Notes on Transnationalisation

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Résumé. Cette étude examine la question de la transnationalisation dans les systèmes économiques qui sont à l'origine de l'économie mondiale. L'évaluation du degré de transnationalisation de l'économie de différents pays peut se mesurer en rapport avec la part du commerce extérieur dans la constitution du PIB. Depuis la seconde guerre mondiale, les cycles d'évolution de la transnationalisation et son impact sur les performances économiques permettent d'apprécier le glissement de "l'autonomie nationale", vieille maxime des années 30 vers la nouvelle obligation "la compétitivité internationale". L'intensification de la transnationalisation est plus un signe de l'interdépendance entre les économies capitalistes des pays développés et marginalement un indice des transferts Nord-Sud. L'importance des transferts dans l'économie mondiale capitaliste a entraîné l'émergence de trois pôles: les Etats-Unis, le Japon et la Communauté Economique Européenne, alors que les performances des pays du Tiers Monde sont médiocres, ou négligeables en quantités absolues, même si ces derniers sont de plus en plus des marchés en expansion, en tenues de transfert pour les pôles développés. Ceci est encore plus vrai pour les pays à revenu moyen dont les transferts vers les pays développés sont plus significatifs qu'entre eux. L'examen des trois pôles et de leurs périphéries respectives permet de repérer les polarisations régionales, d'apprécier leur adaptation au cadre d'une transnationalisation en voie d'intensification et de mesurer les potentialités respectives de chaque périphérie qui sont différentes.

1. On an initial virtually intuitive examination, the share of foreign trade in the GDP of various countries may provide a "measure" of the level of transnationalisation in the economic systems forming the world economy. On this criterion, transnationalisation gained a stronger hold over the long cycle following the end of the Second World War. In addition the slow-down in growth from the early 1970s did not mean a loss of steam in world trade, unlike the 1930s when falling production was matched by declining external transfers. Rather the reverse, the rate of expansion in external transfers through the 1970s and 1980s ran above growth: transnationalisation intensified.

The share of exports in the GDP of the developed capitalist countries (OECD) rose from 12 per cent in 1965 to 20 per cent in 1988. If we take into account the increasing weight of non-exportable services in the GDP, (more than 60 per cent) we have some measure of the decisive impact of external trade on the performance of numerous sectors of agricultural and manufacturing output. This is an altogether new phenomenon - although international competition as such is nothing new - and explains why the authorities lay stress on the obligation of "international competitiveness" and have entirely abandoned the old maxim of "national autonomy" prevalent in the 1930s.

It should however be noted that this intensified transnationalisation is primarily a sign of the interpenetration of the developed capitalist economies, and only secondarily of "North-South" transfers. World trade is expanding

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principally because of intensification of intra-European transfers encouraged by the EEC. It is now possible to talk of an "European Economic Region" - although I would hesitate to describe it as an integrated region - on much the same lines as the great pre-Second World War European national economies (Germany, Britain and France). Secondly it is a sign of intensification of transfers between the three poles of the capitalist world economy: United States, Japan and the EEC.

This shift is the main reason for the expansion of external trade's share in the United States GDP (from 6 to 11 per cent between 1965 and 1988) and the rather more modest expansion in Japan (from 11 to 13 per cent over the same period). If the EEC is treated as a single "country" - disregarding intra-European transfers - it can be seen that the "external" transfers of each of the three giant poles represent about 12 per cent of their GDP and that intra-polar flows account for more than 60 per cent of the transfers (the share of intra-OECD transfers went from 66 per cent of their manufacturing exports in 1965 to 70 per cent in 1985, but remains as low as 60 per cent if intra-EEC transfers are excluded). This 12 per cent of GDP might not seem so much after all; it really is substantial as it represents 31 per cent of agricultural and industrial output (with services making up 61 per cent of GDP).

The share of transfers between the developed poles and the peripheries is by no means insubstantial, despite the fashion of writing it off rather too hastily. The Third World is a significant and expanding market for the developed poles. It must be admitted that the expansion of this market is unequal in the extreme. In 1988 world trade (exclusive of USSR, North Korea, East Germany, Czechoslovakia and Cuba) amounted to 22,627 billion dollars. OECD exports (2,024 billion) accounted for 7 per cent. The Third World countries (603 billion) accounted for 23 per cent: China 40 billion, India 15 billion, other low-income countries 45 billion, other middle income countries 341 billion, and the wealthy under-populated oil producer countries 154 billion.

Or another breakdown gives: 154 billion for the oil producers, 174 billion in East Asia, 101 billion in Latin America, 85 billion for the Arab countries, Middle East, South and South-East Asia, 29 billion in sub-Saharan Africa. The share of exports of each of the poles - US, Japan and EEC - to the Third World countries was of the order of 20 to 30 per cent, more like 30 per cent for US and Japan and 20 per cent for the EEC, disregarding intra-EEC transfers.

It is worth noting that the volume of external trade of the Third World countries increased more rapidly than the GDP of the constituent countries. China's exports went from 3 to 14 per cent of GDP between 1965 and 1988, India's from 4 to 7 per cent over the same period, those of the middle income countries from 18 to 26 per cent. For the low income countries the share fell from 25 to 19 per cent over the period. We are back to the relative stagnation of the external trade (and output) of most Third World countries, the components of the "fourth world" (including most of the Sub-Saharan countries). These statistics do not carry quite the same weight as in other countries, since GDP estimates are often highly unreliable (and not particularly significant). The apparent shifts in the ratio of exports to GDP - and the subsequent fall from 25 to 19 per cent - must be treated with caution. What is clear is that the performances are mediocre and the absolute quantities virtually negligible.

