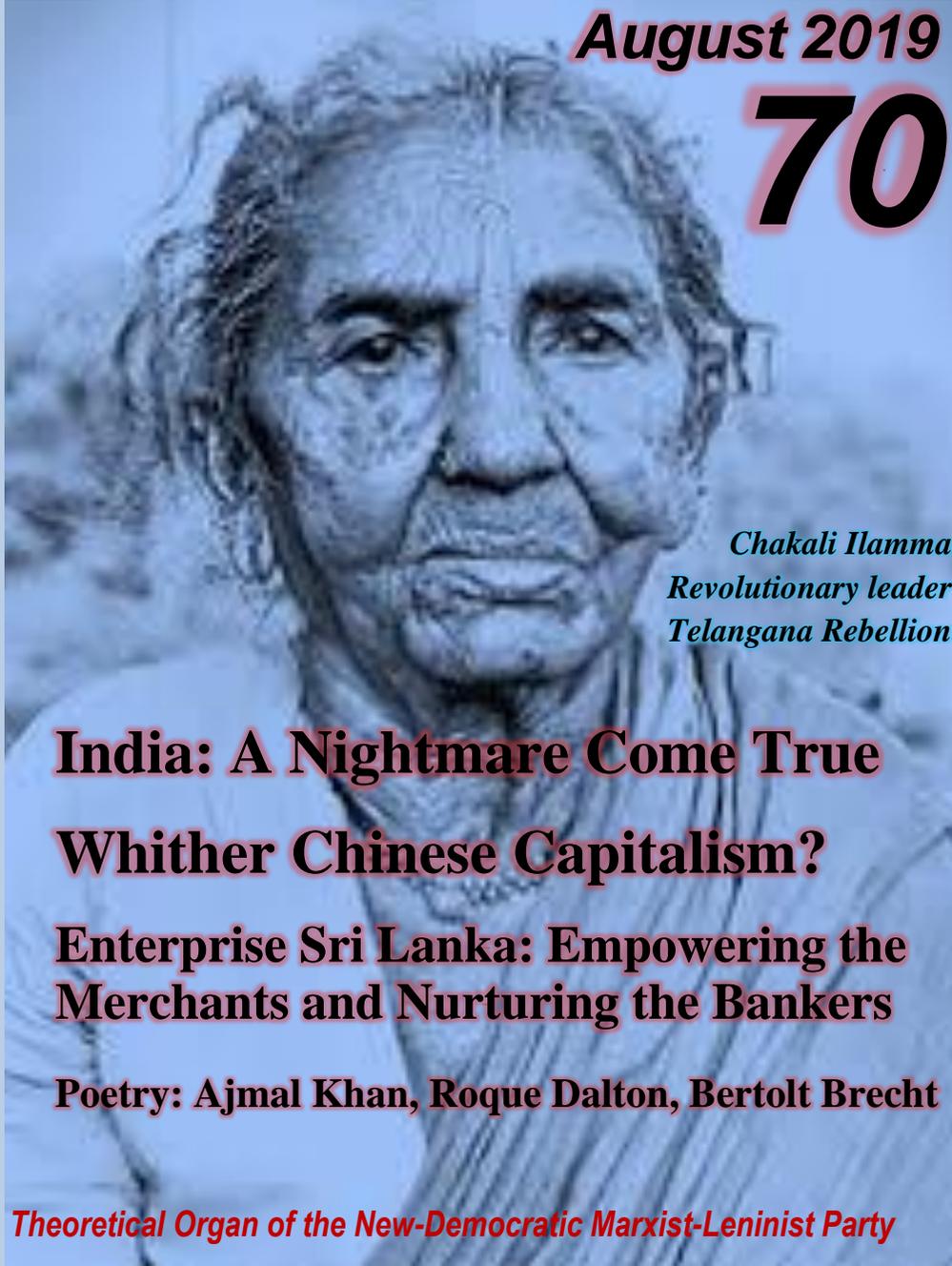


# **Marxist Leninist New Democracy**

**August 2019**

**70**



*Chakali Ilamma  
Revolutionary leader  
Telangana Rebellion*

**India: A Nightmare Come True**

**Whither Chinese Capitalism?**

**Enterprise Sri Lanka: Empowering the  
Merchants and Nurturing the Bankers**

**Poetry: Ajmal Khan, Roque Dalton, Bertolt Brecht**

**Theoretical Organ of the New-Democratic Marxist-Leninist Party**

# My Name is Kashmir

*Ajmal Khan AT*

My name is Kashmir

My name is not India

My name is not Pakistan too

My name is Kashmir

and my name is Maqbool Butt

My name is Afzal Guru

My name is Syed Abdul Rahman Geelani

My name is Burhan Muzaffar Wani

My name is Parveena Ahangar

and many mothers like her

I have many other names whose names

I don't know; they are known as the "disappeared"

