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The Creation of the Next Imperialism

The Institutional Architecture

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July-August, 2015

The early theorists of imperialism, including V.I. Lenin and Nikolai Bukharin, took the existence of colonial structures for granted. Obviously, the national liberation movements of the twentieth century, the disintegration of colonial power in the second half of the century, and the resulting lack of direct political control changed the landscape in terms of how dominance could be exercised. Just after the Second World War, in the Bretton Woods period, the undisputed dominance of the United States in the capitalist world order played a central role in ensuring that many of the earlier requirements were met through a combination of global policing and economic rules of the game set by the hegemonic leader.

By the closing decades of the late twentieth century and the opening decades of the twenty-first, however, the world had become much more complex geopolitically and economically. The United States had become the sole superpower, but one enfeebled by over-extension (as the wars in Iraq and the subsequent inability to control events across the Arab world showed clearly) and its own increasing economic dependence on capital inflows from across the world. Competitive threats from Western Europe and Japan were short-lived due to rampant internal contradictions in both, but the emergence of new powers in the developing world, and in particular the economic rise of China, created a more complex global dynamic. The growing power of multinational corporations was accompanied by the increased diversity of their countries of origin (though major multinationals—the top 200 or even the top 500—remained highly concentrated in geographic as well as economic terms). Technological changes that enabled production relocation along with the vertical disintegration of production led to the emergence of value chains in which the operating requirements of multinational corporations became somewhat different.

Insofar as imperialism is about the struggle over and capture of economic territory (which must be broadly defined to include not just geographical territory such as land and natural resources, but also the creation of new markets, sources of labor, and forms of surplus transfer such as are reflected in intellectual property), these changes have created distant demands upon imperialist structures and processes. In the absence of a world state, and in a much more complex and constantly changing politico-economic environment, how can capital (which is increasingly global in orientation) generate the superstructures through which the transfers of value are ensured and the investment risks are moderated and contained? It will be argued that there has been an endeavor to resolve this by refashioning the global institutional architecture in ways that operate to increase the conditions of "stability" for large capital while increasing its bargaining power vis-à-vis working people and citizens, as well as nation-states and even smaller capitalist enterprises.

International Trade Agreements

The past two decades have witnessed an explosion in the treaties, agreements, and other mechanisms whereby global capital imposes rules, regulations, and modes of behavior upon governments and their citizenry. It is true that the post-Second World War international financial system created by the Bretton Woods agreement also specified rules for member countries, and the conditionalities imposed by the International Monetary Fund (IMF) and the World Bank also severely limited the autonomy of countries that were forced to turn to them for assistance. But the recent proliferation of trade agreements (multilateral, regional, and bilateral), investment treaties, and more comprehensive economic partnership agreements impose such a plethora of conditions that Bretton Woods agreements and World Bank and IMF policies almost pale in significance. What is more significant is that these rules operate even for countries that are not in the positions of debtor-supplicants to international financial institutions, and so they require all countries to restrict their policies in ways that are directly related to the possibilities of generating autonomous development in periphery countries.

Consider how the multilateral trading system has evolved. Earlier Rounds of GATT (the General Agreement on Trade and Tariffs) recognized Special & Differential Treatment (S&D) for developing countries, which required less than full reciprocity and were couched in developmental terms. The Uruguay Round (signed off in 1994) moved to a single-tier system of rights and obligations, under which developing countries have to implement fully all the rules and commitments, with flexibility only in longer transition periods. This was seen as quid pro quo for market access in agriculture and textiles, sectors that were highly protected in the developed countries.

