

China's economic rise destabilises world capitalism

Part one

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The following is the first part of a report delivered by World Socialist Web Site correspondent John Chan to a membership meeting of the Socialist Equality Party (Australia) from January 25 to January 27, 2007. Part two will be posted on February 20.

SEP national secretary Nick Beams's report was posted in three parts—Part one on February 12, Part two on February 13 and Part three on February 14. James Cogan's report on Iraq was posted on February 15. Peter Symonds's report on Iran was posted in two parts—Part one on February 16 and Part two on February 17.

Political events in the past year have confirmed the analysis we made at the meeting of the International Editorial Board of the *World Socialist Web Site* in January 2006. Instead of moving into a new era of ascendancy, the world capitalist system has entered a period of war and revolution.

The debacles in Iraq and Afghanistan have demonstrated that brute force cannot reverse the historic decline of US imperialism. At the same time, the capitalist nation-state system is organically incapable of peacefully resolving the problem of who is going to be the dominant power, either regionally or internationally.

Following the end of the Cold War in 1991, no major power, including emerging ones such as China, India and Russia, is capable of establishing a new equilibrium of world capitalism. On the contrary, their emergence, along with the more aggressive military posture of imperialist powers such as Germany and Japan, is a profoundly destabilising factor. Far from accepting a so-called "multi-polar world," American imperialism is trying to use its residual military might to maintain its hegemonic position as the sole superpower.

The prospect of US militarism driving mankind into a global conflagration is not remote. As the Bush administration intensifies its military escalation in Iraq, it is also threatening a wider regional war against Iran and Syria. To the south, the US has already started a new adventure in the Horn of Africa by backing the Ethiopian army's invasion of Somalia. In each of these regions, the reckless actions of the US are cutting across the essential material interests of other major powers.

Prior to the US invasion of Iraq, there was a decade of UN sanctions against the regime of Saddam Hussein. The economic impact of a US war against Iran would be significantly different. Earlier this month, as the US was pressuring the Chinese state-owned oil company CNOOC to scrap its \$16 billion investment in Iran's North Pars gas field, another Chinese oil firm CNPC announced a \$3.6 billion investment in Iran's South Pars gas field. In response to Washington's warnings, Beijing declared that the US should not interfere with normal commercial cooperation.

For China, these deals with Tehran are not only commercial but also strategic. A US military strike on Iran, which could involve nuclear weapons, will seriously undercut the huge energy supplies and other

economic interests that the European powers, Japan, China, Russia and India have in that country. The conflict in Somalia also has the potential to threaten China's newly developed presence in Africa, especially Sudan, which houses some of China's largest overseas oil projects.

It is worth recalling what happened the last time the US imposed an oil embargo on one of its principal rivals, in 1941. It forced Japan to attack Pearl Harbour and turned the war in Europe into a global conflict. The Second World War ended with nuclear strikes on Japan. A new world war in the twentieth-first century would, in all likelihood, start with nuclear weapons.

American working people overwhelmingly rejected the Iraq war at the November congressional elections. But the US ruling class will not voluntarily retreat from the Middle East. If the US withdrew from Iraq, it would trigger a scramble by its European and Asian rivals for control of the region. China, like the US and European powers, is already engaged in the Middle East.

In December, for instance, Beijing hosted a Middle Eastern "peace" seminar attended by high-level Israeli and Palestinian officials. The largely symbolic meeting was used to proclaim China's ambition to play a bigger role in the region's affairs. The joint Israeli-Palestinian statement declared: "We ask China to take practical steps to increase its influence in the region, such as joining the Middle East quartet of the United States, the European Union, Russia and the United Nations, in order to make its interests in stability and peace in the world bear upon the future of our region." Last year Beijing sent 1,000 troops to Lebanon as part of the international peace-keeping mission—the largest Chinese overseas military contingent since the 1980s.

The US aims to undermine the economic and strategic position of its competitors by dominating the huge reserves of oil and gas in the Middle East and Central Asia. But increasingly the US is facing complex challenges to its plans to control the world's energy resources, especially in the Eurasian heartland.

In a speech prior to the NATO summit in Latvia two months ago, Richard Lugar, the former chairman of the US Senate Foreign Relations Committee, bluntly explained: "In the coming decades, the most likely source of armed conflict in the European theatre and the surrounding regions will be energy scarcity and manipulation."

Lugar pointed to the underlying concerns. "We all hope that the economics of supply and pricing surrounding energy transactions will be rational and transparent. We hope that nations with abundant oil and natural gas will reliably supply these resources in normal market transactions to those who need them. We hope that pipelines, sea-lanes, and other means of transmission will be safe. We hope that energy cartels will not be formed to limit available supplies and manipulate markets. We hope that energy rich nations will not exclude or confiscate productive

foreign energy investments in the name of nationalism...

“Unfortunately,” Lugar continued, “our experiences provide little reason to be confident that market rationality will be the governing force behind energy policy and transactions. The majority of oil and natural gas supplies and reserves in the world are not controlled by efficient, privately owned companies. Geology and politics have created oil and natural gas superpowers that nearly monopolise the world’s oil supply.”

Lugar suggested that NATO should invoke its Article 5 if the energy supply of any of its member states was cutoff, as such an action should be regarded as an armed attack against NATO. He specifically warned of the prospect of Russia attempting to form a natural gas cartel including Algeria, Libya, Qatar, Iran and the Central Asian republics to enhance Moscow’s ability to use energy as a strategic weapon. Lugar also named newly industrialising states such as India and China as competitors for global energy supplies with the economically developed powers.