My name is Kashmir

My name is the names of women who were raped at Kunan Poshpora  
and my name is the name of unknown graves.

My name is the name of thousands of youth who were killed  
and no one knows where their dead bodies are

My name is Kashmir

My name is not India

My name is not Pakistan too.

Source: <https://indianculturalforum.in/2016/07/24/poems-on-kashmir>

Aversion for elections is notorious among parties in power, particularly when they risk losing. The 1978 Constitution created the monster of the Executive Presidency that was recognized as a menace within a few years, and since 1994 every successful Presidential candidate and even key rivals pledged to eliminate the Executive Presidency. But none acted on the pledge. In 2015 there was serious effort to rescind executive powers, and there was curtailment of several powers of the President but not enough to deprive the President of control over key sectors of government and fair power to intervene in parliamentary government. Abuse of power by the President in late 2018 led to a crisis that was resolved by the intervention of the Supreme Court. But the lessons are yet to be learned.

The great desire that leaders of key political parties show to be elected only indicates that there is no wish to get rid of a Presidency with executive powers. The intention seems to be to consolidate whatever power there is with the help of a parliamentary majority.

The UNP delayed elections to all local authorities by three years, adding to delays of up to 3 years under the earlier government. It held elections under a revised election scheme which had some democratic potential to assure a minimum representation of women as well as enable smaller political parties and groups outperform bigger rivals, especially in the north. That alerted major parliamentary parties and electoral reforms have stagnated. Elections are now overdue by 9 months for six of the nine Provincial Councils and 4 months for two others, while the term of the ninth ends in September. The legislative and the executive have clearly conspired to delay elections.

The presidential election is due between 9<sup>th</sup> November and 9<sup>th</sup> December and there is wrangling about holding Provincial Council elections before it. The Joint Opposition is still pushing for parliamentary elections, due in August 2020, to be held earlier than the Presidential election. Sadly no parliamentary political party or potential presidential candidate so far has put forward policies to resolve the problems facing the country, and the sole aim seems to be to get elected somehow.

The major political parties, the UNP, SLPP and SLFP, are all chauvinist, and are reluctant to confront the growing Sinhala-Buddhist fascist menace that threatens the country. If at all, their political alliances are accommodating, and either openly pander to the fascist groups or collude with them behind scenes, in a climate of communal intolerance that has been whipped up since the Easter bombings. Even the JVP lacks a principled stand on the national question for fear that it will cost it votes from the majority nationality.

Parties of the national minorities only care about securing parliamentary seats, and their stand in the Presidential elections will depend solely on seat arithmetic for the elections to follow. They are left with far less to promise their respective electorates than in past elections owing to their inability to assert the just demands of the people who they claim to represent, and will at best resort to empty threats without substance.

In the absence of candidates with policies or programme to address the pressing problems facing the country including the failing economy amid growing foreign debt, decline of social harmony and peace owing to aggravation of the unsettled national question, crisis of law and order amid growing crime in which many politicians play a role, environmental ruin caused by reckless consumerism, and challenge to the country's sovereignty resulting from the erosion of an independent foreign policy rooted in anti-imperialism, voters will be under pressure to choose between candidates, based on issues like who can best save Sri Lanka from Islamic terrorism.

The genuine Left should thus reserve judgment on voting until it finds a candidate with a manifesto for the resolution of the economic crisis based on a policy of building a national economy, rejecting existing policies promoting wasteful consumption and unsound notions of development that lead the country into further debt; addressing the national question based on the equality of all nationalities, devolution of power and self determination; and pursuit of a foreign policy defending national sovereignty and upholding anti-imperialism. Meanwhile it should inform the public of how the farce of parliamentary democracy distorted by an executive presidency has put the country on the path to destruction. The need for alternative politics is more pressing than ever before, and that should continue regardless of how the theatre of Presidential election unfolds.