But this affected the possibilities of autonomous development in the periphery by constraining the policy choices open to them, and denying them some of the most important instruments that had been used by the current capitalist core in its own industrialization and development process. For example, the Agreement on Trade-Related Investment Measures (TRIMS) does not allow practices like local content specifications to increase linkages between foreign investors and local manufacturers, or foreign exchange balancing requirements or restrictions on foreign exchange use by foreign investors. The Agreement on Trade-Related Intellectual Property Rights (TRIPS) allows for the concentration and privatization of knowledge, and additionally severely restricts reverse engineering and other forms of imitative innovation that have historically been used for industrialization. It has forced the extension of patent life in many countries, allows patenting of life forms, and puts the burden of proof on the defendant. The Agreement on Subsidies and Countervailing Measures (SCM) prohibits subsidies that depend upon the use of domestic over imported goods or are conditional on export performance. Ongoing negotiations in the World Trade Organization (WTO) on Non-Agricultural Market Access (NAMA) are currently based on requiring much deeper tariff cuts in developing countries, which will further deprive them of a crucial trade measure that can support infant industry.

The Agreement on Agriculture (AoA) contained fine print that effectively allowed developed countries to continue with massive subsidization and protection of their own agriculture and agri-businesses, but it prevents developing countries from doing even a small fraction of this. Most developing countries are allowed only 10 percent *de minimis* support, unlike most developed countries that have to ensure only a 36 percent reduction of certain subsidies and limit some others, while maintaining and even increasing the rest. Developing countries (like India) that attempt to provide some protection to farmers to ensure food security are coming up against this constraint, because according to the AoA, even in developing countries all such subsidies are measured in relation to 1986–1988 prices, not current prices! Instead of recognizing the ridiculous nature of this clause, the developed countries are resisting any change and have only agreed to provide a Peace Clause for a limited period to certain countries.

However, if the WTO has created rigidities and constraints on policy space in developing countries, the many Regional Trade Agreements (RTAs) that have been signed in the past two decades are often even worse on this front. There are nearly 400 such agreements in operation, and they have become more comprehensive over the past twenty years. Most (especially North-South agreements) tend to be either "WTO-plus," i.e., they augment provisions already covered by the multilateral trading regime, or "WTO-extra," i.e., contain provisions that go beyond current WTO agreements. Thus they often require reductions of actually applied tariffs, rather than of "bound" tariff rates (the GATT limit rate that cannot be exceeded without permitting retaliation). They demand more deregulation in services trade. They typically require more stringent enforcement requirements of intellectual property rights (IPRs) such as: reducing exemptions (e.g., allowing compulsory licensing only for emergencies); preventing parallel imports; extending IPRs to areas like life forms, counterfeiting, and piracy; extending exclusive rights to test data (e.g., in pharmaceuticals); and making IPR provisions more detailed and prescriptive. They have been known to forbid technology and knowledge transfer demands or conditions on the nationality of senior personnel, extending provisions to taxes and charges. They also enter into a range of areas that the WTO still leaves open to individual countries' policy choices, such as competition policy, rules on investment and capital movement, government procurement, environmental standards, and even labor mobility. Further, unlike the WTO, most RTAs do not provide exceptions to countries in the case of serious balance-of-payments and external financial difficulties.

In addition, there are the Bilateral Investment Treaties (BITs), of which there are more than 4,000 in operation in the world at present. These are about protecting and promoting private investment, of all types, and effectively privileging the rights of investors over the rights of citizens in the host country. There is typically a very broad, asset-based definition of investment that includes Foreign Direct Investment, some types of portfolio investment in equities, real estate, and even IPRs! There is also a very strong and expansive view on what constitutes "expropriation" for which compensation can be demanded—not just nationalization of assets but all sorts of rules and regulations (even those for environmental protection or labor protection) as well as taxation have been interpreted as "expropriation."

All this matters greatly because BITs and increasingly RTAs are subject to dispute settlement mechanisms, both between states and between an investor and a state, that tend to be highly arbitrary, opaque, not open to public scrutiny, and generally pro-investor in their judgments. Since they are legally based on "equal" treatment of legal persons with no primacy for human rights, they have become known for their pro-investor bias, partly due to the incentive structure for arbitrators, and partly because the system is designed to provide supplementary guarantees to investors, rather than making them respect host countries' laws and regulations.

