

# **NEAR-WAR AND CLASS WAR... THE UNITED STATES AND CHINA**

Discussion, Saturday 9.30 – 1 & 2 - 2.30

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## **An overview**

China has had extraordinary growth leading to a swift decline in poverty over recent decades and international prestige, this marks the triumph over historic colonial degradation exemplified by wars to force imports of opium in the early 1880s. Current tensions now reflect marked change in relations of power and war again is a distinct possibility although not inevitable.

This document gives the background to the current confrontations, examines current power relations, presents the contradictions on both sides and the elements of cooperation and conflict.

The World Bank data “proving” that globalization has reduced deep poverty in developing countries depends largely on the radical reduction poverty in China to give numbers to justify their optimistic projections. This is only one side of change. There is deep inequality in China as there is in the US; the autocratic planned economy has advanced growth and also enormously increased the wealth of

the ruling strata. China has record numbers of new billionaires many of whom are also members and the elite commanding the “Communist” Party.

Trade wars reflect class wars (summed up on relative income distributions to capital and labour) internally and internationally. In the US from the 1970s onwards there has been the transfer of \$50 trillion from the working class to the capitalist class. The top 1% owns 38% of the wealth and the bottom 10% has 3%. Similarly in China the top 1% owns 30% of the wealth and the bottom 10% less than 1%. Such massive inequality is no accident; US workers effectively had a wage freeze while the capitalist class was enriched. In China massive economic growth and the export drive has enriched the 1% through extreme exploitation and rising real wages not proportional to increasing wealth at the top.

On the side of the US, workers in manufacturing found their jobs disappearing, on the China side cheap labour led on to ambitious billionaires. The results of this class struggle is now leading to the rise of rising conflict, trade wars and the approach to near-war. The billionaire Trump has risen on the deep grievances of US workers in the “Rust Belt” who have seen their lives worsen; Xi Jinping risen with the backing of the billionaires and a bureaucratic elite who defend the class inequalities on which they rest. Preparing for the coming election Trump now promises even more aggressive trade wars.

The opening of China to globalization in the 1970s has widened market relations within China. There was an unspoken reciprocal relationship between the two countries resulting from the US initiative. Nixon's visit played a role in opening China to US trade; this eventually put downward pressure on U.S. inflation. Participation in world markets has led to sustained rapid growth in the Chinese economy and also low US inflation as cheap commodities flooded markets. Expanding market relations have not brought the anticipated reciprocity but rising conflict.

Participation in world markets have raised China to the foremost rank of economic power. It has not, however, turned historic rise of into stable continued growth. China is now finding that autocratic planning is primitive and inappropriate for a sophisticated economy. In conditions of autocratic politics, economic planning is also potentially swamped by the unleashing of market forces externally and internally.

The abrasive mutual antagonism between the US and China is sharpened by the rise and decline in power of each protagonist. After encouraging trade, American imperialism is now attempting to blunt China's advance in science and technology and in applications particularly in semi-conductors. It is not accidental that rapid technological change has become the cutting edge of conflict as this disrupts existing investment and trade and expands military capability.

Both countries are in a political contest and impasse; Xi Jinping has risen as a one man ruling over the Chinese working class and swings from one tack of policy to another. Biden is a weak president threatened by the right-wing popularism of Trump and is even increasing anti-Chinese measures in part in defense of his presidency.

Mutual competition and antagonism arises from the clash of intermeshing and contesting market relations. The US capitalist strategy opened by Kissinger and carried out by Nixon in 1972, visits still lauded in China, intended to achieve harmony through unleashing market relations. The Chinese bureaucracy seized on the Mao-Nixon détente as a platform as a measure against Russia and one which would lead on to world prestige. The strategy of US capitalism was that opening markets for Chinese exports would be reciprocated by the opening of the China market for US goods and bring

about, inexorably, capitalist restoration and market democracy and greater US and China cooperation.

Instead, these measures and the resulting economic strength of China has culminated in an explosion of mutual antagonism. Imports from China have decimated US manufacturing and the Midwest Rust Belt has provided the base for Trump. While advance of China has been accelerated by participation in world markets and reduced poverty within, the weakening of American domination has brought a crisis in confidence to the US ruling class. Indeed, the accelerating increase in Chinese military hardware has induced a form of panic in resisting further technological advance.

Economic growth has led to expanded military power. China now has the second biggest arms budget globally, although, at \$252 billion annually, this is still only one third of the USA's total \$778 billion military expenditure. Even so, China now spends more on armaments than Russia, UK, Saudi Arabia and Germany together. As measured by total number of combat ships, in 2014 China's navy overtook that of the USA to become the biggest in the world. The naval balance shows the US still has superiority in other capabilities.

The rise of China to the status of leading trading nation of the world has brought a foreign exchange mountain in US dollars from the positive balance of trade. This has created the classical conditions for expansion; as the rate of return to capital within China falls below that internationally. The Belt and Road Initiative (BTI) is fully funded by such foreign exchange reserves; despite this the repayment of such capital investment is as difficult for Chinese capital as for the IMF. The associated Chinese state and corporate investment in mines and other sectors degrades wages, jobs and the environment in "developing" countries to get the highest rate of profits.

In the debt crises of these nations, China has the capacity to resolve these with a dramatic gesture. Instead it does not offer an alternative to brutal austerity and shields behind the IMF policies to recoup its loans to countries such as Pakistan, Sri Lanka and elsewhere.

The major capitalist countries struggle to make an appropriate response to rising Chinese power. Within mutual antagonism there is also cooperation as the attraction of each others' markets brings caution in considering breaking all links. A symbiotic relationship between the US and EU and China is being nervously renegotiated as both sides search for renewed growth and profitability. A complete breach would result in mutual destruction; instead of a radical break with China, a strategy is proposed of "de-risk" (the diversification of production) rather than "decoupling" which would imply a complete breach in investment and trade.

Despite this trade wars are intensifying. Even with the lesser "de-risking", protectionism and imperialist rivalry is already leading to more intense trade wars sliding potentially into military conflicts.

The crisis in the US and Chinese relationship forces a review of mutual advantage and disadvantage: both countries participate on world markets in trade and investment and have domestic markets for each other. A complete breach is faced and then retreated. A flurry of diplomatic exchanges in July has highlighted the possibility of softening antagonism but has been followed by further conflict. The US is working to force Chinese concessions through a mixture of initiatives on its part and mounting trade restrictions.

The Ukrainian war has sharpened these tensions. All wars depend enormously on oil and major wars accelerate oil prices by creating uncertainty and rising demand. This war has vastly accelerated inflation in the major capitalist countries and hyper-inflation in many developing countries;

accelerating polarization largely to the right in the former and to desperate impoverishment in the latter. It has also displaced bourgeois support for reducing climate change with a ferocious storming of the oil resource and massive profits for oil companies. The war itself has exploded carbon emissions and spurred oil exploration and dependence.