If the so-called fourth world is only an inconsequential market for the centres, this is not the case for the middle income countries which represent a significant market expanding at a faster rate than transfers between the developed poles. Transnationalisation has also intensified for the countries of the periphery though this obviously applies only to a narrow segment.

The peripheries do not play a merely passive role in transnationalisation - by opening their markets to expansion from the North. Industrialization of the South gives it an active role, by making it a by no means negligible segment of the world market in manufactured goods.

The North certainly retains control of the world market in agricultural and manufacturing output, because it has cereals surpluses (in the face of food shortages in the South) and the initiative in product innovation. Admittedly the Third World exports of manufactured goods to the three poles - of the order of 200 to 210 billion dollars in 1985 - represents less than 20 per cent of world transfers of manufactures, whose total volume was more than 1,100 billion at the time. The proportion remains modest - but far from negligible - when intra-EEC transfers (of the order then of 22 per cent) are excluded. United States exports to the Third World accounted for 35 per cent of their total exports of manufactured goods (160 billion dollars in 1985); Japan's similar exports were 36 per cent (of overall exports of 170 billion dollars in the same year); as for EEC exports to the Third World - of the order of 100 billion dollars in 1985 - they accounted for less than 20 per cent of the overall exports from the member countries, with the share rising to 25 per cent if intra-EEC transfers are excluded.

At the same time the world market saw the appearance of manufacturing exports from some of the middle income Third World countries.

Active transnationalisation also intensified in the countries of the periphery, albeit obviously still more concentrated in a few countries. In the first instance came the four dragons of East Asia (with more than 70 billion dollars of manufacturing exports in 1985, 28 billion of which came from South Korea). The Latin American giants followed (primarily Brazil and Mexico: about 16 billion). Then came South-East Asia (Thailand, Malaysia, Indonesia, Philippines) 12 billion. Eastern Europe (mainly Yugoslavia, Poland and Hungry) showed potential for expansion (22 billion in 1985 for the three countries named). China should also be included in the list (13.4 billion of manufacturing exports in 1985) and India (with 5.9 billions in exports of the kind) where export capacity was expanding. In comparison, the Arab world (3.6 billion of manufacturing exports) and the fourth world (under 2 billion) were not only negligible but also stagnant.

2. If we look in conjunction at intra-EEC transfers, transfers between the poles (the United States, Japan and EEC), and transfers between the poles and the semi-industrialised regions of the Third World, we can see how regional crystallization fits into the framework of increasing transnationalisation. The crystallization occurs around each of the three poles indicated, but their respective peripheries enjoy a very different potential.

The great American region, dominated by the United States and its external province of Canada, is the natural partner of Latin America and the Caribbean. Mexico is already on the road to complete integration in the "great North-American market". Central and South America are being encouraged to follow this example, with the proposal of a free trade area stretching from Alaska to Tierra del Fuego.

The great eastern and south-eastern Asian region, dominated by Japan, is incorporating semi-industrialised South-East Asia (Thailand, Malaysia, Indonesia, Philippines). The boundaries of this region are still indeterminate. It is by no means clear that Korea can be regarded as "integrated" in the region any more than it makes sense to include China. Even India, despite all its weaknesses, retains its autonomy with regard to the Japanese pole. But the "Japanese" region could stretch westwards (Burma, Sri Lanka and even as far as Pakistan and the Gulf).

The region crystallized around the EEC has its own shape: it is formalized in the EEC-ACP association, reinforced in part by the narrow restraints of the Franc zone. But the African peripheries affected are essentially the poorest countries whose potential within the existing system is unpromising. This is no doubt why transfers between the EEC and the South are relatively less substantial than transfers between the United States and the South, and between Japan and the South. Europe has concentrated on its own internal integration due to receive a new fillip in 1992 with the launch of the single market. Europe's opening on its eastern front may also provide new prospects for integrated European expansion and further slow down any growth in transfers between Europe and the South.

It is therefore premature to talk of "regionalisation" within transnationalisation. The peripheries are still largely exposed to the competition of the poles vying for their market (for trade and for finance). Competitiveness of the poles is unequal for the various kinds of output. Japan and the United States have the edge in new technologies, especially in information technology. The United States, Canada and France have the advantage in cereal production. Germany is predominant in traditional mechanical engineering (cars, machine tools) and chemistry. France is in the forefront of some aspects of armaments, railways, aeronautics. Transfers between the poles differ from their transfers with the peripheries. Comparative advantage in the new technologies is crucial intra-polar transfer, much less so in competition for Third World markets.

But the chief obstacle to discussion of regionalisation as an accomplished fact is the enormous uncertainty hanging over the policies of the Soviet Union, China, India and the Third World, to say nothing of uncertainty about the future of Europe itself and the crucial decisions to be made by the new Germany.