Although the NATO meeting did not accept Lugar’s advice, Russia’s move on January 8 to shut down one of its major pipelines carrying oil from Siberia to the refineries in Europe via Belarus, demonstrates the potentially explosive character of conflicts over energy. Germany relies on Russia for one-third of its oil imports, mostly through this pipeline, which also provides 96 percent of Poland’s oil imports. Europe as a whole depends on Russia for more than 30 percent of its oil. Last winter Russia threatened to cut off gas supplies to the Ukraine. It was a shock not just to Kiev, but other European capitals. This strategy allows Russia to divide the European Union and counter political pressures on Moscow.

The US ambition to control the huge energy resources of the Middle East and Central Asia would allow Washington to do to its rivals what Moscow is already doing. The US strategy is, however, under challenge, particularly with the American military bogged down in Iraq. China and Russia are forming their own bloc to undermine US influence in Central Asia.

The Shanghai Cooperation Organisation (SCO), which includes Russia, China and the Central Asian republics, brings together Moscow’s vast reserves of oil and gas and Beijing’s rapidly growing economic clout. Neither China nor Russia wants an open confrontation with the US over Central Asia, but both countries have a shared interest in preventing American dominance in a region that is economically and strategically important.

In the 1990s, Moscow did not take a great deal of interest in the SCO, which it regarded as more of a Chinese initiative. But Russian President Vladimir Putin, facing the pressure of pro-Western “colour revolutions” on Russia’s borders, has discovered shared interests with China. Both countries want the US military out of Central Asia, while Russia is a supplier for China’s huge appetite for oil and gas. In turn, China, which is seeking to rapidly modernise its military, has been the main source of income for Russia’s decaying defence industries.

In 2005, as the US debacle in Iraq became transparent, China and Russia started to work closely to counter the US position in Central Asia. After Washington criticised Uzbekistan’s President Islam Karimov over his brutal suppression of anti-government protestors in Andijan, Beijing gave Karimov the red carpet treatment. As a result, the Uzbek president opened two dozen oilfields to Chinese companies and eventually shut down the US air base in Uzbekistan.

The SCO cuts directly across US plans for energy transport routes in the Middle East, the Caspian and Central Asia. Putin’s strategy is to use Russia’s state energy monopolies and its political influence in Central Asia and the Caspian region to establish a network of pipelines not only directed to Moscow’s traditional Western clients, but also to the dynamic economies of the Far East. Putin plans that a third of Russian oil and gas exports will go to the Far East by 2020, with China and Japan the biggest beneficiaries.

With Moscow building oil and gas pipelines to the Far East, and Beijing

making huge investments in oilfields and pipelines across Central Asia, the prospect of an SCO regional “energy club,” which would act as a counterweight to US influence, has attracted India, Pakistan and Iran as observers.

Beijing and Moscow have also increased military cooperation. After their first large-scale joint military exercise in 2005, the two countries are planning another later this year, to include SCO member states and other former Soviet republics. Although Russia and China are still far from forming a formal military alliance, their close ties pose a potential challenge to US dominance and will provoke a reaction from Washington.

With Russian assistance, China is acquiring advanced military technology. It surprised the US on January 11 by launching a missile to destroy one of its own satellites. Beijing used the test to demonstrate to Washington that China has the capacity to destroy satellites, on which the US military is heavily dependent for navigation, intelligence and weapons guidance.

Despite Chinese President Hu Jintao’s slogan of the country’s “peaceful rise”, Beijing’s economic dynamism has an objective logic of its own. In order to secure the raw materials and energy supplies needed for the country’s booming industry, China is busy building its presence in Africa, Latin America and the Middle East. It was estimated that last year nearly half the world’s heads of state visited Beijing, while top Chinese leaders visited two-thirds of the members of the United Nations.

With more than \$1 trillion in foreign currency reserves, China is very much behind the “Hugo Chavez” phenomenon not just in Latin America, but Africa, Asia and the Pacific. Unlike the US and other Western governments that posture about promoting democracy, Beijing sticks to a policy of “non-interference” in the internal affairs of other nations. It has offered billions of dollars in loans and aid to various countries, as long as they agree to protect China’s economic and strategic interests.

As a result, China has become a new, alternative source of funds for many developing countries. In October, Beijing hosted a summit for the government heads of the 10 South East Asian nations. In November, China invited the leaders of 48 African nations to a lavish gathering, signalling Beijing’s entry into the new scramble for Africa. These leaders came to China not only for money, but also political support.

China is promoting itself as a new role model for developing countries, in which dictatorship rather than “democracy” is viewed as a crucial component of economic success. This is particularly favoured by various corrupt Third World regimes, which are under pressure from the Western powers, for their own reasons, to carry out limited political reforms.

Beijing’s support for, including in some cases the provision of arms, Sudan, Zimbabwe, Myanmar and Venezuela—i.e., to regimes to which Washington is openly hostile—has provoked opposition from the Bush administration. Over a year ago, former US deputy secretary of state, Robert Zoellick, commented: “China’s involvement with troublesome states indicates at best a blindness to consequences and at worst something more ominous.” He warned that if Beijing wanted to “push the US out, they will get a counter-reaction” from Washington.

This “counter-reaction” is already evident in the US push for the strategic encirclement of China. Last year, Bush signed an accord with India on nuclear cooperation and encouraged New Delhi to act as a counterweight to Beijing. Washington has also backed Australia’s escalating intervention in the South Pacific to topple regimes that were inclining towards China and other rivals.

In addition, the Bush administration has actively encouraged Japan to play a more aggressive role in North East Asia, against North Korea and China. The crisis over North Korea’s missile and nuclear tests has been provoked by the Bush administration’s bellicose policy to precipitate a “regime change” in Pyongyang. The long-term consequence of this standoff could well be the re-armament of Japan, including with nuclear weapons.

To be continued



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