All this bears on changing world relations. Putin and Xi Jinping have promised a “limitless” partnership and trade has risen quickly as China moves to fill the vacuum left by Western sanctions. Current US-China relations are, however, played out against the perspectives for this war. There is a provisional advantage to China in this trade imbalance, but a stalemate or a defeat for Russia would rein in those advocating a closer alliance and the targeting of Taiwan incorporation by 2027.

The tactical alliances and trading opportunities opened by the war are turning into blocs based the priority of oil and coal and contending over the exploitation of the less developed continents. BRICS is one of these and phrased in the language of “anti-imperialism”.

The triangular relationship between the US, China and Russia was the backdrop to the Nixon initiative of the 1970s and, in very different circumstances, is that of today. In the wider context the primary US and China relationship is also managed within the triangular relationship of US, China and Russia.

Russia and China are now the basis for the “broad triangulation” underlying the “multi-polar” world relations which some argue will free the world from imperialism. The BRICS initiative is based on Chinese capital and potentially the petrodollars of Saudi Arabia and other fossil fuel economic centres to reassemble markets around oil and mineral transactions. In response the US is entertaining India as a potential partner to loosen India’s link to Russia and rebuff China.

Rather than organize the working class from the foundation upwards for socialist revolution, some lefts support the BRICS initiative as an alternative to the World Bank and IMF. The decaying national bourgeoisie of developing countries sees this as an opportunity to buttress their position and lead on to greater wealth. Few see BRICS from the perspectives of the working class. The illusions in China and BRICS will, in time, be blunted by the peculiar impasse now being reached by the Xi Jinping autocracy who is faced by the continuing crisis in housing and the property market, massive government debt, rising youth unemployment. The result of the COVID clampdown for investment and jobs is leading to fierce, if suppressed, internal criticism.

Recent arbitrary disappearances of celebrity capitalists have been followed by equally arbitrary declarations of support for the private sector. The “no politics, no problems” compromise ruling relations between Xi Jinping and rising capitalists apparently is being broken by both sides. While there is little public debate, it appears that privately there are fierce exchanges on the workers’ front and separately among capitalists and the regime.

Xi Jinping is caught up in a difficult political and economic moment. In the face of uncertain rebound after COVID and further growth, reforms from above could have unpredictable results. Economic problems are demanding political resolution, but diplomatic initiatives are a way of avoiding these.

A rising factor is conflict within the state and party over the slowing of growth, a continuous weighty unresolved crisis in real estate which is eating away at the incomes of Chinese working people, and writing off of local government debt. There has been an undecisive response on the debt issue as the writing off of debt would not solve the crisis and possibly accelerate it further.

Early in October Biden talked of a “ticking timebomb” when Chinese inflation turned negative. He scored a point against China -- the counter point is that inflation in the US and EU and driving interest rates higher and suppressing growth.

The economic trends in China and the Western economic groups currently turn in opposite directions. China faces the danger of implosion rather than Biden’s explosion: deflation in producer prices index of 4.4% compared to 2022 threatens the rate of profit in China and the decline in consumer prices has led to a race to put more money in the bank than spend.

As in a capitalist country China is experiencing economic cycles of growth and contraction as market forces predominate and important sectors, such as property, which have attracted massive investment on the scale approaching that of the US over years is now in crisis with major property corporates declaring bankruptcy. There are heavy losses for working people as 70% of household wealth is held in such property.

The over-accumulation of capital in China arising from the historic exploitation of the Chinese working class and the winnings from its massive trade imbalance is bringing an impasse. A new contradiction arises: there is too much capital relative to the available investment opportunities which provide a favourable rate of return. Potential economic stagnation could result as both the Chinese state and capital become hesitant to invest in new projects and this caution leads to rising unemployment such as among youth. China is leading investor in the US as it stores its surplus by investing in US treasury bonds as a stable security, this is then withdrawn from productive investment.

Technological advance holds the promise of future growth. Such advance, however, threatens the rapid obsolescence of capital, which can make it difficult for businesses to recoup their investment costs. In China there are rising internal tensions between advancing regions towards the coast and those declining to the west; this is also the profile of relative local government debt. A democratic plan of production would adjust such uneven development but that would threaten the rule of the bureaucracy.

These internal contradictions create prime conditions for export of capital conditional on the highest possible return on capital.

Over time, it is extraordinary that the Chinese economy is taking on some of the characteristics of that of the Japanese, with unresolved housing and property debt dragging on the economy and a turn to outward investment. Every recent world capitalist crisis has been precipitated by destruction of finance capital tied up in property. China is now facing this dilemma. The difference with other capitalist centres is that China has greater reserves to resolve this crisis. The other difference is that Chinese working class is more numerous, concentrated and is experiencing harsher conditions; an explosive combination.

Reports from workers in industry are of ruthless exploitation, uncertain wages and little regard for safety. Without trade unions independent of party control, it is most likely that there will be spontaneous outbursts of workers resistance in strikes lasting longer and ranging more widely than the current locally-based movements.

The party autocracy may make the mistake of using force and accelerate the movement from immediate demands to broader revolutionary perspectives.

Growing internal uneven development and uncertain economic turns are opening the possibility for such developments. In response Xi Jinping's ultra-nationalism is the regime's ideological approach to bring political control in the face of US intransigence and rising opposition both from above, from the capitalist sector, and from below, from the workers' movement.

Tensions have been building for some time: recently Taiwan's ruling administration, led by the Democratic Progressive Party, has increased its weapons purchases from the US, while China has increased air and naval exercises close to the island.

Taiwan is central to the frontal confrontation between China and the US. The term "diplomatic ambiguity" is used to phrase the US support for Taiwan as few states internationally recognize it as a separate state; Beijing is universally recognized as representing China but diplomatic relations still continue with Taiwan at a lower level.

There are at least two sides to the Taiwanese issue: at one level the legitimate aspirations to overcome past divisions against US hegemony and at another the extension of the domination of the Chinese bureaucracy over all Chinese. The Taiwanese people fear the dictatorship installed in Hong Kong will be their future; imprisonment over 2-10 years has occurred for singing an "unpatriotic" song. Any contact made internationally by a Taiwan politician of standing or visit by a US politician is now punished by large scale military displays by China. Military force is constantly projected and the Taiwanese are preparing to resist such integration.

While the Biden administration, compared to that of Trump, would possibly prefer to seek advantage by easing tension with China, it is hemmed in by the wave of anti-Chinese sentiment unleashed by Trump. It has to portray the US as a regenerating power becoming "great again" and capable of building the most advanced technology. Both powers have a limited range of possible maneuvers to reach provisional mutual advantage.

In this confrontation the Ukrainian war rages on as the example and warning of what could still come. As the promise to incorporate Taiwan in China by 2027 approaches, there is the constant possibility of more intense confrontations and of war. Equally there is the possibility of rising working class opposition within China against growing inequality and for a democratic workers' state. Equally also we look to the US working class breaking with the ruling class and making common cause.