In these matters we can only conjecture. It seems to me that unified Germany's scope for expansion in Eastern Europe will have a profound effect on Germany's own integration within the EEC. It seems to me that the Soviet Union, China and even India will cling to the possibility of remaining independent of a specific pole, and by that token will retain significant room for manoeuvre. In comparison it does not seem to me probable within the foreseeable future that the great regions of the Third World will organize themselves and around themselves, whether we are looking at Latin America, the Arab world, Africa or South-East Asia. However this is the kind of regionalisation, as the basis for a polycentric world, that is needed for an alternative prospect for development than that of unilateral adjustment - in extended order - to the demands of world-wide capitalist expansion[1].

3. External trade is one of several equally important indices of the intensity of transnationalisation: technology transfers (and dependencies), financial flows (and foreign debt), not to mention supposedly exogenous factors in the economy (culture and communications, geo-strategy and armaments, ecology). All these factors bear witness to the spread of world-wide influence, through interpenetration of economies and the central societies and through integration of the peripheries in the global system.

It is fashionable nowadays to draw two dogmatic conclusions from the facts. The first argues that transnationalisation is ineluctable and must be accepted as such. The only possibility is adjustment. The second argues that active adjustment to the demand is possible on the part of the so-called developing countries, and the "success" of Korea and a few others is the evidence. Everything would depend on factors internal to the various countries of the Third World.

The World Bank reports are models of the kind. Reading them - a task as tedious as reading "Pravda" at the end of the 1960s - had the advantage that it was possible to predict what the World Bank would have to say on any topic, old or new. The World Bank would never go beyond the two conclu-

1 See S. Amin, "In favour of a polycentric world", *IFDA Dossier* 69, 1989.

sions described above - the *a priori* dogmas. Ideology was triumphant. The real issues were always fudged in advance. They were replaced by a mountain of "data" (statistical appendixes, the only useful part of the reports, even if the statistics were silent on many key points and in some cases unreliable to say the least). The data was not particularly meaningful but was supposed to "tell a story".

Econometric models, never more than pretentious substitutes for the rule of three, were manipulated to say what the authors wanted in order to give a "scientific" cover to purely ideological positions. It was pure and simple tautology.

These notes on transnationalisation addresse precisely those issues fudged in the fashionable treatments. They can be considered under two headings: modalities and experiences.

The first heading looks at the *modalities* of transnationalisation. In simple terms these are the alternatives: can the demands of transnationalisation be reconciled with the maintenance or building of national autonomy - and if so which demands? Or there is such a total contradiction in terms that we must watch national reality being sucked under by world-wide influence? This means the dissolution of structured national integration (where it exists as a historically constituted legacy) or abandonment of such integration if it is not part of the inheritance. This would result in what would henceforth be a world-wide economy (or world-wide system of production, in Michel Beaud's terms) and no longer an international system (since the latter would require the articulation of national systems of production). The question then is whether it is desirable or possible to reconcile the demands of transnationalisation and the aim of "national" construction? I would suggest there are two answers with differing or even conflicting social implications.

The second heading offers a critical appraisal of *experiences* of "adjustment" to transnationalisation, whether the so-called "socialist" experiences of seeming rejection of transnationalisation or the experiences of the contemporary Third World. Here the fashionable treatment makes a bald distinction between "successes" (measured by growth in GDP and a favourable balance of trade) and "failures" (on the same criteria). South Korea stands at one extreme, the African fourth world at the other. This treatment is no more than banal repetition of what the statistics in the appendixes of the World Bank show at first glance. It never promotes an examination of the adjustment strategy being implemented (or suffered) in comparison with what other untried strategies might have achieved. It is essentially an uncritical treatment.

4. The fundamental issue - namely the contradiction between transnationalisation and national autonomy - gives rise to positions that diverge at the outset. The genuine potential in the historical projection is vastly different from that imagined by proponents of the conventional treatment (whose not-

able feature is this very lack of imagination). Apparently all authorities in the OECD countries and behind them the public "opinion" largely shaped by those authorities go along with the principle of evolution from an international economy to a world economy. There is a total consensus between the right and left in the electoral meaning of these terms in the context of the modern West.

Behind this unanimous facade stand "shades of meaning" quintessential to the political changes in the foreseeable future. The United States and Japan are not merely "geographical areas" of the world economy under construction. They are and will remain "national" economies, with the state ensuring continuance of national structures while enjoying the lion's share of the construction of the world economy. The fanatics of "liberalism" will tell us it is a rearguard action. It may well boil down to a rearguard action in the perspective of the next couple of centuries, but it is a vanguard action in the shaping of the next couple of decades. These national options remain decisive at such levels as: spending on civil and military R&D and appropriate training systems; *de facto* protectionism - of agriculture (though subsidies under a challenge with an indeterminate outcome...); mineral and oil resources (the policy of so-called strategic stockpiling) and even of straightforward manufacturing industry; financial management etc. On top of this the United States holds a trump card that in the absence of an alternative has immunity for the short or medium term, namely the dollar fulfilling the role of a world currency.

Europe's situation is by no means comparable and it cannot be argued that the building of the EEC will make it such. Europe is the creature of its past, of the conjunction of historically constituted national economies. The EEC is not a supra-national state and the common policies, even under the single market of 1992, do not meet the demands of such a construct. There is no common policy - except for subsidies to agriculture, under threat as in the United States, with the outcome still indeterminate. The elements of a monetary policy the ("snake") are weakened by a diversity of anti-inflationary and short-term policies... not to mention the absence of even a plan for a common social policy. For the time being and the foreseeable future, the common market is what its name suggests and nothing more: a market. Integration in market terms only provokes more contradictions than it resolves. It runs the risk of weakening Europe as a whole, by strengthening some countries and debilitating others in a hybrid construct whereby the national structures of the "strong" (principally Germany) are maintained and those of the "weak" are eroded, without the alternative of an integrated European whole.