The significance of these treaties and binding legal arrangements is so important for large capital today that new agreements are being lobbied for, which further push the boundaries in terms of constraining regulation and inhibiting measures and policies that would ensure the social and economic rights of citizens. Thus the Obama administration in the United States has joined with Republicans in Congress, with whom otherwise there is great antipathy, to push for fast-track negotiating authority in order to conclude two major trade agreements: the Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (T-TIP). The goal is to use such forced, fast-track trade agreements to put into place rules that will ensure the continuing dominance of the economies of the triad, making it all the more difficult for emerging nations to catch up, while also securing the power of the mega-multinational corporations with their headquarters in the core economies.

Rules Governing International Finance and Debt Restructuring

The rules governing international finance and debt are now generally recognized to work in ways that reinforce the unequal global power relations between large capital and people across the world. Nowhere is this more evident than in the rules and legal structures governing sovereign debt. The lack of any coherent system to deal with debt default and to enable the viable restructuring of sovereign debt has led to situations in which countries and their populations are bled over years and even decades, merely to service debt generated in the past and through the piling up of earlier loans at ever-higher interest rates. Austerity measures that reduce public spending on social essentials are forced upon unwilling societies on the basis of supposedly "technocratic" notions that are, in fact, deeply ideological and elite-serving. Developing countries have known this for some time, but this is now also being experienced by some developed countries such as crisis-ridden economies of the European periphery. Countries that somehow manage to restructure some of their debt, or that unilaterally decide to renege on some patently unfair debt taken on in the past, are punished through complex and unbalanced legal systems. These do not even accord to entire populations the minimum conditions of debt workout that are routinely extended to private and corporate debtors within national systems. And here too, the arbitrations and other legal proceedings tend to be excessively biased towards investors and show little recognition of the minimum rights of the citizenry in affected countries. The fact that legal systems and other institutional structures in the core countries tend to support such biases, and investors in general, reinforces the point that this is another way in which contemporary imperialism is expressed.

This is starkly shown by the travails that the government of Argentina currently faces in U.S. courts in lawsuits brought by financial vulture funds. This situation has its origins in the 1990s, when the government of Carlos Menem fixed the Argentine peso at the value of one U.S. dollar, through a currency board arrangement that restricted base money supply to the amount of external reserves, and then sought to increase its spending through the buildup of external debt. This was obviously an unsustainable strategy, which exploded in a financial crisis in 2001, bringing on a major devaluation of the currency and a default on around $100 billion of external debt. In 2005, the government of Nestor Kirchner, which had then managed to revive the economy to some extent, offered its creditors debt swaps that significantly restructured the debts. Since Argentine bonds were trading at a fraction of their face value in the secondary market anyway, this deal, which reduced the value of the debt by nearly 75 percent, was acceptable to most of the multinational banks and other creditors. (Since unpaid interest is added on to the principal and compounded, the actual face value of the debt in such cases is typically much more than the amount originally borrowed.) Indeed, creditors holding 93 percent of government bonds participated in the debt swaps of 2005 and 2010.

However, a tiny minority of creditors held out and refused to accept the negotiated settlement. These then sold their holdings to hedge funds (in this case known as "vulture funds," which are funds that take on distressed assets in the hope of recouping a higher value from them), including NML Capital, a subsidiary of Elliot Capital Management, which is run by U.S. billionaire and major Republican party donor Paul Singer. This fund bought Argentine bonds at around 20 percent of the face value in 2008. It has pursued the case both legally and physically: hiring mercenaries to detain and try to seize an Argentine ship where it was docked off the coast of Ghana; and grabbing the Argentine presidential plane from an airport as "collateral" for its supposed holding of debt. NML Capital and another vulture fund, Aurelius Capital Management LP, have fought a case in a New York district court, demanding full payment on their debt, valued at around $1.5 billion. (This would amount to a return of more than 1,600 percent on the initial investment made by these vulture funds.)

In 2012, U.S. District Judge for the Southern District of New York Thomas Griesa ruled in favor of the hedge funds, and an appeal by the Argentine government was then dismissed by the U.S. Supreme Court. The judgement was based on a peculiar and unprecedented interpretation of the *pari passu* (equal treatment) clause, which holds that all bondholders must be treated alike, meaning that a sovereign debtor must make full payment on a defaulted claim if it makes any payments on restructured bonds. So if the bondholders who agreed to restructure 93 percent of the Argentine debt were paid according to their agreement, then the other resisting bondholders would also have to be paid the full value of their debts. The ruling also insisted that any third party—including banks facilitating such transactions—that attempts to pay these bondholders would be held in contempt of court. This effectively disabled Argentina from repaying debt to other bondholders (who had already received around 90 percent of their dues), unless it also pays the holdouts in full, thereby forcing the country into technical default.