## Near-war, class war, tariff war

The mutual confrontation between US and China, sometimes ebbing and then, again, becoming intense, is becoming the central issue in world relations. There is now an inversion of the prior relation of dominance; the triumph of a former colonised country forced to accept opium imports and degradation by Western nations.

This conflict arises mostly on the terms of engagement between both sides and is sharpened by a changing global political environment as US imperialism weakens and China faces new economic challenges. This antagonism is fuelled by the deep class inequalities in both

countries as leaders turn class antagonisms outwards in global realignments, competition, trade wars and the rising possibility of war itself.

Gaining perspectives in a rapidly shifting international situation needs the understanding and presentation of the key contradictions rather than laying down certainties and setting out straight line developments as simple guides for the moment but which disintegrate over time. We need to employ the Marxist method of searching for the primary facts and data, locate class interests, read sceptically, avoid expansive adjectives and focus on the pivotal material imbalances in power and results of policies.

When powers feel they have narrowing options and are running out of time, conflicts can burst into war. The world is now in terrible danger of another major war, as Beijing's global power approaches its peak and US struggles to regain its international influence and regenerate its economy.

In an on-going confrontation, timing is important; Xi Jinping has committed China to deadline of 2027 for Taiwan to be reincorporated and there is the possibility of an invasion particularly if there is a messy result in the coming US election and deadlock in the Ukrainian war.

### US decline, crises and conflict

China's standing as a global power has grown dramatically over the past seventy years. The United States is in relative decline, despite still being overwhelmingly the world's greatest power, both economically and militarily.

China has now become a major global power with a technologically advanced economy even though there is still rural backwardness. It now has investments in 150 countries around the world. Over the past two decades it has become a major financial lender and is now the world's biggest creditor, lending, in total, some \$1.5 trillion.

These are the classical conditions of an imperialist power and it is acting as such. It has now taken over Hong Kong and many in the Chinese leadership are determined to incorporate Taiwan, although the mass of the Taiwanese population would resist this. In the Pacific there are also countries uneasy with the rise of this power who are not regarded as dependents of the US such as Vietnam.

The Taiwanese see their fate, if incorporated, as that of Hong Kong with all democratic pretensions removed, draconian security laws enforced, imprisonment of current politicians, disappearances and long sentences for dissent not an attractive prospect. Xi Jinping does not now entertain the idea of one country, two systems and has a punitive approach to those advocating continued independence.

This change in relative power, and threat to US predominance, is the basis of US and Chinese rivalry. The USA is gradually losing its position as world leader economically, technologically and militarily; China is gaining in each of these sectors.

Despite the elemental basis for this rivalry, we need to examine the evidence both of conflict and of cooperation found in economic and political relations. This rivalry could come closer to war and spill over into war but there are also contrary pressures and a continuing conflicts could ease but without peace but without war.

Far from the celebration of victorious power in the collapse of Stalinism in the 1990s, the American ruling class is no longer the sole and uncontested world power. It is in decline: politically, militarily, financially and technologically. The US share of world production has fallen from 40% in 1970, to 25% in 1980, 19% in 2011 and some 16% in 2021. In a poll in 2021 79% of Americans agreed that America “is falling apart”.

In the 1980s the USA went from being the world’s biggest creditor to the worlds biggest debtor. It cannot afford to lose any markets. Although falling from the high of 7%, the current inflation rate is almost twice its long term average. Deficit spending has become a permanent feature of its economy with political confrontations over extensions which damage US credit internationally.

What limited social welfare and healthcare programmes there were for the mass of the population are being sacrificed by a government struggling to maintain military and geopolitical dominance.

The decline of the US and the rise of China appears stunningly clear over time but the process has not smooth and has points of decline and adjustment.

In China in the past there have been catastrophic results from political turns such as the Great Leap Forward and the Cultural Revolution; in the US defeat in the Vietnamese war and disaster in the Afghanistan war and the calamitous crash of 2008. While there is then evidence of stunning growth in China there is also caution and conservatism in the Chinese bureaucracy. On the American side there is some resilience after military and economic setbacks but rising political uncertainty.

### **“Globalization will lead to liberalization”: US historic strategy**

Curiously the close cooperative and also tense conflictual relations between US and China are of US making; this opened as the US long term strategy to engage China in international trade as a way of building a cooperative, if not a capitalist, leadership.

The opening of China to world trade and subsequent power was the result of US initiatives which, eventually, led to a positive response by the Chinese bureaucracy. Kissinger made a secret trip to China in 1971, Nixon followed with a visit in 1972 to explore relations with a Communist country during the Cold War.



On February 21, 1972, President Richard M. Nixon arrived in China for an official trip. He was the first U.S. president to visit the People's Republic of China since it was established in 1949. This was an important event because the U.S. was seeking to improve relations with a Communist country during the Cold War.

What started as the Nixon-Mao détente turned into a lasting benefit for both parties. In 1999 China sought entry to the World Trade Organization and was accepted by the US and other major trading nations. In the following period, just as Germany developed into a robust competitor with Britain despite the latter having complete domination over routes of maritime trade, China (unlike most of the former colonized continents) had a planned economy and autonomous leadership which enabled it to flourish even under American imperialism.

Each country gained markets within each other. While under neo-colonial regimes capital development was submerged to global market forces, the autocratic planned economy and huge potential market of China surmounted the dictates of multinationals and the uneven exchange of markets through the focus on manufacturing.

Over the longer term, the US strategy which sought new markets and engagement of China in world markets had an unanticipated result: the rise of China to become the world's dominant trading nation and a military power. This was not quite anticipated but the hoped by-product was that the Chinese bureaucracy would nurture a rising middle class and growing bureaucratic conservatism. Indeed, after the body blow of the 1989 Tiananmen protests, the bureaucracy did encourage economic growth to smother resistance,

What followed was not, however, the gradual adaptation to the framework of existing capitalism but unprecedented rapid growth through growing international trade and the consolidation of the party bureaucracy with its own national interests.

This strategy was diametrically opposite to that of Russia and a surprising innovation; over decades there has been a planned economy based on cheap labour intersecting with corporate investment and world markets.

The most astonishing growth in world history resulted; this unprecedented surge of growth may, however, be exceptional and the new basis for growth is now being explored.

## **Conflict and cooperation**

Along with the headlines of conflict and the rise of trade wars and sanctions, there is also the unspoken common ground of trade and investment. Shortly before recent talks with the US, for instance, the Chinese government in responding to rising sanctions, announced it was open for further investment by Western corporates.

The headlines do not always reveal the details of cooperation. Household-name consumer brands like Starbucks, Nike and Under Armour have a large customer base in China. Tech

and automobile giants like Intel, Apple, Tesla, General Motors and Ford not only rely on Chinese consumers, but also have huge manufacturing networks in the country.

There is a relationship of inter-dependency as many manufacturing imports to the US are manufactured by US companies in China, the celebrated iPhone being a case in point. Even Microsoft dominates the personal computer operating systems market in China and has an astonishing 99.31% of market share. Manufactured components of computers appear under US/EU brand names.

