of equality and inequality, the environmental costs of production, etc.

But this measure is useful for getting some sense of economic performance, the distribution of global economic strength, how that has changed over particular periods, and how this might influence competition and rivalry. In terms of shares of global GDP, 2007, USA, China, Japan, India and Germany rank as followers 21.4, 10.8, 6.6, 4.6, 4.3.

The US is still the single largest economy in the world capitalist system. But its economic supremacy is being eroded. Some time in the early 2000s, China eclipsed Germany to become the world's third largest economy. Now it has overtaken Japan. And among the biggest five economies, China's growth rate, 9

to 11 percent annually over the last 20 years, ranks first, with India not far behind at 8 percent in recent years-while the US, Japan, and Germany have been growing at 2 to 4 percent. China's sustained high rate of growth is unprecedented in the history of capitalism.

China's share of world manufacturing output rose fron 4 percent in 1995 to 8 percent in 2005. In 2006, Germany had the highest share of world manufacturing exports (9.1 percent), followed by the US (8.6 percent), with China in the third position (8.0 percent).

Moving on to another important measure of strength in the world economy: capital export, or capital that is invested by firms from one country in another country.

Five countries—the US, United Kingdom, Japan, Germany, and France-account for 50 percent of the stock of outward direct investment [i.e. Foreign Direct Investment]. In 1960, the US alone held almost half of the world's stock of outward foreign direct investment; its current share of world investment is in the range of 20 percent. Between 1960 and 1985, Germany and Japan substantially increased their share of accumulated outward world investment. Japan's share continued to rise through 1990 but then declined sharply in response to international slowdown and the East Asia financial crisis of 1998.

The European Union (EU) countries have maintained their share of the stock of total world outward direct investment, while the US share has declined. And the EU is now the largest source of outflows of direct investment capital. All this takes on greater significance in a context in which the EU in the last few years has become a much more cohesive and integrated bloc with a currency that is vying with the dollar internationally. The EU has actually overtaken the US as the biggest investor in Latin America. But the US is still the single largest exporter of FDI. And it is, far and away, the single largest investor-country in Latin America. With NAFTA, it has welded a tighter regional network that also serves as a platform for world investment and rivalry.

These are all indications of a reduced international economic gap between the US and other imperialist powers and competitive positioning.

In 2007, 167 of the largest 500 companies in the world were based in North America, 184 were based in the European Union, and 64 in Japan. Over recent years, the US share of this total has declined.

About 15 percent of the accumulated stock of foreign direct investment (FDI) is now in the Third World. But outflows of FDI to the Third World on a year-to-year basis have been rising as a proportion of total annual flows: in the range of 25 to 35 percent of the world total in the last ten years. Flows of capital to countries in the Third World have also been quite volatile at times—as in the movements of imperialist capital leading up, and in response, to the East Asia crisis of 1997-98.

Most foreign direct investment by imperialist countries goes to other imperialist countries. This has to do with several factors: the productive forces and national markets of the imperialist countries are more highly developed and afford a wider range of investment possibilities than in many Third World countries; investments often involve expensive buyouts, mergers, and takeovers of large enterprises; there is rivalry among imperialist corporations and powers

to gain strong market positions inside highly developed national imperialist and continental markets; and, at the same time, some of this investment, like oil refineries, is linked to related investments in Third World countries.

On the other hand, a growing proportion of FDI in manufacturing is going towards the Third World, especially China. Rates of return on FDI in manufacturing in the Third World are generally, and often considerably, higher than in the developed capitalist countries. And overall profitability of investments in the Third World is influenced by the existence of subcontracting networks that thrive on intense superexploitation-for instance clothing and parts and supplies produced in sweatshops.

Another signal development: the oppressed countries now, account for 41 percent of the world's output; this is up from 36 percent in 2000 (and less than 30 percent in 1990). This is mainly a product of China's (and secondarily India's) rapid growth as centres of metropolitan-led accumulation. A great deal of material production is shifting to the Third World. And 80 percent of the Third World's commodity exports by value are now manufactured products-a sea change from previous periods of imperialism.

The so-called BRIC countries-Brazil, Russia, India, and China-represent 21 percent of the world economy. To be clear, this is neither an economically integrated bloc of countries like the European Union, nor an alliance of states (and one of these BRIC countries, Russia, is an imperialist power). Actually, the term was invented by the Western financial and investment community to designate large, high-growth and high-profit markets.