Interestingly, this judgement made a mockery of all debt renegotiation agreements, since there would be no incentive for any creditor to accept less than full value of the debt if some other creditor will be paid in full. No credit system can function or has ever functioned with zero default. The possibility of default is embedded into credit contracts through the interest rate, with interest rate spreads operating as the market estimate of the probability of a default. So those who are seen as less likely to be able to repay are forced to pay higher interest rates, in both formal and informal credit transactions. A creditor who has been demanding and receiving a higher interest rate based on this probability cannot then demand full repayment as a right, since the contract reflected that very likelihood. So the ruling actually negates the basic principles upon which all credit markets function.

Another extraordinary feature of the U.S. court judgment is the requirement that banks involved in handling the payments made to Argentine bondholders must turn over information to holdout bondholders on all the assets that the Argentine government holds worldwide. This is a major violation of banking secrecy laws everywhere, including in the United States. Even Justice Ruth Bader Ginsburg, who sits on the U.S. Supreme Court, the body that decided this case, was constrained to ask: "By what authorization does a court in the United States become a 'clearinghouse for information' about any and all property held by Argentina abroad?" This also severely erodes sovereign immunity, which can even have adverse effects on the United States and may be illegal under other U.S. laws.

In fact, this judgement was also in contradiction to the United States' own bankruptcy laws under Chapter 9 and Chapter 11. Yet the U.S. government has actually pressured Argentina to meet these ridiculous requirements. It therefore provides one more example of how institutional arrangements have taken the form of legally binding constraints that generally privilege the interests of large capital over all other concerns.

New Forms of "Economic Territory"

One of the intriguing aspects of recent capitalist dynamism has been its ability to create new forms of economic territory, and to bring them within the ambit of capitalist economic relations—and therefore also subject to imperialist contestation. Two of the more prominent new forms of economic territory that are increasingly significant as arenas for imperialist penetration and competition today are the basic amenities and social services that were earlier seen to be the sole preserve of public provision and the generation and distribution of knowledge.

A major feature of our times is the privatization of much of what was earlier generally accepted as the basic responsibility of public provision, such as amenities like electricity, water, essential transport infrastructure, and social services such as health, sanitation, and education. Of course, the fact that these were seen as public duties does not mean that they were fulfilled. Indeed, expanding public provision and enabling wider (and ideally universal) access to good quality amenities and infrastructure has only come about historically as the result of prolonged mass struggles and social and political mobilization. And issues of inequality in such provision have always existed. Nevertheless, the fact that provision is no longer necessarily in the public domain, and that private providers are increasingly seen as the norm, has opened up huge new markets for potentially profit-making activity. This may have been a crucial way of maintaining markets and effective demand given the saturation of markets in many mature economies and the inadequate growth of markets in poorer societies. The prying open of such markets has occurred through a combination of inadequate and reduced public delivery (the expansion of the global bottled water industry, for example, is a result of the failure of public delivery of potable water), as well as changes in economic policies and regulatory structures that not only enable but actively encourage private investment in these areas. And these changes in turn have been pushed by global institutions—the formal organizations such as the Bretton Woods institutions and the WTO through its various agreements, as well as more informal but increasingly influential bodies such as the World Economic Forum. This is a more complicated playing out of the imperialistic drive for control over economic territory than can be expressed through purely national mechanisms, but that does not make it any less consequential.