The Chinese export sector is now deeper and wider than these foreign investments alone, is efficient and garners huge amounts of foreign exchange for the state.

There are many sides to accumulation of capital through investment internally and abroad. Chinese strategy reinforces the existing trading system and, curiously, the dominance of the US dollar. Much of the favourable returns from trade with the US is reinvested in the US: China is a leading investor in US treasury bonds as a stable security. In this way it also partly enables the funding of the US deficits and a stable US dollar.

There is also cooperation on many other fronts. In recent years, China has sent more students to the US than any other country, with over 360,000 Chinese students studying in the US in 2019. Post COVID there are now 260,000 as Trump has sought to reduce their numbers. Sons and daughters of the Chinese elite can be found in Harvard and other such universities. Under Biden it is likely that the overall trend of increasing numbers of Chinese students will continue, given the importance of educational exchange between the two countries.

In the past there has also been Chinese cooperation over the control of the export of synthetic drugs to the US which appears to have ended. Now, however, there is desperation as 106,699 drug-involved overdose deaths reported in the U.S. in 2021 and continuing. Fentanyl, which is assembled in Mexico from chemicals imported from China, is the main driver of drug overdose deaths with a nearly 7.5-fold increase from 2015 to 2021.

These issues and the prospect for international progress on carbon emissions at the coming COP conference are some of the “soft” issues driven by the Biden administration; progress on all the issues is, however, limited by Chinese apprehension that Trump could be back in power in the future and reverse all concessions.

The turbulent balancing between tariff wars, appeals for investment and approaches to war characterize recent developments.

### **China's rising trade, investment... and exploitation**

The advance into world markets has been driven with directed support from the public sector, investment by foreign multinationals and the availability of cheap un-unionized labour. In special investment zones and beyond, this investment has enabled China to catch up and become a serious rival to America's manufacturing sector which has progressively weakened over the past twenty years while China's has surged.

Initially this grew on the basis of multinational investment in the South China basin now manufacturing is increasingly driven by Chinese companies. Sectors of Chinese manufacturing is, indeed, also moving to lower wage Vietnam and other Asian countries.

Following the Belt and Road Initiative (BRI) there has been extensive investment in all continents of the world and even in small islands in the Caribbean where US corporates have lost interest. Chinese international investment is accelerated by state bank support, contracts with Chinese construction firms, and even the use of Chinese labour. As in the case of manufacturing, investment in mining is based on the most extreme exploitation of the miners in developing countries.

In China working conditions are often those of a sweat shop: with low wages supplemented by bonuses based on production, compulsory overtime not paid at a higher rate, long hours, contracts kept from workers, no lunch break and harsh discipline with fines of workers for accidents causing any delays. While this is the experience of a steel worker in northeastern China's Liaoning Province, strikes have reveal such conditions elsewhere as well as wages not regularly paid, arbitrary dismissals and payment by commission. Similar labour conditions exist in Foxconn, a Taiwanese company manufacturing iPhones in China.

China has a massive reserve army of labour including internal migrants from rural areas—around 280 million workers—who flock to the cities as a source of ultra-cheap labour in manufacturing and construction. These migrant workers are not entitled to urban settlement and treated as second-class citizens who have no right to essential services in the cities where they work and are the first to be dismissed.

Labour conditions abroad mirror those within China.

Investment in mining in Latin America and Africa highlights the absolute priority to investment: profit. It is not possible for Chinese state and private corporates to provide internationally with what they do not accept internally, that is: recognition of independent trade unions, permanent jobs with benefits and pensions and environmental care. If this is not enforced in China it certainly is not enforced internationally. In Ecuador, the Chinese major mining company, Mirador, abolished weekends, outsourced trucking and worsened the wage contract. It has ridden roughshod over protests by an indigenous community whose land is degraded.

Similarly, in Namibia's Rossing mine, on taking ownership, the China National Nuclear Corporation victimized the local trade union leadership, revoked the union recognition agreement and is now directing those previously permanently employed to company approved labour brokers to work as casual labour.

In short, investment abroad is governed by the profit system and reduction of labour standards to those of extreme exploitation well beyond that of other multinational companies. This strategy is overlaid by incorporation of the local political class in corporates and the management of labour and nature.

Long forgotten are the investment conditions laid down by Chou Enlai (January 15, 1964) which did not reference labour but had other cooperative objectives. These were: mutual

benefit without conditions, priority to projects with less capital and quick returns, no-interest or low-interest loans to avoid a debt burden for recipients, no dependence on China, high quality aid in kind to use technology which can be learned and mastered by the locals, and Chinese experts and technicians were to be treated equally with locals with no extra benefits.

Investment and loans of the BRI initiative are now designed for strategic advantage and while interest on loans may be set slightly below the rates of the IMF there is a strong commitment to enforcing repayment and cases are cited where failing repayment could lead to ownership of facilities such as docks and airports being transferred to Chinese ownership. Such are the tactics of imperialism enshrined in secret contracts but, as yet, not enforced.

### **The public sector: approaching corporatization**

China's exceptional growth has been the result of investment by the state sector China's state owned enterprises which have majority holdings in those sectors of the economy that are crucial to its stability. They are also responsible for the biggest capital investment projects.

Members of CCP are appointed to the boards of all major companies and can become capitalists in their own right, or serve as links to state agencies and gain great wealth from these positions.

The China Railway Corporation is the world's largest railway company. Its extensive railway network enables transport for working people at speeds not seen in Europe or America. The state-owned China National Petroleum Corporation (CNPC) is one of the largest oil and gas companies in the world. The four largest banks in China are all majority-owned by the government and among the largest banks in the world.

Despite this the state sector is running into crisis. Within the state sector there is a declining rate of return on investment; while state companies account for over 60% of market capitalization they generate some 40% of GDP. Under bureaucratic direction they are absorbing the greatest investment but for declining returns which has brought about a review to ensure that these industries are productive and efficient.

State owned enterprises (SOE) also play a role in maintaining social stability by providing jobs and social welfare benefits: the public sector in China is a major employer employing about 28% of the workforce in 2021. SOEs are being "reformed" in recent years, with the goal of making them more efficient and competitive. As in the West, reforms include corporatizing SOEs, reducing government intervention in their operations, and opening them up to private investment.

Overall there is uncertainty about the state sector as the private sector is regarded by the bureaucracy as more efficient. At the same time the private sector is enduring falling profits and the state sector remains vital to the economy, has some exceptional achievements but is undergoing corporatization leading to privatization.

## **Fragmented markets Ukrainian war and the reshaping of world relations**

Despite the elements of mutual cooperation (described above) underlying surface differences, there is continually rising tension between the US and China.

The Ukrainian war has quickly deepened the divide: Xi Jinping has visited Russian president Putin at the opening of the Ukrainian invasion in February 2022 and promised a “limitless” partnership. This war may become preliminary to a much bigger confrontation between the world’s two biggest powers: US and China.