This less than optimistic prospect is made more feasible by the persistence of varying and contradictory national strategies within the EEC. Britain accepts world-wide expansion - and erosion of national power - but not to the benefit of a European construct. On the one hand it is open to a world without borders as is shown by its acceptance of Japanese information technology, as an alternative to a virtually non-existent European information technology policy. Britain is profiting from its legacy as a powerful financial centre. On the other hand it has always bowed to the eventuality of being absorbed by the United States, with whom its shared language and culture are of renewed significance. On this count it must be admitted that the European construct will remain handicapped by linguistic diversity in comparison with the United States and Japan. It is hard to imagine a common R&D and common training systems: in what language?

At the other extreme, Germany is in an entirely new situation. West Germany was already the economic "giant" of the EEC (with manufacturing exports on the scale of the United States and Japan and more than double those of Britain, France and Italy). But it was regarded as something of a "political pygmy". The EEC's balance depended on these compensating factors: Britain and France in the political driving seat, and the German economy as the engine. In the new circumstances, a unified Germany could almost go it alone. This means that Germany without raising a formal objection to the EEC might desire to push "European integration" no further than what a "common market" structure entailed. Germany as the strong partner has the possibility of accepting the market rules while retaining its strong national structure, at the same time as the national structures of its partners are eroded. Germany may even reinforce its national structure by expanding into an eastern Europe reduced to a subordinate role.

Between the British and German options that seem possible (and in my view probable), there is no scope for alternative policies. France, Italy and the other members may dream of activating a European political construct to offset their economic weaknesses through political commitment. Britain is against it and Germany does not need it. Can the slogans be anything more than pious hopes?

The future of the European plan depends finally on what Germany decides. A Germany going it alone could aspire to become the third pole of a system (United States, Japan and Germany) at the economic *and* political level. Of course it would have to overcome some obstacles. German technology does not match up to that of the United States and Japan, and its export performance is based on the traditional industries of post-Second World War reconstruction rather than the new technology. But Germany has not yet resumed its proper political role. Britain and France are among the five permanent members of the United Nations Security Council with the right of veto - although this privilege is probably on its way out at some point (Gorbachev has already made a proposal of this kind in suggesting a similar status for Germany at the UN).

So why should Germany not exercise the "European option", as its Chancellor proclaims. But what are statements of this sort worth? Why should it? It would maintain the political privileges of its partners, with nothing in return that was not there for the taking?

Pending these decisions, it has to be admitted that Europe remains a "collective political pygmy", to describe it all in the way that hitherto Germany has been categorized. Europe under the American nuclear umbrella (worthless since the coming of what Alain Joxe has seen as "the end of the cycle of deterrence"), fragmented between the subtleties of the divergent foreign policies of the member states, has been able to make only a rhetorical stand against the United States. Europe's very weakness bars it from "settlement" of major North-South issues (over Palestine for example) and Europe has *de facto* to fall into line with the decisions taken in Washington (as the Gulf crisis shows).

For Europe to become a third pole, with the consequent opportunity of being the principal pole on a world scale, it must pursue De Gaulle's old dream of a Europe "from the Atlantic to the Urals"; or Vladivostok: by incorporating the Soviet Union (or Russia). Gorbachev is nowadays the only person to pursue this vision under the label of the "Common European Home"[2]. It is a flexible plan of the "confederal" kind allowing the partners: the British, French, German, Russians and others, room to respond to their varying objective circumstances. This recipe for reconciling transnationalisation *and* national autonomy is very close to the thesis I am propounding here. It is also I believe close to the genuine desires of observers of a cosmopolitan turn of mind who are not ready to go as far as extirpating their national roots in history.

If the transnational option is clear for the central powers and only the modalities we have indicated are the subject of debate, it is a very different matter for the Third World and the countries of the East. For the latter the choices they face may have disastrous consequence, but this is not so for the West. Whatever path is chosen in the West will not bring a dramatic social impact. A particular choice - such as a European common market without social and political harmonization - could "marginalise" the poor periphery of Europe: widespread unemployment in the Spanish Asturias, decline in Greece for example. But Europe as a political entity can withstand these set-backs - turn the Mediterranean shores into playgrounds for the North Europeans, and absorb the new immigrant workers leaving the area.

It is not the same for the South and for the East. Here transnationalisation as conceived by its current backers (with no concessions to national auton-

2 See S. Amin, "La maison commune Europe", *IFDA Dossier* 73, 1989.

omy) inevitably entails lasting poverty for the majority, aggravated by immense frustration. Unification of the world through the market carries an inevitable price-tag of violent explosions where the storm zone is the Third World (with all due deference to those who do not recognise its unity) and in particular the semi-peripheral areas (the NICs etc.). The objective conditions of the countries of the East are very similar to those of the Third World.