Another new form of economic territory that is increasingly subject to imperialist struggle relates to the control of knowledge generation and dissemination. The privatization of knowledge and its growing concentration, through the proliferation and enforcement of IPRs, have become significant barriers to technology transfer and social recognition of traditional knowledge that would be necessary for any kind of economic diversification as well as greater economic justice. They also matter greatly in determining the relative power of profits over people within countries as well as between countries. This is clearly evident in terms of access to medicines (even essential and life-saving drugs) and crucial technologies for food cultivation. But it is also very much the case with respect to industrial technologies as well as the transfer of critical knowledge required for mitigating and coping with adverse environmental changes that themselves result from the production systems created by global capitalism. The national and international institutional structures that should provide checks and balances to the privatization of knowledge, and ensure that knowledge production and dissemination are not subservient to a small elite but directed towards social goals, are not just more fragile and less effective in recent times, but in effect work in the opposite direction.

New Global Forms of Capitalist Organization

The rise of the multinational enterprise as the dominant and defining feature of global capitalism is arguably one of the most significant processes of the past century. Yet this too was remarkably presaged by Lenin and Bukharin a century ago. As Bukharin noted, vertical integration of production tends to be combined with geographical disintegration of production processes.

There is going on a continuous process of binding together the various branches of production, a process of transforming them into one single organization. This expresses itself, first of all, in the form of combined enterprises, i.e., enterprises combining the production of raw materials and manufactured goods, the production of manufactured goods with that of unfinished products, etc., which process can and does absorb the most diverse branches of production, since under the prevailing division of labour in our times every branch depends upon the other to a larger or lesser degree, directly or indirectly.**1**
This he saw as operating in tandem with "the growing internationalisation of economic life," in which competition and centralization of capital are reproduced on a world scale.**2**

Yet he was obviously not able to anticipate the sheer extent to which this would occur. The technological changes of the past half century, particularly the advances in shipping and container technology that dramatically reduced transport costs and time involved, as well as the information technology revolution that enabled a much more detailed breakdown of production into specific tasks that could easily be physically separated, were both critical in this. Together they enabled the emergence of global value chains, which are typically led by large multinational corporations, and involve regional and global networks of both competing and cooperating firms. The large corporation here is not necessarily in direct control of all operations—and indeed, the ability to transfer control over production as well as the risks associated with production to lower ends of the value chain is an important element in increasing the profitability of such activities. This adds a greater intensity to the exploitation that can be unleashed by such global firms. Because they are less dependent upon workers and resources in any one location, they can use competition across suppliers to push down their prices and conditions of production, and are less burdened by regulatory processes that would seek to reduce some of their market power.

These changes in production organization combine with other incentives to create what has been called a "downsize and distribute" model that is driving more of the global production chain investment by multinational corporations. The focus in many developed and developing countries on judging the performance of companies by "shareholder value" has created incentives for cost reduction and short-termist behavior that greatly exceed similar tendencies in the past. The lead firms are therefore subject to the discipline of financial markets that demand rapid profits, forcing the construction of global value chains in ways that are much less likely to enable or benefit a program of industrial development in countries in the periphery, and also less likely to provide a viable platform for successful economic diversification.

The Rise of New Powers

It is often argued that the rise of new powers—in particular China, but also India, Brazil, and others—means that notions of imperialism are no longer valid. Yet the imperialist phase of capitalism has been characterized throughout by the emergence of "new kids on the block," some of which have gone on to become the neighborhood bullies as well. When Lenin wrote his pamphlet, the emergence of the United States as the dominant global power was far from evident. Yet the United States, which seemed at that time to be a minor player among the major European actors, emerged to dominate the world scene for nearly a century. Similarly, the rise of Japan, particularly in the second half of the twentieth century, by no means signified a weakening of imperialist power generally; it merely necessitated a more complicated assessment of such power.

At present, the emergence of China is being considered a sign that the global economic landscape is completely transformed. Certainly it is true that the growing weight of China in world trade and investment has had major effects on terms of trade and volumes of exports for many primary producing countries and has brought more countries into manufacturing value chains, even as China has also become the most significant source of manufactured goods imports for most countries. Yet there are dangers of overplaying its current significance. Even now, China accounts for less than 9 percent of global output (measured at constant 2005 prices); its per capita GDP is less than half (around 45 percent) of the global average, and is still many multiples below the average of the so-called "developed" capitalist economies that form part of the imperialist core.**3** In relative terms China remains a "poor" country, but it is also true that Chinese capital in various forms is a significant player in the ongoing struggle for control over economic territory occurring across the world. It is worth noting that many of the current hyperbolic mainstream analyses and predictions with respect to China are eerily similar to the descriptions and predictions for Japan in the 1970s, as the emerging giant soon to take over the role of global economic leadership from the United States.