A weakening of the old and the rising of the new power raises the dangers of all out war culminating from material differences. This quote from Thucydides is often used as a point of reference: “it was the rise of Athens and the fear that this installed in Sparta that made war inevitable”. This formulation is essential to the theory that when a great power's position as hegemon is threatened by an emerging power, there is a significant likelihood of war between the two. Changing power relations provide the structural stresses making a violent clash the rule, not the exception.

We will examine below the changing power balance which lies beneath such a powerful analogy.

While China flourished under US hegemony and under the terms of uneven exchange characteristic of world markets, the existing framework of markets conditions are now changing.

The divisions within world trading blocs have broken open with trade wars and the Ukrainian war. Although divisions were already in progress before this war the term “fragmentation” has now entered into the language of trade; this is the breakup of old blocs and the attempted new which are bringing uncertainty and hampering multilateral cooperation but opening some new opportunities.

As the advance of globalization under US hegemony (and with Chinese participation) has slowed and stalled there has been a retreat from cross-border economic integration. Following the global financial crisis of 2008, there has been the growing trade tensions of Brexit and the rise of China-US tariff wars which slows globalization further. The war in Ukraine has reinforced geopolitical tensions and split the world economy into geopolitical blocs which are yet to stabilize.

Barriers to trade are steadily increasing and the resulting fragmentation and deglobalization accelerates inflation and maintains existing high levels of prices after decades of deflationary conditions. All this puts heavy weights on the prospects for reviving growth internationally.

## **The great realignment? Russia and China**

The Ukrainian war and the promise of a “limitless” partnership has brought about trade and political alignment between Russia and China. China's trade with Russia hit a record 1.28 trillion yuan (\$190 billion) in 2022 as Russia's imports from the European Union fell on EU and US sanctions.

Exports from China to Russia amounted to US\$24.07 billion, up 47.1% from last year. Imports from Russia grew to US\$29.77 billion (+32.6%).

This renewed “pragmatic partnership” drastically expanded his global influence, even though Russia is now evidently the junior partner. This has effectively undermined the West's strategy of drastic trade, financial and technological sanctions to weaken Russia and compel withdrawal from Ukraine.

**It is estimated that the rise in Russia's trade with China compensated for the decline in German and French trade** China's trade has also shot up with Belarus, Kazakhstan, Georgia and Turkey, all with easy, porous access to Russia.

The bilateral trade turnover between China and Russia in the first quarter of 2023 amounted to US\$53.84 billion, 38.7% more than in the same period in 2022. While China's overall foreign trade fell 2.9%; trade with the United States fell by a considerable 13.1%. This means that China's trade with Russia is equivalent to about 30% of its trade with the United States, but rising while the US share is declining.

Song Kui, the President of the Contemporary China-Russia Regional Economy Research Institute quoted in the Global Times as saying “The strong growth momentum is within market expectations as the top leaders of the two countries have clarified bilateral cooperation direction. Pragmatic economic cooperation has become an unstoppable trend.”

Some analysts believe that if the geopolitical situation between Beijing and Washington is not improved, Russia may overtake the United States as China's leading trade partner by 2030 if current growth and retrenchment trends continue.

It is, however, unlikely that present trends will continue as before. It is also clear that fragmenting international markets are leading to a decline of Chinese exports and, as a result, economic growth.

### **Rising economic power: trade imbalance becomes a US domestic issue**

The result of China entering world markets has been a dramatic imbalance in China's favour over decades. Since 1945 the market for chronic export-surplus countries has been provided by the United States; now China alone has become the store of export surpluses; its own. The massive stock of capital in the form of foreign exchange accumulated from world trade has made investment abroad necessary on an unprecedentedly rapid speed and scale.

The US imported \$355.3 billion more goods and services from China in 1921 than it exported to China.

It's important to note that trade numbers can vary from year to year and that these relations are subjected to political change. Despite this there is an extraordinary imbalance

with the established economic power, the US, found to be largely exporting agricultural goods and importing manufactured goods. The top US exports are agricultural products, including soybeans, corn, and pork, as well as aircraft and related equipment while the top Chinese exports to the US were electronics, machinery, furniture, and apparel.

This trading imbalance has led to the massive accumulation of capital in China. As of June 2023, China's foreign reserves totaled \$3.2 trillion. This is the world's largest foreign exchange reserve and a powerful factor in world relations. Rather than gold, these dollar reserves have been accumulating since the early 1990s. They fuel the Belt and Road Initiative (BRI) and are potentially a powerful diplomatic tool. The priority for this foreign exchange is, however intervention in the foreign exchange markets, in US treasuries and to finance China's foreign trade.

This inversion of the character of trading relation between major capitalist and rising economies and points to US economic weakness.

It is precisely this imbalance which has led to the rise of Trump playing on the degradation of US manufacturing and has made trade relations a domestic political contest.

Trump made hostility to trade and to China an election issue, he won 89 out of the 100 counties most affected by Chinese import competition during the 2016 Republican primaries. It is even speculated he might have lost the general election if it were not for the trade-induced radicalization of voters in Michigan, Pennsylvania, and Wisconsin.

There has been some recent rebalancing in trade as the Biden administration turns to investment in manufacturing directly in the Rust Belt of the Midwest.

Virtually every aspect of US and China trade remains a contentious issue in the US domestically. A trade war of rising dimensions started under the Trump administration and, possibly unexpectedly, has continued under Biden.

### **Science, tech ... and a mutual impasse?**

As significantly as domestic politics, this imbalance has deep repercussions as the strategic economic, military and political fuse into a single factor and make it evidently difficult for the US to make the concessions needed to re-establish mutual interest between the two powers.

“The US response to the deep realignment of trading relationships across the world through growing Chinese power has been the raising of trade barriers, tariffs and all kinds of political restrictions on the use of Chinese technology. Under Trump there has been a swift reversion from free trade to rising tariffs in relation to the EU as well as China.

These political interventions to restrict the growing economic power of China must constitute much of the material for negotiations between the two powers.

Political tensions have drawn attention to semi-conductors or chips: enormous investment now in the US. Taiwan produces over 60% of the world's semiconductors and over 90% of the most advanced ones. Most are manufactured by a single company, Taiwan

Semiconductor Manufacturing Corporation (TSMC). Until now, the most advanced have been made only in Taiwan.

A review of the Chinese production of micro computer equipment finds that microcomputer equipment amounted to over 467 million sets. Despite having high production capabilities, the country was still lacking key production capabilities, especially in the semiconductor segment. With the complex inter-relationships of copyright law, commercial relations and trading restrictions, the growing research and development of China is being thwarted.

The tech conflict between the US and China is wider and multifaceted. China's drive to lead in 5G has brought the accusation that this dominance will lead to ready and continuous spying on other countries. The US has also accused China of engaging cyberattacks against US businesses and government agencies.

There are also accusations of the theft of intellectual property from US companies in the tech sector. Additionally, the US has been working to reduce China's access to critical tech components, such as semiconductors, and is tightening supply chain security.