# **India: A Nightmare Come True**

## **The Rise of Rightist Politics**

Observers across varying political loyalties anticipated the return of the Bharatiya Janata Party to power. Yet some optimists expected real issues facing the country like unemployment and the pain due to BJP's unwise policies of demonetization and GST to militate otherwise. BJP's defeat in Legislative Assembly elections in November-December in the BJP strongholds of Uttar Pradesh, Rajasthan and Chhattisgarh, fuelled such hopes, but to no avail.

Electoral arithmetic may explain how the BJP returned to power with a biggier majority. What matters is to understand what made it possible.

To explain the rise of the Hindutva right, electorally and otherwise, one should know the roles of key socio-political forces that came to the fore in the past half century. The failure of the Indian National Congress (INC) and the parliamentary Left needs to be studied beyond the domain of electoral politics. The impact and significance of identity politics based on religion, caste, ethno-linguistic identity and region needs to be understood. Gender and class issues need to be viewed afresh in the light of an increasingly assertive Hindu fascist ideology.

This essay is a brief overview of the Indian electoral political scene in the context of the defeat of the left and liberal political parties.

## ***Electoral Fortunes of the Hindu Right***

Let us examine what enabled the BJP's victory, amid opposition hopes of at least keeping the BJP in check by denying it a parliamentary majority.

Of Indian electoral political outfits, only the BJP showed sustained growth in the past three decades. Nominally its roots were in the Janata

Party made up of the Bharatiya Jana Sangh (the political arm of the proto-fascist Rashtriya Swayamsevak Sangh), the Socialist Party (one of several with such name), the INC (Organization) — a rightist faction of the INC that split with the one led by Indira Gandhi in 1969 — and the Bharatiya Lok Dal (itself an alliance of seven small centrist and centre-right parties), formed in 1977 to defeat the unpopular INC government led by Indira Gandhi. In 1980, the Janata Party, in order to preserve its secular image following the collapse of its government in 1979, call upon members of the Bharatiya Jana Sangh to give up membership in the RSS. It caused a split that led to the founding of the BJP, mainly by persons with roots in the Jana Sangh. The politics of the BJP could thus be traced to the rise of Hindu fanaticism under British rule and the founding of the RSS in 1925. Political historians have also noted the affinity of the RSS for Hitler and Mussolini. The RSS nevertheless grew into a strong, well-organized and disciplined proto-fascist Hindu activist group.

On suspicion of association with the assassination of MK Gandhi in 1948, the Indian government banned the RSS and arrested tens of thousands of RSS volunteers, but spared the All India Hindu Mahasabha founded in 1915. The ban was revoked in 1949, and the RSS founded the Bharatiya Jana Sangh (or Jana Sangh) in 1951. Alleged association with the assassination of Gandhi hurt the public image of both RSS and the Mahasabha, and Hindutva; and electoral performance was not bright until 1977. However, the Jana Sangh, Hindu Mahasabha and other Hindu rightist parties mustered around 7% of the vote in 1951–52 elections. In 1957, the entire Hindu right polled over 8%, with the Jana Sangh securing nearly 6%. While Jana Sangh scored at the expense of the Hindu Mahasabha and others, the Swatantra Party (1959–1974) founded by rightist dissenters in the INC made a strong impact. Secular, unlike the Hindu right, Swatantra was pro-West, anti-left and resented Russian influence. Its vote improved from 7.9% in 1962 to nearly 8.7% in 1967, when the Jana Sangh with 9.3% overtook it. Since then Swatantra had lost ground to INC(O). A right wing alliance comprising INC(O), Jana Sangh, Swatantra, Samyukta Socialist Party and Praja Socialist Party (PSP, later

part of Socialist Party), despite securing close to 25% of the votes in 1971, failed to dislodge the INC as well as lost many of its seats.

The Indian right wing was blessed by Indira Gandhi's rash response to a High Court verdict in 1975 on an election petition, which, based on seemingly not serious offences, ruled that her election to parliament was null and void. Already haunted by economic problems and corruption, she refused to resign. Opposition groups held huge mass protests while trade unions and student unions struck demanding her resignation. The Supreme Court reversed the High Court verdict later in 1975. But her declaration of a State of Emergency that lasted from June 1975 to March 1977, under which she banned opposition parties, arrested rival leaders and severely repressed potential dissent, badly hurt the INC.