There is a world of difference between "unmitigated transnationalisation" and national autonomy (what I have called delinking in the modern context). There is no chance of a consensus on the matter as there is in the West. The social interests are at loggerheads, whereas in the West the conflict is muted. There are two warring camps. The ruling classes accept transnationalisation, in what I call compradorisation as it entails passive adjustment - and it does not matter whether it succeeds or fails according to World Bank criteria. They accept it simply because their earnings and authority benefit from the world-wide expansion. But the ordinary people are the victims of this world-wide expansion and will resist until they can secure the objectively essential alternative of national and popular rule.

Hence the Third World is the storm zone once more. This is not the effect of an "essential historical cycle" with the Third World obliged to replicate the steps trodden by the West and repeat the experience of ethnic, national and authority clashes, etc... The fashionable neo-Weberian theses on these lines ignore the essential: the storms are the inevitable outcome of the polarising impact of world-wide capitalist expansion. Just as a storm will always have unpredictable effects, it is also difficult to make a prognosis beyond the immediate future. The distinctions I draw in what follows are based on the recent past and will be subject to the buffeting of the storms of the future.

China seems so far to be the only clear exception to the comprador option. It might therefore be able in the future to play the subtle role of a more pronounced integration in the world economy without having to forego its own national self-reliant construct. Everything will depend on internal political changes. In this instance, since there has been delinking in my sense of the word, the internal factor has once more become crucial.

Some other examples of alternatives to compradorisation must be distinguished in subtly different ways. Cuba and Vietnam are "resistant" but in isolation, partly of their choosing and partly imposed by an imperialism that has not given up hope of breaking the national will of "small countries". India holds a very special place in the "capitalist" world, owing perhaps to India's size (a significant factor in China's case too). India's future is uncertain as the Nehru-Indira Gandhi style of national ideology is ground away by the rising comprador aspirations of the Indian bourgeoisie and the Indian edifice is challenged by local nationalisms. South Korea and Taiwan are even more remarkable exceptions, as they are on principle "anti-socialist".

Their success is not the achievement of rapid growth without serious damage to their balance of payments - something others have managed - but the building of a national structure around a strong state where income distribution remains equitable and controlled within reasonable bounds - something the others have not managed. Their success stems from doing the very opposite of what the prevailing liberal dogma urges! How? The explanation lies in specific historical (arguably cultural) and political factors (such as competition from North Korea and China).

There is really no other exception in the capitalist Third World; in the "wealthy" countries (the oil producers for example); in the poor; in those congratulated by the World Bank on their "success" (in terms of growth and trade balances, the only criteria liberalism takes into account); in the unfortunate victims that have succumbed to treatment (the fourth world). There is no encouragement here for talk of success in terms of a strengthened national construct. Some first steps were taken in this direction in countries of very different background, some of average "development", others with none. All are sliding back. Even in the "semi-industrialised" countries pinpointed by the World Bank (Brazil, Mexico, Turkey, Thailand, etc.) or in such countries as Côte d'Ivoire and Kenya, no advance has been made in national construction. On the contrary the widening disparity in income distribution is a sign of failure. It reduces the chances of the social integration without which national construction is meaningless.

Each case must be treated individually of course. Here or there some ingredients of national policy can be discerned; in some NICs there is technological or financial control; in some countries with a nationalist background the state is playing a part in industrialisation or land reform. But these ingredients have not achieved the critical mass essential to counteract the comprador ambitions of the privileged classes. Accordingly the progress is fragile and threatened with the dismantling "advised" by the World Bank.

Are Eastern Europe and the USSR incurably doomed to a "Third World" transformation and hence to be compradorised? Will they surrender to the demands of unmitigated transnationalisation, which would consign them to a Third World fate? Or, as liberal ideology argues, will capitalism rescue them from the impasse of "socialism" and grant them rapid development on the lines of Western European countries?

The purpose of this note is not to examine the systems that have suddenly fallen in these countries: their achievements and shortcomings; their difficulties and contradictions; the reason for their failure to reform; or even the nature of the open or concealed social and political conflicts under way. The following comments do however stem from an analysis I have made of the issues[3]. Things being what they are, the countries of Eastern Europe will have difficulty avoiding the calamity for their working classes of integration in the capitalist system as it is. The integrated national structures established over the past forty years are already being dismantled to the benefit of the expansion of foreign capital (German first of all, but also European, Japanese, American). The new local bourgeoisie will find a role, but it will pay for its economic benefits by comprador surrender. It may in some instances find social support in some class or new intermediate stratum - rich peasants or petty entrepreneurs - as is the case in the Third World. The ordinary people will pay for these "adjustments" by a drastic fall in their standard of living, widespread unemployment, cuts in social services etc..., and this not for a "brief transitional period", as their new leaders would have them believe, but once and for all. How will these classes react to the inevitable changes? It is too early to tell. But potentially troublesome reactions must be expected, fuelling secondary nationalisms (not challenging western domination), the basis for "populist" dictatorships such as these countries experienced in the 1920s, 1930s and 1940s.

The USSR is a more complex example. The character of the social conflicts under way and perception of what is at stake, the country's role as a military super-power, the acuteness of the national questions, operate in such a way as to outstrip the best informed studies. We are left with the almost intuitive thought that the USSR, if it finds a renewal - or the Russian heartland, if the Union breaks up - may achieve a subtle combination of democratic political reform, better economic management; greater integration in the world economy, and at the same time continuity - and subsequent reinforcement - of its national structure. The social character of this positive compromise between the demands of transnationalisation and of the creation of internal autonomy will be close to what I have described as "a national and popular social front" - produced by the 1917 revolution but lost in the later confusion in the ideology of so-called "socialist construction". This optimistic scenario does not stop there; such a system would inevitably evolve towards a greater developed capitalist crystallisation (a new pole) or towards the pursuit of an evolution of progressive social content.