Nonetheless, there is some limited analytical validity to grouping these countries together: they are rapidly growing "emerging markets" for productive and financial investment; they are playing an increasingly important role in the world economy; they are either major producers or consumers of energy; and some are collaborating with others in various and significant ways, especially Russia and China.

At the end of the first Gulf War in 1991, of the 20 largest companies in the energy industry, 55 percent were American and 45 percent were European. But in 2007, according to a study by the financial firm Goldman Sachs, 35 percent of the 20 largest energy companies were from BRIC countries (and most of these companies are state owned), about 35 percent, are European, and about 30 percent are American. Russia and Brazil are major energy producers.

China and India, on the other hand, rely heavily on imports to meet their energy requirements. But China's state-controlled energy companies are becoming major international players, as evidenced by the 2005 attempt by the Chinese oil company CNOOC to acquire the US-based Unocal Corporation (which held extensive oil reserves in North America and Asia).

Energy producing countries in the Third World like Brazil, Venezuela, Saudi Arabia, Nigeria, and Iran have not broken out of structural dependency on the imperialist world market-in terms of reliance on foreign technology; refining, marketing, and transport; etc.; extreme vulnerability to fluctuations in price; and so forth.

Oil and energy-led development continues to have profoundly distorting effects on agriculture, urban-rural relations and social structure, and exacts a

high human price. Venezuela under Chavez imports 70 percent or so of its food, while the landed oligarchy remains largely in place. The shantytowns in Caracas are still home to a huge concentrations of urban poor, many locked out of the formal economy! The "other side" of Brazil's ethanol boom is the hundreds of deaths and tens of thousands of injuries for the plantation workers harvesting the sugar cane from which the fuel is made (and US companies like ADM and Cargill are major investors in Brazil's agro-energy sector).

But for the local ruling elites, real economic power is concentrated in these spheres of oil, natural gas, and biofuels production. And a certain confluence of developments has afforded some dependent Third World regimes greater maneuvering room. US imperialism has focused attention on its wars for greater empire in Iraq and Afghanistan. The steep, though by no means permanent, rise in raw materials prices has generated high earnings and some financial clout. And the fact that a rising economic power like China is pursuing its own competitive global agenda and has accumulated substantial financial resources to do so means that a country like Venezuela can counter certain US pressures by turning to China for loans and credits.

The changing economic geography of the planet involves a major dispersion (globalization) of productive capacity. But "the world is not flat"-nor is it flattening. Advanced productive forces are still lopsidedly concentrated in the rich countries. GDP per capita in the rich countries is still more than five times higher than in what the International Monetary Fund calls "middle-income countries," like Brazil, Mexico, and Turkey. GDP per capita in the rich countries is more than 19 times higher than in low-income countries, such as most in sub-Saharan Africa. Vast differences in wage levels and huge swaths of humanity subjected to brutal conditions of super-exploitation trace out and underscore the oppressor-oppressed nation divide.

Globalization is having contradictory effects. It is resulting in higher levels of industrialization in the Third World, and income gains for sections of middle classes. But this is not overall equalization. In this phase of imperialist globalization, one of its most significant differentiating effects has been to increase unequal development among and inequalities of wealth within Third World countries. China's income distribution is among the most unequal in the world- right up there with that of the United States and Brazil.

The changing economic geography of the planet is also affecting world agriculture-to devastating and unequal effect in the Third World. Imperialism is transforming national systems of agriculture into globalized components of transnational production and marketing chains detached from local need—that is, food is grown more and more for export, not to feed people locally, or land is taken out of food production.

Where, historically, food production has been at the foundation of the economies of most of these countries, increasingly, agriculture is becoming less "foundational" to many national economies of the Third World. Food production has been swept into the vortex of speculative commodity and financial markets at the same time that imperialist-led agro-industrial cultivation of biofuels displaces food crops. Basic food staples are no longer being produced in adequate supply in many parts of the Third World-while the forces of world competition, imperialist

control over new agricultural technologies, and the vagaries of world price further undermine food security.

And so in early 2008 a global food crisis unlike any experienced before in modern economic history exacts, and continues to exact, a terrible human toll in large parts of Africa, Asia, and Latin America. This too is an expression of the deep divide between oppressor and oppressed nations. □□□

[Source : *Revolution, Chicago*]