Although India had twice earlier had Emergency Rule and suppression of political rights under it, public resentment was stronger this time, and the INC suffered a heavy defeat by the Janata Party, a coalition of Jana Sangh, Swatantra Party, Bharatiya Lok Dal and Socialist Party, among others. The Janata Party itself polled over 43%, and the alliance that it led, which included the Communist Party of India (CPI(M)) and a few other left parties, polled close to 52%. The Communist Party of India (CPI) which stood by the INC suffered a loss of credibility.

Internal feuds amid poor economic performance and growing communal strife led to a split, and the Janata Party (Secular) was formed in July 1979. Morarji Desai resigned as Prime Minister and the minority government led by Charan Singh, formed in July 1979 with backing by the INC, fell in August when the latter withdrew support. The Janata Party, renamed as Lok Dal before the general election in 1980, faced the elections under its earlier name to receive 19% of the votes and win only 31 seats, fewer than seats won by each of Janata Party (Secular) and CPI(M) with much smaller shares of votes. INC returned to power in strength. Jana Sangh sections of the Janata Party regrouped as the BJP.

BJP's growth was based on communal politics nurtured at grassroots level by the RSS over decades. But its ability to attract non-traditional

voters, cutting across caste, class, region and ethnicity is recent and owes much to the state of chaos of other political parties.

The most important of factors that enabled BJP's massive victory in 2014, was the creation and sustenance of the Modi cult based on the "Gujarat miracle". This was a key part of the overt and covert campaigning for the BJP by the mainstream media and organized sections of the social media. Political and organizational decline of the INC and the Left helped, while the BJP adapted tactics that attracted elite sections of downtrodden social groups such as Dalits and Adivasi (tribal) people, whose interests really conflict with the class and caste interests represented by the BJP. Also, Modi's backward caste identity appealed to many Dalit and OBC voters.

The bigger victory in 2019 was despite the demonetization blow, GST, surging unemployment, and a weakening economy, which made the BJP lose power in three Legislative Assemblies in elections held in late 2018. Many explanations have been offered for the reversal of the setback. Bickering among the opposition parties which well knew the desperate need for unity was one. That meant that an alliance could not be forged to offer a credible alternative to the BJP-led National Democratic Alliance. That partly explains why the surge in anti-Dalit violence under the BJP between 2014 and 2019 did not make a major impact. Money played a big role as the BJP, now enjoying the unanimous support of the big capitalist class, had access via lawful and unlawful channels to far bigger sums than its opponents. The opaque and potentially corrupt electoral bonds scheme floated by BJP in the last budget let it secure an estimated 95% of anonymous contributions made through the bonds. Also important was the biased conduct of the Election Commission that turned a blind eye to improper conduct by BJP leaders but was harsh on rivals. Evidence has emerged about abuse of the electronic voting system; but its scale and significance cannot explain the size of the BJP vote.

Factors that helped the BJP in 2014 helped it in 2019 too. RSS volunteers numbering over six million as well as other agents were paid to influence voters. A well-funded BJP campaign aided by a committed band of RSS

activists proved strong. The Modi cult worked in two ways: centralizing the cult figure of Modi overshadowed the opposition candidate in any electorate; and a highly personalized campaign made the elections seem a contest between a strong and experienced Modi and a weaker Rahul Gandhi. With this as the basis of the contest across the Hindu-Hindi belt, the BJP exploited the terrorist attack on a military convoy in Pulwama in Kashmir on 14<sup>th</sup> February, which the Pakistan-based Jaish-e-Mohammed claimed credit for; and added to it the dubious claim of a 'surgical strike' killing hundreds of J-e-M cadres in a training camp in Balakot, Pakistan. The J-e-M attack seems too well timed to be by chance, and prospects are strong for mysterious hands being at work. By March the BJP's campaign thrust shifted from "economic development for all" to military posturing and a strong leader who will keep Islamic terrorism and Pakistan at bay. Modi also used the terrorist bombing in Sri Lanka on 21<sup>st</sup> April to urge the need for a strong leader. Questioning the bogus claim of a successful surgical strike inside Pakistan was decried as anti-national to put critics the defensive. Strident Hindutva ruled the Hindi belt, as seen from the naming of Sadhvi Pragya Thakur, a Hindutva terrorist bomber out on bail, as candidate for the BJP stronghold of Bhopal in Madhya Pradesh.