Artificial intelligence and robotics are investing heavily in, and there are concerns that this could lead to job losses and increased competition between the two countries.

The established barrage of US measures is an attempt to crush Chinese rise to technological supremacy in a number of fields; these limit the prospect for growing cooperation in the future and a mutual impasse.

### **The big change: COVID and slowing growth**

These tensions were sharpened in the COVID period as state control globally extended down to the household and raw national interests ruled. On the one side, the Trump government took measure after measure against Chinese trade, on the other the Xi Jinping government took drastic state measures internally to enforce household and municipal isolation.

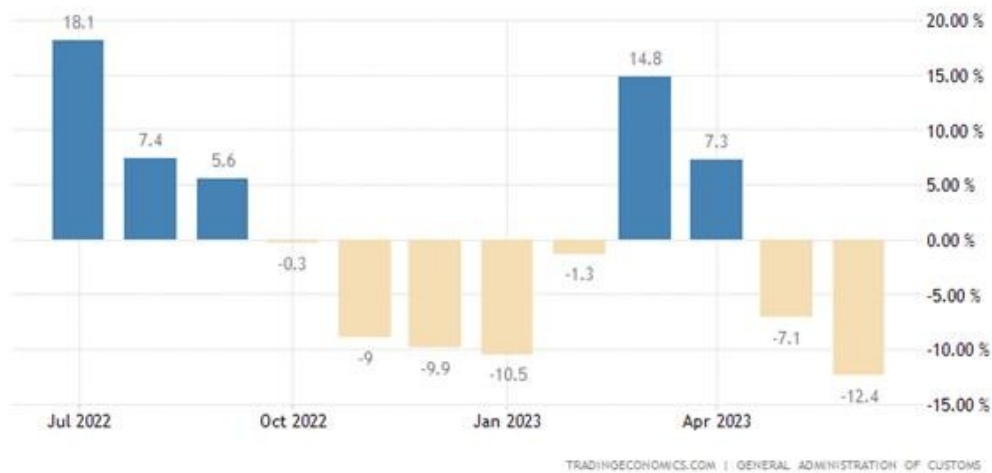
Each of the two major economies took very different paths; the US opened up with universal vaccination and China has, after rising protests, suddenly changed from resolute isolation to free movement. The US economy seems to have emerged post COVID period without a recession but with high inflation but while China has had a different momentum with deflation, slower growth and rising youth unemployment.

It is something of a challenge to identify dispassionately the clear trends and directions in China. As Michael Roberts warns, "it is in the interests of 'the West' to claim that Chinese economic model cannot work and it needs urgently to make a transition, not to socialism, but to outright free market capitalism". This is the US strategy initiated in the 1970s although it has not had the results intended.

Although China is a massive economy it is highly dependent on external trade. The primary reason for the relatively low China's growth rate in the last year as the result of the collapse of exports as international trade has turned negative.



## Falling exports, declining growth



The turn from the decades' long strategy of full participation on world markets to domestic led growth stated by the CCP seems to be stalling. As Roberts comments: the decline in exports "probably means China should concentrate on domestic investment and output, not exports. But that does not mean becoming a 'consumer-led' economy. As I have argued before, consumption flows from investment not vice versa – as China's economy up to now has proved." Xi Jinping's economic officials are, however, not making bold investment and instead uncertain where investment should be focused and cautiously making small reductions in interest rates.

At a time when the economy was intended to move over to growth through consumer demand, companies are reported reluctant to invest. The modest economic growth target of 5 percent is the lowest since 1990 and may be undershot by many percentiles. The accurate measure of growth quarter to quarter reported 0.8 percent earlier this year.

Despite this it is unlikely that the Chinese economy is locked into this projected low rate; the past history of much faster growth is unlikely to decline to that of the levels of the US. There is, however, great uncertainty and China's economy is undergoing structural stresses.

This uncertainty and slower growth could either lead to even further divergence or the recognition of the need for mutual coordination. The Biden administration has initiated a series of engagements, with Kissinger as a historic personage, to explore the possibilities of diversion rather than further confrontation.

Diplomatic initiatives are based on changing economic realities. China was also affected by the 2008 crash but then went on to lead the world recovery: now there are reports that China is moving into deflation (slowing growth) and dependent on the lead from external demand. The evidence of crisis is in declining profits (from the falling producer prices) and from the 10m graduates about to add to the 20% of unemployed youth.

These conditions and its patriarchal and paternalist rule is alienating the youth. There is also a deeper sense of a malaise among young people who are dropping out of the job market

rather than accepting menial, low paid work. The term “lying flat” refers to those staying with parents rather than venturing into work on commission rather than wage employment. When the youth unemployment figures became a headline, the bureaucracy responded by stopping the statistical releases.

The state is hesitant to return to its conventional Keynesian stimulus as this would divert public spending from productive investment, flood markets and could deepen the crisis of massive property and local government debt. The overhang of this debt could be a drag on the economy for decades as it has for Japan. The alternative of holding back on state intervention would be a sharp crisis of the scale of that of 2007-08 in the US; this fate is avoided only by the extensive use of investment resources to keep the sector from crashing. The difference is that China’s central government is one of the least indebted in the world and has room to manoeuvre.

China’s growth has international implications. If the country's economic engine continues to sputter, it will consume fewer raw materials, putting downward pressure on commodities prices — key drivers of short-term swings in consumer prices in the U.S. This is a hard fact for developing countries within the BRICS fold.

It seems that China is hesitating to launch the kind of massive infrastructure spending push it once used. Now in mid-October there interest rates have been reduced, a cautious redressing of strategy and not aggressive restocking of the economic engine.

Among economists there is an exchange about these changes. Some argue that the economic challenges faced by the Chinese bureaucracy are sectoral and linked to the crisis in property, others argue that an authoritarian elite and society cannot make the changes necessary to reset the economy and that slow growth is inevitable. These economists argue that after the historic long upsurge without an opening society there is no chance of another sustained economic boom.

It seems that an autocratic plan cannot effectively allocate resources to meet peoples’ needs in a complex society with hundreds of sectors and sub-sectors mostly open to international market forces. Instead, there has to be the misallocation of resources either through poor planning or surrendering to market forces.

Conditions have changed drastically from the exploration of relations in the late 60s by the US; now conditions could stabilize or equally probably suddenly worsen and led to all out trade war and then approach military conflict.

### **Class war and rising national antagonism**

Rather than geopolitical conflict or incompatible national characteristics, the national antagonism between China and the United States is linked to rising inequality within which heightens trade conflicts between them. Such conflict between countries can be represented (on the right and left) as that, essentially, of competing economic systems; between socialism vs capitalism. Subsequent developments following the Chinese Revolution of 1949 show a changing setting of the fullest participation in world markets and rising internal market relations. For a period China has prospered disproportionately from

open access to world markets opened by the WTO even under US domination. Now the contradictions are found the internal rising class inequalities and class struggle which leaders turn outwards in national antagonism and military preparation.

