

# Storm warnings of a global crisis

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Events in recent weeks have shaken world capitalism and demonstrated that the financial crisis which erupted last year in southeast Asia marked the onset of a new period of economic, social and political instability on a world scale.

On March 6 the International Monetary Fund announced it would not release \$3 billion in loans scheduled to be made available to **Indonesia**, because the Suharto dictatorship has failed to carry out the terms of the agreement which it signed with the IMF under US pressure two months ago. The move raised the prospect that the world's fourth most populous country might default on its debts, now estimated at over \$200 billion. With its economy in virtual free fall and unemployment now projected to rise to 20 million, or 21 percent, by the end of this year, food riots, protests and strikes have swept the country.

Among international investors and in Washington there is a mood of increasing concern, and even panic. Of the 49,000 foreign expatriates in Indonesia, 32,000 left the country in January and February. Many companies with extensive investments in Indonesia, such as the shoe giant Reebok, have given their expatriate employees open airline tickets to reassure them they will be able to escape in the event of a major political eruption. The *New York Times* reported daily meetings on Indonesia at the White House, attended not only by Treasury and State Department officials, but CIA analysts, Pentagon brass and national security aides.

Officials in **China** have watched with increasing concern as the Asian financial crisis undermined the economy of Hong Kong and threatened the flow of foreign capital into the mainland. On March 5 they announced an emergency plan to prop up the four largest Chinese banks, and a trillion-dollar program of public works to stimulate the Chinese economy.

The Stalinist regime in Beijing fears that the slump in

export markets will leave no outlet for the tens of millions of workers being laid off because of the dismantling of state-run industries. There have already been clashes between unemployed or unpaid workers and police in many Chinese cities. But within the framework of the restoration of capitalism, which remains the axis of Beijing's policy, a major boost in public works spending will inevitably ignite inflation, undermining China's already shaky banking system and further destabilizing class relations.

**India** headed towards political paralysis in the wake of general elections which left the country's parliament, the Lok Sabha, deadlocked between rival alliances, one headed by the Hindu-chauvinist Bharatiya Janata Party, the other by the Congress Party and an array of regional groups united only by their fear of the BJP. Once hailed as the "world's largest democracy," India is riven by social antagonisms which the bourgeois parties seek to divert into conflicts based on religion, caste or language.

The advanced capitalist countries as well face intensifying social conflicts, underscored by events in **Germany**, where unemployment has passed the five million mark, a rate of 12 percent, higher than at any time since Hitler came to power. Mass demonstrations against unemployment and cuts in social spending have taken place throughout the country, and last week government workers staged a series of strikes which shut down public transport and other services.

While US aircraft carriers remain stationed in the Persian Gulf, poised to strike at Iraq, the State Department and Pentagon are scrambling to deal with another regional flashpoint, the **Kosovo** province of the former Yugoslavia. Serbian police have attacked and massacred dozens of ethnic Albanians, who comprise 90 percent of the province's population but have been denied all political rights.

The violence in Kosovo threatens an upheaval

throughout the Balkans. Neighboring Albania put its military forces on full alert, US troops stationed in Macedonia were moved toward the border with Yugoslavia, and a five-nation “contact group” ordered renewed economic sanctions on the government of Slobodan Milosevic in Belgrade.

Exacerbating all of these crises is the mounting financial and political instability of the United States itself. Despite repeated warnings that the Asian financial breakdown will have a major impact on US exports—and reports from companies like Intel, Compaq and Motorola confirming this—the stock market continues to post new records on virtually a daily basis.

In late February Federal Reserve Board Chairman Alan Greenspan warned of “storm clouds massing over the Western Pacific and headed our way.” The *Wall Street Journal* expressed concern that stock prices were reaching unsustainable levels, given widespread reports of declining profits by major corporations. The bursting of the financial bubble on Wall Street would have incalculable implications for the jobs, pensions and savings of tens of millions of working people, and deliver a profound blow to media-promoted illusions in the “magic” of the capitalist market.

The Clinton administration remains under attack for the sex scandal involving former White House intern Monica Lewinsky, as Clinton aides continue to parade before a Washington grand jury to be interrogated by the Whitewater independent counsel. The president has curtailed his public appearances rather than face new questioning and criticism from the media about the affair.

Tensions between the major capitalist powers are growing more intense and more public. Both the confrontation between the United States and Iraq and the crisis over Kosovo have been the occasion for sharp conflicts on a scale not seen since the end of World War II. The collapse of the Soviet Union and the end of the Cold War have opened the way for the revival of the kind of great power rivalries—the struggle for markets, sources of raw materials and cheap labor, and strategic military positions—which characterized world politics in the first half of the 20th century.

France, Italy and Russia lined up openly against the United States and Britain in the Iraq crisis, while Germany sought to balance between the two blocs. An analogous lineup has emerged in the Kosovo crisis,

with France, Italy and Russia opposing stiff sanctions against the Milosevic regime, and the US and Britain pushing for a harder line, including threats of military action.

These inter-imperialist antagonisms are an enormously destabilizing factor, not only in relation to regional crises like Iraq and Kosovo, but in the management of the deepening world financial crisis. The recent meeting of the G-7 finance ministers and central bankers saw unprecedented public criticism of Japanese officials by the US delegation.

The Japanese have replied with calls for the reconstitution of world financial institutions such the International Monetary Fund and World Bank, which have been the principal instruments for handling currency and debt crises since the end of the Second World War. Eisuke Sakakibara, Japan’s vice minister of finance for international affairs, called for a new structure along the lines of that established at the 1944 Bretton Woods Conference. Such statements are tacitly directed against the pre-eminent role which the United States has played in these institutions.

These events demonstrate the increasingly volatile character of the world political situation. Economic, social and political contradictions and antagonisms have accumulated, both between countries and within countries, beyond the point where they can be contained within the existing international framework. The incendiary relations between the rival capitalist powers are leading inexorably to the outbreak of new imperialist wars. The irrepressible social conflicts emerging in country after country will challenge the domination of the corporate elites. The stage is being set for political explosions of revolutionary dimensions.



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