A show of unity under a credible leadership could have pruned the Modi cult. Without it, the BJP, aided by the media, dictated the theme of the electoral debate so that the opposition could not put the BJP in the dock.

The RSS is a well-oiled Hindu fascist social-activist cum propaganda machine. Huge funds, mighty mass media and efficient social media networking helped it to outdo the opposition in key states. It should also be noted that while the Scheduled Castes (Dalits) and OBCs voted for the BJP, the BJP was a major beneficiary of the deep penetration of Hindutva ideology among elite castes in the Hindi belt.

Note should be taken of sectarian rightist partners such as the Shiromani Akali Dal in Punjab and Shiv Sena in Maharashtra. The latter, a party hateful of immigrants, especially South Indians, shifted to Hindutva when its 'sons of the soil' ploy failed to bring votes. It now targets

Muslims. While such opportunist alliances are fragile, one cannot ignore right leaning among regional parties, including Trinamul Congress (West Bengal) and DMK (Tamilnadu) which opposed the BJP in 2019.

## **Failing Bourgeois Centrist Politics**

### ***The Indian National Congress***

The INC ruled without break since as Interim Government of India in September 1946 until defeat in 1977. It bounced back in 1980 to rule until 1989, when a minority government of the National Front coalition was formed a with BJP support. The NF government fell in 1991 after the BJP withdrew support. Rajeev Gandhi's assassination amid general elections in 1991 helped the INC to regain power until 1996. The NF government, formed in 1996 with INC support fell in 1998. The BJP-led NDA formed government in 1998, which fell in 1999 when a partner withdrew. A regrouped NDA elected in 1999 to serve until 2004. The INC-led United Progressive Alliance, with Left Front support succeeded it and won again in 2009 more convincingly to rule until 2014. The performance of the INC and its partners has declined since the surge in support for the BJP which is now the strongest political party in India.

A glance at the vote share of the INC in parliamentary elections since 1952 will show a secure vote bank of 40% until 1977, with a dip of around 5% when Indira Gandhi became Prime Minister in 1967 that recovered in 1971 despite a right wing split. INC's sustained electoral performance owed much to its image as the party that won independence and to the prestige of Gandhi and Nehru. But it really served the interests of the bourgeoisie and sections of the feudal land-owning classes. The October Revolution influenced the Indian independence movement, and a strong socialist streak appeared in the INC leading to the founding of the Congress Socialist Party in 1934. The role of the communists in building militant trade unionism and anti-colonial mass movements influenced anti-imperialist INC militants and leaders like Nehru and Subhas Bose, while many nursed anti-communist prejudices inherited from the British.

Although the INC was a bourgeois party, the salient role of rural masses in the independence movement forced it to adopt a 'land to the tiller' policy. But its implementation faced hurdles. While elimination of agricultural intermediaries was attained, tenancy reforms and ceiling on land ownership were not quite. The tenacity of the caste system ensured that agricultural production retained feudal features to differing degrees even after commercialization of agriculture from the 1970s. The fact that full implementation of land reform in Kerala and West Bengal happened after Left governments took power there, points to the poor concern of the INC for the plight of the tenant farmer. The INC was protected by the absence of a strong peasant movement in most states.

Of post-independence splits in the INC the most important was in 1951; socialists grouped as the Congress Socialist Party left for loss of faith in INC's socialist credentials. Subsequent splits were by right wing factions resenting 'socialist' trends and bias towards Soviet Union. The splits had no serious impact on INC's electability. But, when the INC led by Indira Gandhi won in 1967, the Swatantra Party (1959–1974) founded by right wing deserters closely overtook it in Gujarat and Orissa and competed strongly in Rajasthan. Non-INC governments won Legislative Assembly elections in that year: a left alliance in Bengal; an alliance of Swatantra Party with Orissa Jana Congress (right wing splinter from INC) in Orissa; and Dravida Munnetra Kazagham in Madras (now Tamilnadu). None could form government in Rajasthan. Regional factions became more assertive after a split in the INC leadership in 1969 that led to the brief expulsion of Indira Gandhi by a right wing group that later became the INC(O). The Indira Gandhi faction known as INC(R) later claimed the name INC. The INC government in Gujarat, elected in 1965, sided with INC(O). Splits in several states led to the emergence of strong rivals or weakened the INC. Congress (O), overtook Swatantra Party in 1971 to lead state governments in Bihar, Karnataka and Karnataka.