5. Performances in the world economy cannot be judged exclusively by the touchstone of the criteria of growth and trade balance. Income distribution acceptable to the nation as a whole is an absolute essential, without which there is no nation and no social integration. The nation cannot exist without autonomy in regard to external forces (of technology, finance, food supply, industry, military hardware, culture). Without such autonomy the nation is

3 S. Amin, "The future of socialism", *Monthly Review*, July/August 1990, N.Y.

no longer an active agent in the shaping of world society. The frustrations of passive surrender to the hazards of an evolution beyond one's control have negative rather than positive effects. Performances in the world economy must be assessed in this light: has the growth in question exacerbated contradictions, sharpened disparities, and deepened dependence, or has it rather reduced them?

The data supplied by conventional economics provide no answer to these questions, as they are fudged at the outset. Tables abstracted from the statistical appendixes of the latest World Bank reports provide data of very limited usefulness. The tables can be quickly scanned. As for the gloss the World Bank chooses to put on them, it is vacuous, irrelevant (just *a priori* legitimating of its own dogmas), and an inappropriate use of the "data". The World Bank undoubtedly with a concern for "moral" purpose, inveighs from time to time on other issues such as "poverty". The very term is significant as it belongs not so much to social science as to the decorous language of some plutocrat or statesman at a charity gala. The "poverty" in question is never linked to the mechanisms of the prescribed economic development!

I shall offer the following comments on performances of world-wide expansion.

First: The capitalist world economy is well and truly in crisis, and has been so since the end of the 1960s. The long cycle of growth sustained after the Second World War is over and done with. Since 1970 the average rates of growth in GDP have fallen to two thirds of their level in the preceding phase, of agricultural and industrial output to a half. Traditional economics persists in analysing the year-on-year changes in conjunctural terms ("recession", "revival", etc...), whereas it is a case of a long cycle of structural transformation against a "crisis" background (Kondratieff's B cycle), where increasing transnationalisation is one of the main features. Furthermore the emphasis placed on the collapse of the so-called socialist systems and the financial aspect of the "world crisis" (indebtedness, fluctuating exchange rates, inflation etc...) has obscured the real basis of the structural crisis against which conjunctural events are unfolding.

Second: The collapse of the economic (and political) systems of Eastern Europe, the uncertain future of the USSR and China are the second main feature of the structural transformation under way. I refer here to what I have said elsewhere on the subject[4].

Third: In view of the exceptionally large populations concerned, evolution and progress in China and India are an essential ingredient to the future of

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4 S. Amin, "The future of socialism" *Monthly Review* July/August, 1990, N.Y..

the world system. In this context a comparison from any angle is overwhelmingly in China's favour.

The traditional criteria of economics are a first element in the comparison. Compared to India, China shows for the long period 1950-1990 a rate of growth in GDP double and triple per capita. Exports (especially of industrial goods) are double those of India in relative terms. China's investment rates one and a half times India's. China's debt service burden is three times less severe than India's.

In addition to such criteria, China has performed incomparably better in the domains described above. There is no need to cite "statistics" to show that income distribution is vastly different from one country to the other. Nowhere in China reveals the appalling wretchedness to be found throughout India. Even if administrative costs are comparable (and even lower in China since the mid-1980s) their efficiency and the access to social services for the various strata of the people are better (or less poor) in China.

It is more difficult to make a judgement as to dependence on external forces. The leap in China's exports during the 1980s can be noted, as the result of a freely chosen policy. Certainly the almost total closure of the country to foreign transfers was imposed by imperialism in the 1950s and 1960s and to some extent used positively by China to encourage self-reliance and to embark on gigantic progressive social changes remote from the hazards of external pressure. However Soviet aid in the 1950s was by no means a negligible factor in the first instalment of industrial, technology and military capability. Later the leap in imports (that had to be matched by exports) was a necessary part of the "four modernisations" (Zhou Enlai year). Was the opening controlled? Hard to say, as its damaging effects were often felt through the subtle channels of the consumption patterns of the privileged. Nevertheless the character of power in China, which is not exercised directly and exclusively through the bourgeois classes as in India, has so far limited the destructive impact of the international environment.

That said, the analysis must be taken further with emphasis on the character of the changes after the death of Mao Zedong and the problems they raise for the future. I should say in this regard, and as further contradiction to the statements of the fashionable critics of Maoism, that economic growth in the successive Maoist periods was strong and better balanced in the long term thanks to a constant effort at collective investment in irrigation and reafforestation, etc. and better balanced over the various regions of China. It is understood that acceleration in agricultural growth allowed under Deng's new policy produced apparently brilliant results during the first half of the 1980s, but with no future, since it was to the detriment of long term growth. Similarly acceleration of industrialisation was focused on coastal regions. Conversely the Maoist strategy could not be sustained indefinitely and had reached a plateau by the end of the 1970s[5]. But Deng's latter choices provoked contradictions of all kinds whose resolution is subject to the open and concealed conflicts under way. One of these contradictions is the premature acceleration of urbanisation (although the figures of the World Bank are vitiated here by a change in definition).