The massive transfers of income to the rich and the companies they control are depriving working people of their ability to enjoy a better life. If wealth inequality could be radically reduced by socialist policies, there would be growing harmony; a socialist revolution will remove inequalities with the nation and internationally and resolve the human and natural catastrophes we face.

Wealth inequality is evident in both China and the United States. Despite a historic rupture with capitalism and a planned economy, the richest 1% of people in China own more than 30% of the country's wealth, while the poorest 10% own less than 1%. In the United States, the richest 1% own more than 38% of the country's wealth, while the poorest 10% own less than 3%.

Astonishingly by most measures China is more unequal than the nakedly capitalist United States. The Gini coefficient which measures income inequality (with greatest inequality set at 1 and greatest equality at zero) estimates China at 0.46, while the United States, which is deeply unequal, estimated to be 0.41.

The virtual wage freeze in the US since the 1970s is represented in these figures while the increase in real wages in China over a number of years is not reducing this inequality. Rapid economic growth in China has not narrowed but widened the gap between the rich and the poor: wealth has been concentrated in coastal cities rather than the interior and social welfare is lacking. Indeed there is evidence that the rural population has suffered declining incomes during the COVID pandemic as millions of migrants were expelled from the urban areas where they were earning a wage as casual workers.

The most recent data (in 2021, the last full year for which Beijing's National Bureau of Statistics) finds the average Chinese worker earned the equivalent of \$16,153. This narrowed the gap with the average American worker who earned some \$58,120 a year which is 3.5 times that of his or her fellow worker. Over time rising wages in China have narrowed differences but both working classes are enduring massive transfers of income to the capitalist classes and bureaucratic elite.

The growth of Chinese manufacturing exports have increasingly expanded into sectors of the US markets over decades. These cheap commodities depend on the exploitation of Chinese workers and have eventually flooded markets. The resulting imbalance of trade between China and other markets has led on to the accumulation of capital in the hands of capitalists and the state. It also had another effect: US inflation for a whole period was eased but now unleashed due to the vast extension of credit.

It is estimated that if the more equitable income distributions of the three decades following World War II (1945 through 1974) had held steady instead of lapsing into radical inequality, working people would have received an additional \$47 trillion from 1975 through 2018. An estimated \$50 trillion in 2020 would have seen majority of Americans more healthy, resilient, and financially secure.

The greatest historic upsurge in growth in China has also led to a massive transfer of wealth from the working class to that of the those owning the corporates. The astonishing figures of inequality, possibly greater than the deeply unequal US, provide evidence of a massive transfer of wealth from working people to the rising capitalist class.

The two radical inequalities represent the super exploitation of the Chinese working class and the massive wealth accumulated by the 1% richest in the US. These inequalities are replicated in the trading relationships, resulting in international transfers of wealth. The growing confidence of the Chinese bureaucracy is now in confrontation with a US leadership dependent on the political support of those who have lost much during the decades of freer trade.

### **Xi's peak power faces rising challenges**

Xi Jinping is the consummate Bonaparte rising above the tradition of collective leadership which regarded the general secretary as the first among equals on the politburo standing committee to what now seen as individual leadership of China in party, state and military. He is now the Supreme Leader "without limits" and shifts from one turn to another while resting on the secret police and army. The exaggerated personal element or cult of personality is extraordinary: there is even a Xi Jinping app which workers are required to use and pass tests of his philosophy to get promotion.

In 2017 Xi proclaimed the supreme role of the party in: "Party, government, military, people, education; east, south, west, north, central: the party leads everything." This all-encompassing vision is one of detailed control of all aspects of society denying workers the right to organize independently.

This bureaucracy is strongly patriarchal and hostile to all forms of democracy in state and society. As in other countries, the COVID pandemic enormously extended the role of the state and of Xi. Some on the left praised the Chinese regime for severity of its lockdowns of people up to 66 days or longer in their houses; conditions which would be intolerable to workers in the west. These lockdowns and COVID tracing led to the movements of every individual in China being followed in detail and potentially matched to those of others; the continuation of this policy provided new depth to a regime of political control.

There are disappearances and kidnapping of celebrities, of those daring to accuse a member of elite of rape and even of publishers of economic analysis. There is "re-education" in detention facilities for one million Turkic Muslims in internment camps, unobserved secret trials and the periodic disappearance of businessmen. The campaign against corruption has limited the degeneration of the elite and to protect the authority of the state but is undoubtedly also used to favour some and smash emerging opposition in the elite.

With knowledge of the legacy of disastrous aftermaths of previous party campaigns such as the Great Leap Forward and the Cultural Revolution in an earlier era, the party now executes dramatic turns with greater caution. Under Xi Jinping major policies are introduced with great fanfare only to be abruptly discarded, often by erasing their prior existence. After three years of his heralded "zero COVID" policy Xi prematurely declared victory over the

pandemic and, without explanation, shifted to no policy on COVID. The reversal came after a wave of protests in late 2022 against brutal lockdowns but this was not acknowledged.

In the face of rising wealth and deepening rural poverty, Xi's policy of "common prosperity" was recently advocated loudly and then faded away. The bureaucracy is aware that discussion of such unsuccessful policies in the face of rising inequality and falling rural incomes risks undermine the credibility of the Chinese Communist Party.

A totalitarian regime is a brittle form of government: there is no question of sharing key political decisions, thinking through options, consulting experts and attempting a genuine consensus rather than imposing decisions. Repression of dissent leads to "group thinking", a common unreflective position, in supporting all proposals from above and defending mistakes. There is also the eventual problem of abrupt and unexpected changes rather than established routes to succession.

Xi rules with a hugely expanded technical capability in continuous surveillance. During COVID the movement of all people out of their homes in urban areas was currently continually monitored and controlled; thereafter surveillance continues unprecedented in history without the constraints of individual protection in law.

Mention of "international socialism" is long gone, gross inequality is rising during the pandemic and beyond and the most appalling regimes (as in Myanmar) supported. Indeed Xi Jinping and the Chinese elite are fully integrated into the Chinese capitalist sector and world capitalism. Theirs is immense wealth and China has record numbers of billionaires; the CCP leaders, however, reserve the right to demolish or "disappear" Chinese capitalists if they do not serve their purpose.

In both the US, Russia, China, and internationally, there is the curse of xenophobic nationalism with a ruling class determined to defend its privileges.

This is fuelled by the enormous social gulf between rich and poor generated by unrelenting class formation. While the number of dollar billionaires in China has at times been exceeded only by the figure in the United States, large sections of the population struggle to survive on very low incomes. In 2020, Chinese Premier Li Keqiang mentioned that 600 million people live on less than 1,000 yuan (\$US143) a month, or less than \$5 a day.

All existing relationships are now being tested and many broken. Xi Jinping strident nationalism and commitment to incorporate Taiwan into the Chinese nation state has focused attention sharply on all trading relationships. Political relations with the US were previously based on the recognition of Beijing as representing the Chinese nation combined along with a quiet commitment to Taiwan as an exemplar (to China) of possible US investment and trade relations.