Despite slowing economic growth (at 2.5% against the 1961–65 Five-Year Plan target of 5.6%) and strain on the economy owing to wars (China in

1962 and Pakistan in 1965), the INC benefitted from war. Its vote share hovering around 45% between 1952 and 1962 dipped to 41% after it split in 1967. An election campaign pledging riddance of poverty helped recovery to nearly 44% in 1971. Abuse of emergency power during 1975–77 caused defeat in 1977, with vote share below 35%. After three years of chaotic rule by the Janata Party (an amalgam of liberals and the Hindu Right) the INC benefitted from the rift between the Hindu Right and secular sections of the Janata Party to recover electorally and win in 1980. The sympathy vote following the assassination of Indira Gandhi handed the INC a record parliamentary majority in 1984 with 48% of the votes. But the harm done by Emergency 1975–77 was irreparable. Popular support declined gradually and INC's prestige as the party that led India to independence faded. Its vote share was below 36% when it formed government in 1991, despite the sympathy vote after the assassination of Rajiv Gandhi. Vote share held at around 27–28% until 2009 with a dip to 26% in 1998. The sharp fall to below 20% in 2014 and 2019, even after allowing for distortions caused by electoral pacts, was serious, and the result of loss of support in key North Indian states.

Among factors that led to the rise in support for the BJP are tactical blunders of the INC in being tolerant of the RSS and the Ram Temple agenda, subtly under Rajeev Gandhi (1984–1989) and very visibly under Narasimha Rao (1991–1996). The BJP capitalized on the shortcomings of the INC far more effectively than its rather divided secular rivals.

After 1977 the status of the INC as the strongest party weakened even in traditional strongholds. Challenges from the Left in Kerala, West Bengal and Tripura, and regional parties in Andhra, Assam, Bihar, Maharashtra and Punjab and Tamilnadu, and splits in Kerala, Karnataka, West Bengal and Maharashtra heavily damaged INC's hold in these states. The rise of assertive political parties of the Dalits and Other Backward Castes ate into its support base among the underprivileged in northern states. The INC proved unequal to the task of addressing the concerns that posed the challenges. It continued like the big force that it was up to 1977,

except where it had been totally humiliated. Its inability to deal with a potential ally, however small, as an equal is still an issue.

INC policies were once seen as centrist or even 'left-of-centre'. But it was the INC that led India into 'open economy' and alliance with the US. The Indian elite nurtured regional ambitions and dreams of a Greater India as successors to the British Raj. While the INC presented a secular face, the Hindu Right had other ideas. The avoidable border war with China in 1962, the unjust stand on Kashmir that obstructs peace with Pakistan, arrogant interference in Nepal and Bhutan, and the annexation of Sikkim, are matters that transcend party politics, except for sections of the Left. Clumsy meddling in Sri Lanka in the 1970s and 80s has roots in Indian resentment of the independent foreign policy of Sri Lanka.

Significantly, India has relied on super power patronage to realize its expansionist dreams. After the fall of the Soviet Union, foreign and economic policies took a sharp turn to the right under INC rule. While the BJP under Modi is far more amenable to US pressure, it is doubtful whether INC would reverse the trend if returned to power.

INC governments increasingly failed the Muslims, Dalits and Adivasis as commitment to secularism weakened in the face of Hindu sectarianism. Its response to aggressive Hindutva was passive as it sought to placate Hindu sectarianism, especially of the middle classes.

Disillusion among Dalits, OBCs and Adivasis generated assertive leaders of identity politics with little incentive to continue support for an INC which lacked the knack to act proactively to win back lost loyalties. It was the BJP rather than the INC or the Left that gained from such disillusionment, more so after many Dalit and OBC leaders elected to Legislative Assemblies and Parliament proved to pursue power, position and wealth more than the interests of their communities.

India's early development in key economic sectors was remarkable, thanks to state control of key sectors and restricted import of consumer goods— seen as socialism by both supporters and rightist enemies of the INC. The INC's commitment to social welfare and elimination of social

discrimination was hampered by slow economic development and the hold that feudal social values had on society, especially in rural India.