Fourth: The performances of the capitalist Third World vary from one set of countries to another on the conventional criteria of growth and trade balance.

From this stand-point, the performances as a whole are mediocre or calamitous. The rates of growth are low everywhere except India and East Asia. Their collapse is disastrous for the countries of the fourth world: sub-Saharan Africa records enormous negative rates as an average over several years as regards per capita income (a negative rate of 2 per cent!). The same is true for the Third World countries as a whole, even for the so-called middle income countries (the 1980s were marked by a fall in per capita income in Latin America). The fall is equally catastrophic for the heavily indebted countries, as the adjustment imposed on them was achieved through the reduction (and often destruction) of productive capacity. Even the group of countries with industrial exports saw a slow-down in growth (although per capita income remained positive). There are only two exceptions: India and East Asia (Korea, Taiwan, Hong Kong and Singapore).

The other conventional criteria tell us little more, but complement the picture. The investment effort suffered from the fall in income. The statistics here are unreliable. However they indicate probable stagnation at a generally low level, more severe in the poor countries and those most harshly affected by the adjustments policy (the indebted). Conversely an increased investment rate should be noted in India and in the countries with industrial exports, particularly marked in East Asia. It must be understood that the investments required by modern industry (especially export industries) are very costly. In these circumstances, stagnation in the rates often means *de facto* disinvestment, with negative net investment and amortisation accounting for more than gross investment. A marginally improved rate suggests only mediocre results: growth in industrial production and exports to be sure but modest in production terms and costly in export effort. The World Bank has nothing to say on these points since they run counter to its dogma.

The results in terms of export growth must be judged against their investment cost (in relation usually to stagnant overall income). Exports are up almost everywhere in terms of proportion of the GDP, even if they are stagnant for the poorest countries. They are up even more in India, in the middle

5 See S. Amin, The Future of Maoism *Monthly Review Press*, (New York: [1983]).

income countries in general and particularly for the industrial exporters (primarily East Asia). But at what cost for the society? The cost of foreign indebtedness, of which it is one of the causes (but there are others independent of Third World policies, such as the interest rate hike decided by the United States administration). Literature on debt is so plentiful that it is not worth adding anything here (see tables 1 and 2).

There are additional damaging effects of the general crisis and the Third World's burden in this crisis. Statistics on the share of administrative costs in the GDP reveal only a fragment of the state's role and the social services it finances. It has to be observed that if there is a casual tendency to say that the state is "top-heavy" in the Third World, the relative burden of that state on the national economy is much lower throughout the Third World than in the OECD countries! Undoubtedly the full burden is more difficult to carry in the poor countries owing to the greater proportion of non-commodity production. But the real issue goes wider than this quantity and costs framework and should focus on the quality of services, their efficiency and their social effect. Such intervention considered inefficient (or prejudicial) by the "foreign experts" is perfectly understandable and effective on the criteria of the social and political functions it fulfils.

On the conventional criteria of liberal economics, the performances throughout the Third World are mediocre or disastrous. Increased transnationalisation is not a healthy response to the challenge of the crisis, but an ingredient of that crisis. On the conventional view, there are really only two exceptions to the general failure of development: India and East Asia.

India's performances, even if they fall far below China's, are better than those of the capitalist Third World as a whole. India has not "suffered" from the crisis, and has maintained its rate of growth. This is certainly an effect of its size and hence relatively more pronounced *de facto* autonomy from external forces and greater self-reliance, in other words an effect of precisely the opposite of what liberal dogma suggests! However India remains fragile in the long term for reasons that will be considered later.

The performances of East Asia are of another character. At the outset I leave out Hong Kong and Singapore for obvious reasons. I merely repeat what I said earlier: Korea and Taiwan have built their development on a strong state, with pronounced national and social integration. They are the only real successes of capitalism in the Third World!

We must look further than the conventional criteria and analyse prospects on a longer time scale than possible growth initiates or forecloses in the peripheries of the capitalist world system within the context of what I call "really existing capitalism" (in contrast with the ideological model of liberal economics). For this purpose, attention must be paid to what the conventional analysis dodges: income distribution, employment, training, social services, the position of the state, development contradictions (especially between town and countryside) etc.

On this basis the performances of the Third World score an overall minus. First, disparity in income distribution is acute everywhere, even in India, for the poor and for the "rich", with a propensity to worsen still more in the countries of most pronounced growth. The only exception is that duo of Korea and Taiwan. Admittedly the degree of disparity is variable, with Latin America enjoying the dubious distinction of providing the most deplorable social model of all.. The "liberals" soothe their conscience with the recollection that it was the same in Europe at the birth of capitalism. They omit to say that the later improvement in distribution in the model was won thanks to workers' struggle (struggles they condemn in the Third World!) and that the struggles occurred in a context of imperialist expansion that facilitated their successful outcome. The inexorable law of accumulation, as formulated by Marx, operates more on the world scale of "really existing capitalism" than of its centres taken in isolation[6]. They seem to forget that the increasing disparity observed here at the periphery of the system is not a vestige of a pre-capitalist past (the fashionable neo-Weberian thesis), but the inevitable product of the current expansion of capital. They seem to forget that accumulation on a world scale produces social structures at the periphery non-conducive to the development of social struggles on the lines of those that occurred in the West.