A similar point can be made even more forcefully for several of the other nations that were ecstatically described as “emerging markets” that supposedly provided proof that forces of imperialism are no hindrance to the rise of developing countries. Together the BRICS nations (Brazil, Russia, India, China, and South Africa) account for less than 15 percent of world GDP in current price terms, even though their share of global population is just under half. This is still so small as to mean that announcements of these countries as the new imperialist powers may well be very premature, especially when global institutional structures are still very much balanced in favor of the established powers.

One reason why the newly emerging economies are often thought to be more significant is because many analyses are not based on nominal exchange rates to compare incomes across different countries, but rather on the Purchasing Power Parity (PPP) exchange rates, which seek to establish the relative purchasing power of each currency in terms of prices of a common basket of commodities. However, the use of PPP exchange rates can be quite dubious, as they are based on prices of supposedly representative baskets of consumption goods in certain countries, which may not be so relevant to consumption elsewhere, especially the poor in much of the developing world. They are unchanging over time across reference periods, even though consumption patterns tend to shift with technological change and evolving preferences. PPP exchange rates are also notoriously imperfect because of the infrequency and unsystematic nature of the price surveys that are used to derive them, which can make them quite dated or even misleading. An even more significant conceptual problem with using PPP estimates is less-widely recognized. In general, countries that have high PPP— that is, where the actual purchasing power of the currency is deemed to be much higher than the nominal value—are typically low-income countries with low average wages. It is precisely because there is a significant section of the workforce that receives very low remuneration, that goods and services are available more cheaply than in countries where the majority of workers receive higher wages. Therefore, using PPP-modified GDP data may miss the point, by seeing as an advantage the very feature that reflects greater poverty of the majority of wage earners in an economy. It would certainly overstate the quantitative significance of such countries in the world economy.

All this does not mean that there have been no changes in global economic and political power. It is evident that there have been and will continue to be significant and even transformative changes. However, these changes in the position of countries in the economic and geopolitical ladder do not mean that the basic undercurrent of imperialistic tendencies that drive the global system have disappeared—they may even become more intense as the struggle for economic territory becomes more competitive.

Indeed, if the lessons of history are to be recognized, it is likely that the emergence of new powers on the world capitalist stage will generate immense new conflicts—economic, political, and military—as the old imperial powers seek to retain their dominance over the world system. The current trade negotiations reflect Washington's determination to make an economic pre-emptive attack and lock-in the present power structure based on the U.S.-led triad of the United States/Canada, Western Europe, and Japan. The goal is to create a political-legal superstructure for world trade that will reinforce the advantages of those who currently have the most economic power, including the mega-multinationals centered in the triad. Moreover, it is necessary "to do it today," as Obama openly declared in May 2015, in a speech at Nike Inc.: "We have to make sure America writes the rules of the global economy, while our economy is in the position of global strength…. Because if we don't write the rules for trade around the world" there will come a time when "guess what—China will."**4**

Notes

1. Nikolai Bukharin, *Imperialism and the World Economy* (New York: Monthly Review Press, 1973, originally 1929), 70.
2. Ibid, 61.
3. "Nominal and real GDP, total and per capita, annual, 1970-2013: US Dollars at constant prices (2005) and constant exchange rates (2005) per capita," United Nations Conference on Trade and Development (UNCTAD), ~~http://unctadstat.unctad.org~~.
4. President Obama, "Remarks of the President on Trade," speech at Nike Inc., Beaverton, Oregon, May 8, 2015, https://whitehouse.gov; "'They're Making Things Up': Barack Obama Bites Back at Democrat Trade Deal Critics," *Guardian*, May 8, 2015, http://theguardian.com.