Economic summits marked by great power divisions and concerns over class conflict

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International economic summit meetings held over the past four days have again drawn attention to deepening divisions among the major capitalist powers.

Normally, at this time of the year, all eyes are focused on Washington for the semi-annual meetings of the International Monetary Fund and the World Bank. This year, however, on the other side of the world, in Sanya, in China's southern island province of Hainan, there was another significant gathering—a meeting of the BRICs group of countries, comprising Brazil, Russia, India and China, along with South Africa, which has been admitted as a new member.

At the same time, on Friday, before the IMF and the World Bank convened, the Group of 20 countries met.

While there was no explicit criticism of any individual country in the statements issued from each of these proceedings, or in the contributions of major participants, one did not have to probe too deeply to reveal that significant differences exist and that they are widening.

The main business of Friday's G20 meeting was to set up a process for monitoring the economic policies of major countries, in order to curb large global imbalances. Overblown media reports hailed this as a means of preventing another global financial crisis. Under the agreement, the IMF will examine national debt levels, budget deficits and trade balances, to determine whether any national policies are putting the global economy at risk.

At least that was the official reason. In reality, the new system is the outcome of attempts by the United States to bring international pressure to bear on China to revalue the yuan. The US maintains that China is artificially keeping down the value of its currency through purchases of US financial assets, in order to boost its competitive position in world markets.

While well aware of US intentions, China was prepared to sign off on the deal because it contains no enforcement mechanism, and will not include any examination by the IMF of the contentious issue of the level of China's foreign currency reserves. Beijing has just announced that it now holds $3 trillion in reserves, much of it in US dollars.

The US agenda was spelled out by Treasury Secretary Timothy Geithner in his statement to the IMF meeting. He said the US welcomed continued IMF surveillance of "our fiscal and monetary policies" and then added: "However, others, especially those whose fundamentals call for greater flexibility, must also contribute."

In a further shot at China, Geithner said the IMF had to take a "stronger role in fulfilling its surveillance responsibilities, with regard to exchange rates, reserve accumulation, and capital flows" warning that the "current system of exchange rates is an obstacle to effective international cooperation on imbalances."

Yi Gang, the deputy governor of the People's Bank of China, responded to the US criticism by noting that in 2010, his country's trade surplus had fallen to 3.2 percent of gross domestic product, and that in the first three months of this year China had recorded a trade deficit of more than $1 billion.

Chinese authorities insist that the main source of global imbalances is not the value of the yuan, but US fiscal deficits and the US Federal Reserve's quantitative easing program, which is pumping hundreds of billions of dollars into the global financial system, creating inflation in food and other commodities, as well as financial bubbles in real estate and other assets.

The deputy governor insisted that measures taken by China and other emerging market economies had assisted global economic recovery by boosting internal demand against a backdrop of a worsening world financial crisis.

And then, in a swipe at the US, Yi Gang added: "It is worth noting that since the outbreak of the financial crisis, large fluctuations in international capital flow, the exchange rate of major reserve currencies [namely, the US dollar—NB], and the commodity prices have hindered the domestic process of stabilizing and recovering growth in many countries and added to the difficulties in structural reform and fiscal consolidation."

The deputy governor adopted a measured tone, but others were blunter. In the lead-up to the BRICs summit, Li Yong, the Chinese vice-minister, wrote that developed countries' concern over current account imbalances and China's managed exchange rate was "another ... political tool to contain China's development."

Indicating growing hostility to US economic domination and the global role of the dollar, the BRICs gathering pushed for changes in the governing structures of international financial institutions in order to reflect changes in the world economy, warned against "massive" capital flows from developed nations that destabilised emerging economies, and called for "a broad-based international reserve currency system providing stability and certainty."

While the official line at the IMF meeting was that the world economy was recovering after the 2008-2009 financial crisis, there was considerable nervousness about the outlook.

Singapore Finance Minister Tharman Shanmugaratnam, who acted as IMF spokesman, told the concluding news conference: "Although we are in a better position than a year ago, there are significant vulnerabilities. We are still in a fragile situation. We have to be extremely watchful." The international monetary system was not in "satisfactory shape" and, on top of the problems caused by the financial crisis, there were new risks, including developments in the Middle East and the earthquake in Japan.

The president of the German Bundesbank Axel Weber warned that European countries, along with the G20 as a whole, were a long way from bringing their financial systems to a condition of full stability. "We are in year four of the crisis," he said. "We are not yet ... in year one after the crisis."

Past meetings of the most powerful global financial institutions have also been characterised by deepening major power tensions and divisions. But this year there was a new factor present in the discussions, both publicly and behind the scenes: the eruption of class struggle.

At his opening press conference, World Bank president Robert Zoellick, referred to "new risks and wrenching challenges," above all high food prices. "We should remember that the revolution in Tunisia started with the self-immolation of a fruit seller who was harassed by authorities."

Zoellick said that "with food prices we are at a real tipping point" noting they were 36 percent above the levels of a year ago, and that since June of last year another 44 million people had fallen into poverty. "We are one shock away from a full blown crisis," he told a news conference at the end of the three-day discussions.

Class struggle was also on the mind of IMF managing director Dominique Strauss-Kahn, in the wake of events in Tunisia and Egypt. In recent years, the IMF sang the praises of the governments of both countries as they introduced "structural reforms" that boosted growth rates. In both cases, however, the result was the outbreak of revolution.

"Growth is not enough, because the old pattern, following which if you had growth, the rest would follow, doesn't work anymore," Strauss-Kahn said. "We need to absolutely take into account the problem of growth ... but also some ideas [about] the way growth will become transformed or produce jobs." Pointing to the example of the Middle East and North Africa, he said that while one could have good growth, there might be political problems behind it.

The same issue made its presence felt during question time. As one Indian journalist put it: "Every year, millions of people around the globe ... are watching with the hope that they will have a better life this year, next year, but poverty and population is on the rise, but food production is on the decrease. ... Many demonstrations are going on about the black market, money, or corruption. So, if we can have these answers for those who are watching us."

Strauss-Kahn's reply only served to underscore the deepening social divisions behind the eruption of revolutionary struggles: "We meet every year, and since the crisis, and in the aftermath of the crisis, things have improved at the global level, on average ... it's improving as far as the macroeconomic figures are concerned ... On the other hand, most people in the street don't feel that their own life has improved."

While sensing the enormous dangers this represented, Strauss-Kahn offered no solutions. Nor could he, because profit, not economic growth as such, is the driving force of the capitalist economy, and profitability today depends, above all, on driving down the wages and social conditions of the working class.

Consequently, economic growth is not only accompanied by no improvement in the lives of the mass of the population. It is achieved at their direct expense, with wealth being siphoned up the income scale. Social inequality, now standing at the highest levels in history, is not only the greatest global "imbalance", but the driving force of the class struggle which, together with deepening great power rivalries, overshadowed the weekend's economic deliberations.