Other indicators reinforce the negative impact of the law of increasing disparity associated with capitalist expansion in the periphery: in the first instance unemployment, whose real extent is in no way reflected in official statistics. Unemployment is on an enormous scale in the capital cities on the Third World (30 to 50 per cent of the potentially active population would be a reasonable bracket). Feverish urbanisation runs well ahead of the level of development. The urban population accounts for at least half the overall population in Latin America, and in the Arab world, and approaches half in more and more of the other countries. The drift to the towns is an indication of social contradictions beyond the control of capitalist expansion, and aggravated, particularly in Africa, by the destruction of the rural societies brought about by urbanisation.

In such circumstances progress for the Third World entails going against the natural law of accumulation, not adjusting to it. The conclusion is valid when development comes within the framework of overtly capitalist social relations or when it is part of relations evolving under the authority of popu-

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6 See S. Amin, "Income Distribution in the Capitalist System", *Review*, 8, 1 Summer 1984.

lar social fronts. This explains the success of Korea and Taiwan who went precisely against the prevailing trends and the liberal recommendations.

Accordingly "dependence", supposedly out of fashion, is a glaring fact, and its accentuation confirmed by all the studies of the "technology gap", the world-wide influence of models diffused by the mass media, foreign debt etc. This dependence is neither cause nor effect of disparity in income distribution. Along with the disparity to which it is closely linked, dependence is inherent in the polarising world-wide expansion of capitalism. It is one side of a coin whose other is compradorisation of the privileged classes who benefit from the expansion, and are the conveyor belt of dependence rather than its "victims".

Solving these problems requires control over foreign relations and the state's active intervention in production guide-lines, social distribution, R & D, employment and training etc. When the World Bank and Western agencies argue that the "poverty trap" can be resolved without a challenge to liberal dogma, but by juggling the various recipes that have been in and out of fashion ("basic needs" etc...), they are bound to fail. The World Bank itself observes this each time after the event, albeit without making any self-criticism of the failure it has encouraged, but clinging perpetually to its charitable language. At other more directly political levels - as with the issue of democracy - the contradiction is equally glaring between the objective demands of polarising world-wide accumulation and those of democratic progress[7].

On all these essential points, the Third World (peripheral in the capitalist system) is at one despite its varied circumstances. We repeat that it does not add much to stress the variety. The Third World (as an integrated periphery) and the fourth world (as a destroyed periphery) have always coexisted in the world-wide expansion of capitalism.

7 See S. Amin, "La question démocratique dans le tiers monde contemporain", *Africa Development*, Vol.IX, No.2, 1989.

Table 1 Rates of growth, various regions, 1965-1988

	P.capita/GNP	*GIP growth*			*Adm. cons/GIP*			*Gross inv/GIP*			*Export/GIP*			*Urban Pop.*	
Year	1985 $	65/80	80/85	80/88	65	85	88	65	85	88	65	85	88	85	88
China	310	6,4	9,8	10,3	15	14	7	25	38	38	3	11	14	22	50
India	270	3,8	5,2	5,2	10	12	12	18	25	24	4	6	7	25	27
Poor countries	200	3,2	2,8	2,0	11	12	12	15	15	18	25	14		20	25
Intermediary	1,290	6,5	1,7	2,6	12	12	12	21	21	23	18	26	-	48	41
Income countries															
of which:															
Ind. Exportaters	520	6,7	5,5	-	13	12	-	23	28	-	-	21	-	29	-
Heavy endebted	1,410	6,4	0,1	1,5	10	10	-	22	18	-	-	17	-	57	-
Brasil	1,640	8,8	1,3	2,9	11	9	12	25	16	23	8	14	10	73	75
East Asia	540	7,2	-	8,5	-	-	10	-	-	31	-	-	23	-	46
Sub-Saharan	400	5,3	-0,7	0,8	11	12	15	16	13	15	24	21	23	25	28
Rich Oil															
country	9,800	7,5	-2,2	-1,3	15	31	22	19	29	25	61	47	63	73	83
O.E.C.D.	11,810	3,7	2,3	2,9	15	17	17	23	21	22	12	18	20	75	77

Poor countries: the majority in Africa, Caribbean, some Asian countries. - ***Intermediary income countries:*** the majority of Arab, Latin America, East and South East Asia, some African countries.
Industrial exporters: mixed group East and South East Asia, Latin America. - ***Heavily endebted:*** mixed group, dominated by Latin America and oil countries.
East Asia: Korea, Taiwan, Hong Kong and Singapore. - ***Sub-Saharan Africa:*** South Africa excluded Oil rich countries: Saudi Arabia, Koweit, UAE, Libya.

(Tables from the World Bank Reports, 1987 and 1990)

Table 2 International Trade, 1988 billions dollars

EXPORTS		*BILLIONS DOLLARS*
O.E.C.D.		2,024
China		48
India		15
Other poor countries		45
Intermediary income countries		341
Rich oil countries		154
	Total	**2,627**
Or: Sub-Saharan Africa		29
East Asia		174
South Asia		22
Latin America		101
Europe, Middle East, North Africa		103
Japan		264
U.S.A		315
(Heavily indebted)		(128)

(World Bank Report 1990, Table 14)