

# Amid deepening slump, geopolitical and class tensions mount

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The World Trade Organisation reported earlier this week that 2016 will see the growth in world trade fall below 3 percent for the fifth consecutive year, the slowest rate since the 1980s. This is another indication that, far from experiencing a “recovery,” the world economy is gripped by worsening stagnation.

The WTO said the volume of world trade would increase by only 2.8 percent this year, the same as in 2015. Significantly, it did not predict a bounce back in trade as it has in recent years.

The latest forecast is in line with a clear pattern established over the past six years. In the wake of the global financial crisis of 2008, world trade plunged in 2009, at one point falling at an even faster rate than at the beginning of the 1930s. There was a sharp recovery in 2010-2011, but since then the rate of increase of world trade has consistently remained below even the meagre levels of global economic growth. WTO economists wrote that “such a long, uninterrupted spell of slow but positive trade growth is unprecedented.”

The present situation stands in marked contrast to the years leading up to 2008, when trade experienced a rapid expansion, roughly double the rate of growth of the global economy.

The WTO report was issued on the eve of next week’s spring meetings of the International Monetary Fund and the World Bank, at which the IMF is expected to follow the pattern of recent years and revise downward its world economic growth forecast.

In a speech delivered in Frankfurt earlier this week, IMF Managing Director Christine Lagarde set the tone for the meetings, declaring that while the “recovery continues,” it remains “too slow, too fragile, and risks to its durability are increasing.”

She noted that world trade growth had slowed and financial stability risks had increased, with recent

market turbulence “reflecting lower confidence in the effectiveness of policies”—a reference to fears that the quantitative easing measures of central banks, together with negative interest rates, are worsening, not improving, the situation. She added that “these dynamics could become self-reinforcing.”

The global outlook had weakened further over the past six months, she said, “exacerbated by China’s relative slowdown, lower commodity prices, and the prospect of financial tightening for many countries.” Emerging markets had largely driven what recovery had taken place, and it had been expected that advanced economies would “pick up the ‘growth baton.’”

However, Lagarde acknowledged, “That has not happened.” Downturns in Russia and Brazil had been larger than expected, while “many African and low-income countries also face diminished prospects.”

The worsening situation facing Africa was highlighted by a report issued by Capital Economics, a consultancy firm, which predicted that growth in the sub-Saharan region would fall this year to just 2.9 percent, its lowest rate in 17 years. John Ashbourne, the economist who prepared the report, said that risks to the “bleak forecast” were “almost entirely to the downside,” and that even the lowered growth prediction would be achieved only if “acute crises are avoided.” He concluded that “In sum, the much-vaunted ‘rise’ [of Africa] seems to have stalled.”

In the face of this worsening global economic outlook, Lagarde repeated the IMF’s warnings of a tendency to turn inwards, close borders and retreat into protectionism. “As history has told us—time and again—this would be a tragic course,” she said. The answer was not fragmentation, but cooperation.

But every tendency is heading in the other direction. At the G20 meeting earlier this year, the IMF’s call for

a coordinated economic boost to the world economy was rejected before it could even be placed on the table because of irreconcilable differences between the major economic powers.

Rather than increased collaboration, the geopolitical situation is characterised by a rise of economic nationalism reminiscent of the conditions that led to World War II, as every capitalist government, faced with a slowdown in world trade and growth, seeks to boost its position at the expense of its rivals through protectionist measures and the lowering of the value of its currency.

Both the European Central Bank and the Bank of Japan have sought to advance their own economic agendas by pushing down the value of the euro and the yen through negative interest rates and quantitative easing measures.

However, with the US Federal Reserve for the present moving away from further interest rate hikes, their efforts have been thwarted as the value of the US dollar has stopped rising. This has prompted an angry response in Japan—the *Financial Times* headlined an article “Japan lashed out against rise of the yen”—with the chief cabinet secretary, Yoshihide Suga, telling a press conference that the government was watching the foreign exchange markets with a “sense of tension” and would “take measures as appropriate.”

All of the major capitalist governments, having no economic solution, are increasing military spending and making their preparations for war, seeking to resolve the crisis by what Leon Trotsky called “mechanical means.”

The ongoing economic breakdown of the global capitalist system and the accompanying drive to war can be resolved only through the intervention of the international working class, the initial signs of which are emerging.

The growing support in the United States for Bernie Sanders, based on his denunciations of social inequality and Wall Street and his claims to be a socialist, and the mounting crisis of the official two-party system are of profound global significance.

Notwithstanding the fact that Sanders himself does not represent socialism, but rather is seeking to channel the movement back behind the Democratic party, the US presidential campaign indicates that in a country where any reference to socialism was taboo and

anticommunism was a virtual state religion, the sleeping giant of world politics, the American working class, is beginning to stir into action.

Likewise, the eruption of strikes and demonstrations against the Hollande government in France, in the face of antidemocratic laws imposed as part of the bogus “war on terror,” has brought a “whiff of 1968” to the air.

The ruling classes are conscious of the potential dangers they face in the US, Europe and around the world. As she issued her downbeat assessment of global prospects, Lagarde warned of dangers to social stability and remarked that with the growth of individual fortunes and “persistent, excessive and rising inequality,” it is no wonder that “perceptions abound that the cards are stacked against the common man—and woman—in favour of elites.”

This potential must be actualised through the construction of the world party, the International Committee of the Fourth International, to arm the emerging struggles with a revolutionary socialist and internationalist program.



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