China is now expanding its power across the Pacific pushing back the relationships which the US has assumed and the political geography of alliances or relations of dominance and dependence set in post WWII.

In the new Cold War of China with the West, the resurgent China is now demonstrating greater diplomatic capability. Xi is expanding his global influence through BRICS which

provides an opening on all continents. Despite its dictatorship and gross exploitation of the workers in their countries, the “emerging world” is turning to China through BRICS even if this is no more than leverage against the dominant West.

It has also concluded rapprochement between the bitter enemies of Saudi Arabia and Iran and brought Lula da Silva, Brazil’s left president to “reset” relations. In Latin America and Africa, the CCP’s influence continues to rise thanks to its Belt and Road initiative and strategic investments in key materials and minerals.

In the aftermath of the Arab spring and the continuation of neo-colonial regimes throughout Africa, military coups leaning towards Putin, for a period excite support and the imagination of economic support from China for such “anti-imperialist” military regimes.

### **Is war inevitable?**

On the diplomatic front there are initiatives signalling advantage to Putin and Xi meeting with some consolidation of US alliances in the Pacific and EU. Such strategic diplomacy could be the readjustment of power relations or, possibly simultaneously, the preparation for war. The task of Marxists is to clearly identify the class issues and every means of preparing the class for unexpected developments. There is the danger of war psychosis on the left paralysing thought in the considering the enormity of war. We need to avoid locked in positions when there should be rigorous discussion and careful reflection as a preparation for what is to come.

We don’t want to say that war is inevitable, because if the working class takes power, even in just one or a few countries before US China relations reach this point, then the horrors, and risks to the continued existence of humanity, of all out global war can be averted. But if the working class does not take power then such a scenario cannot be avoided.

A US-China war would rapidly become a world war with Russia and European Union involved and imminent nuclear war.

Equally the Chinese bureaucracy understands the enormity of war and is pressing forwards, but not rushing, to the brink. Similarly, the US is extending economic sanctions, trying to weaken Chinese resolve.

### **Socialism or the barbarism of mutual destruction ...**

Xi Jinping intends his rule to lead to decades of a Han dynasty-like period of Chinese ascendancy; while China is in a powerful position such stable supremacy is increasingly unlikely.

Despite a totalitarian state and autocratic, not democratic, economic planning, the Chinese economy has weathered the storm of the Great Recession and grown when the West was in crisis. Now there are fundamental changes taking place not anticipated or mentioned in state plans.

He has assumed supreme power when the property bubble is deflating, economic growth uncertain, inequality rising and the state is forcibly "assimilating" all ethnic groups and building a hyper-nationalist Chinese nation through totalitarian means.

As conflict rages there are also attempts to review mutual advantage through a combination of quiet talks and aggressive diplomacy. China has become active on the diplomatic front in and is now demonstrating greater diplomatic capability. It is using its position in BRICS to lever advantage and in the Middle East to facilitate more peaceful relations to its global prestige.

Economic power also has its limits. Earlier this year China was engaged in diplomatic initiatives in relation to the EU and called on multinational companies not to abandon investment in China. The bureaucracy is aware that, after the experience of Russia where there was a precipitous withdrawal, many companies want to leave before full scale war even they incurred major losses.

These companies feel that the extensive monitoring of every movement and communication had taken place previously but now shareholders and directors were fully aware of this and anxious. These investors feel China is no longer a safe place in which to invest; there is growing hostility to foreigners, geopolitical relations are sinking rapidly and they are terrified about being in the wrong place at the wrong time as they were in Russia.

Still there is some hesitancy on both sides in escalating tensions further. A major trade war between the USA and China would lead to a massive breakdown in global supply chains, greatly impoverishing the mass of the world's population, and economic decline in the advanced capitalist countries of Europe and North America.

China's priority has been the Pacific region consolidating its occupation of distant tiny islands and contesting the territorial waters of others. At the moment China appears to have a weaker set of alliances than those established post WWII by the United States although these are being tested. At the moment there appear to be strong arguments for it to show patience, as its economic pull becomes progressively stronger.

From the view of leading US commentators, China is still far too weak for such a conflict, pointing to China's "economic vulnerabilities" and unequal military strength relative to the United States. The Harvard University political scientist Joseph S. Nye argues there is not the rising power entering the Thucydides Trap as it faces impending stagnation.

This may be a strategic miscalculation, but whatever the exact calculation of forces, the overall tendency is that of rising conflict. The power balance is changing as China is prioritizing naval hardware and securing comparative advantages with Russia and globally.

In a situation fraught with confrontations there is always the possibility of miscalculations and the prospect of war, of initial limited war turning into major military engagement. In this situation the prospect for easing of the rise of irreversible global warming and the social crises of mankind will be remote.

As in the 1930s, international economic crisis is throwing back the constraints of democracy and leading to virulent xenophobia and nationalism. The rise in reaction in country after country is leading on to wars, near wars, coups, genocide, unconstrained global warming and ... ultimately to revolution. The rise of the working class to power in the near future would avoid this catastrophe and bring universal peace.

In 1916 Rosa Luxemburg posed the question of Socialism or Barbarism. At that time the deep barbarism of fascism was still to come; for a period it was defeated but the prospects for socialism were then derailed by Stalinism. We cannot repeat this resonant phrase today as a neat clear and alternative choice; barbarism in the war rape and abuse of women, the hatred of the other, the breaking up of peaceful lives in civil war and the uncontrollable catastrophes of climate change are with us. Luxemburg's declaration lives on in the growing war without limit within the advanced countries; in the developing world barbarism is advancing as states collapse into civil wars, coups, manic dictatorships and economic devastation. Many of those trying to escape such an abyss for a better future are drowning at sea, growing xenophobia provides no bridge. There is no ready remedy from east or west.

An all-out war between the world's two top economies would be hundreds of times more damaging to world trade than the war in Ukraine, leading to widespread global economic disruption including food shortages and starvation. The advanced economies of the West would not escape grim privation. Marx famously said "war is the midwife of revolution". With the collapse of all social norms that such a scenario would throw up, the agony and desperation of the population, the existing capitalist social order would be threatened. There would be opportunities for revolution, for the organised working class to take power, for socialism to replace capitalism and thereby put an end to the system of competition and rivalry which fosters war.

Capitalism internationally has unleashed market forces which is leading to rising powers struggling for dominance in world relations and existing powers struggling to maintain their grip. Capitalism has produced the means of transport and communication to unite all peoples in harmony but private ownership brings conflict, trade wars, wars and massive environmental destruction.

Our spur to thought and to action is foremost the possibility of the Chinese working class rising out of the chains of bureaucratic dictatorship to create a workers' republic of freedom and socialism, equally we look to US workers to break with the capitalism, to converge with Chinese workers and the movement internationally, and achieve the same.

**Ed Bober & David Hemson, September 2023**