INC under Nehru associated itself with democracy, secularism, socialism and non-alignment. But what they meant in practice changed with time and INC governments acted increasingly against the spirit of each principle. The open economic policy and foreign policy under Narasimha Rao were not whims of an individual but a sign of the surrender of the Indian bourgeoisie to imperialism, now in the form of neo-colonialism.

The BJP more blatantly and vigorously pursues the policies of the INC since the 1980s, even in some aspects of its reactionary agenda on the political, socio-cultural and economic fronts. The BJP, preferred to the INC by the Indian bourgeoisie in 2014, is now fully endorsed by the bourgeoisie as well as US imperialism and its allies.

The decline of the INC was for want of appreciation of the fair demands of different ethno-linguistic and religious identities and its inability to stand up to the oppressive hierarchies of caste and class. Having relied too heavily on its past glory and the Nehru lineage it proved incapable of responding to changes in values and attitudes of a volatile electorate.

### ***Old Socialist Parties***

People with socialist tendencies led splits in the INC in the early 1950s. Later splits were mainly right driven. Socialist parties that emerged from the INC were much averse to communism.

The important socialist parties to emerge from the INC were the Kisan Mazdoor Praja Party led by JB Kripalani and the Socialist Party led by Jaiprakash Narayan. The parties founded in 1951 merged in 1952 as the Praja Socialist Party. A section led by Rammanohar Lohia broke from the PSP in 1955 to resume the name Socialist Party, and in 1965 merged into the Samyukta Socialist Party formed in 1964 following a split in the PSP.

The combined strength of the socialists declined both in terms of votes received and parliamentary seats from 16.6% (21 seats) in 1957 to 3.1% (5

seats) in 1971, despite a rise to a total of 36 seats and 8% of the vote for the PSP and SSP in 1967. Weak ideology and poor electoral performance led to splits including in Kerala where the SSP split in 1968 to become the Kerala Samyukta Socialist Party in defiance of an SSP decision to leave the CPI(M) led government. While leaders like Ashok Mehta joined the INC in 1960, the tendency during the 1970s was to join the rightists.

The PSP and SSP allied with the INC(O), Swatantra Party and the Jana Sangh against INC(R) led by Indira Gandhi in 1971. After the heavy defeat of the alliance, a section of the PSP and the SSP in 1972 became the Socialist Party, which at the end of 1974 joined the Swatantra Party, the Utkal Congress (of Odisha), the Bharatiya Kranti Dal and others to form the Bharatiya Lok Dal, which fused into the Janata Party in 1977. This alliance of misfits that brought INC rule to an end wrecked the Socialist Party as well. Several socialist groups associated with the PSP founded the Socialist Party (India) in 2011 but made little headway.

The All India Forward Bloc, founded in 1939 by Subhas Chandra Bose as the Forward Bloc of the INC, had a clearer left identity than other socialists. After independence, it registered as a parliamentary political party. It allied with the PSP in 1964 and with the CPI and a progressive faction of the PSP in Tripura in 1965. Its tie up in 1968 with the right wing Swatantra Party led to a split in Tamilnadu that took 11 years to heal. Subsequent alliances were not ideologically based, although the AIFB has remained part of the Left Front in West Bengal since the late 1970s.

### *New 'Socialist' and Left-of-Centre Forces*

New political parties and alliances with socialist labels emerged after old socialists lost credibility since 1977. Some used left slogans for political advantage, but collaborated with the BJP for a share in power.

The Janata Dal formed in October 1988 by merging secular factions of the Janata Party, the Bharatiya Lok Dal, INC (Jagjivan Ram), and the Jan Morcha formed by VP Singh after he left the Congress in 1987 dissolved in 1999. It united a disparate spectrum of parties including regional

parties such as Telugu Desam Party, DMK, and Asom Gana Parishad as the National Front to defeat the INC led by Rajiv Gandhi in 1989 and form government with outside support from the BJP and CPI(M) led Left Front. The BJP withdrew support following the arrest of LK Advani in October 1990 in Bihar by Lalu Prasad Yadav, who also stopped his Ram Rath Yatra to Ayodhya. The government fell and the Janata Dal has since splintered into more than 40 factions, with a third of them now defunct.

Splits, mergers and demergers led to an array of parties, but none with an all India character. Direct successors became mostly regional, like Samajwadi Party, 1992, mainly in Uttar Pradesh, Samta Party, 1994, in Bihar, Janata Dal (Secular), 1999, in Karnataka and Kerala, Rashtriya Lok Dal, 1998, in Uttar Pradesh and Rajasthan, Lok Janshakti Party, 2000, in Bihar, Janata Dal (United), 2003, in Bihar, Nagaland and Arunachal Pradesh, Indian National Lok Dal, 1996, in Haryana, Rashtriya Janata Dal, 2007, in Bihar, Biju Janata Dal, 1997, in Odisha, and Loktantrik Janata Dal in Bihar, 2008. There was no strong ideological bond to unite them. A few are still represented in Parliament and in Local Assemblies, but have sought partnership with the BJP or the INC.

The Bahujan Samajwadi Party founded in 1984 by Kanshi Ram (1934–2006), aimed to speak for the Dalits (SCs), OBCs, Adivasis and other oppressed people comprising 85% of India's population. But realities of electoral politics dictated otherwise. After the mainly Uttar Pradesh based BSP tasted power at state level, thirst for power in the Legislative Assembly tempted it to partner with the BJP in 1995, which did not last beyond 1997. The BSP has contested in other parts of India, but without notable impression. Intentionally or otherwise, the BSP reduced itself to a party of the Dalits but with its Dalit support base considerably eroded.

The Aam Aadmi Party was a unique phenomenon. An anti-corruption campaign became the AAP in 2012. Despite impressive performance in the Delhi Assembly elections in 2015, its bid to be a national party failed, with a significance performance only in Punjab. The AAP is populist and lacks ideology. It has yet to learn that anti-corruption is inadequate as

political agenda for a mass political party as its weak performance at the general elections of 2014 and the worse performance in 2019 show.

The inability of some of the new 'socialist' parties to unite on a common agenda is due to electoral political ambitions limiting their vision to short term gains and electoral arithmetic. Their commendable secular outlook is, however, inadequate to conquer constraints of caste and community based support bases, as electoral politics generally aggravates communal divisions based on caste, region and religion.

Under such circumstances, the growth of any political party into an all India party will be challenged by dominant regional political factors and more seriously by short term electoral considerations. The absence of a minimum common ground among partners was the root cause for the short-lived governments of the Janata Party that brought down Indira Gandhi in 1977 as well as the National Front alliances of 1989 and 1996, once seen as the Third Force in Indian politics.

Secularism and anti-fascism are essential to any progressive alliance seeking to dislodge the BJP. But secularism and anti-fascism can only be a part of the founding principles of a bigger common programme.

As things stand, prospects are weak for a secular progressive alliance to be built based on a diversity of seemingly progressive parties, each with an eye on power in the regions and a share in power at the centre.

## **Regional Parties Old and New**

Regional parties emerged on diverse bases. The DMK entered electoral politics with a secessionist agenda, which it knew was impractical. When opportunity came by way of the 16<sup>th</sup> Amendment to the Constitution, 1963 placing severe restrictions on secessionist parties, the DMK grabbed it and gave up its call for Dravidanadu. However, its resistance to Hindi and demand for greater autonomy for the state are alive. No all-India party wields much say in Tamilnadu since the DMK came to power in 1967. The ADMK which parted company with the DMK in the 1970s is its sole rival. Factions and caste-based parties have multiplied since. The

insensitivity of the INC to Tamil sentiment on imposing Hindi, cultural Sanskritization and Brahmin hegemony dealt it a heavy blow from which it has not recovered. Despite all lip service to Tamil, Tamilnadu is a state where a person with no knowledge of Tamil could go through school and college, and hold high positions in the state sector.

Linguistic sentiment is strong among major linguistic groups and finds expression in various forms, but none matches the anti-Hindi emotion in Tamilnadu, where, like elsewhere, English poses the main threat to the native language, and none talks about it. Language was inadequate to keep Andhra together, when the economically backward Telangana parted from Andhra in 2014, after years of agitation.

Religion, a strong identifier, has not been much of a uniting force. Nehru resisted the Shiromani Akali Dal's demand for a state for the Sikhs, but in 1961 promised to Master Tara Singh, leader of the SAD, that he will consider the matter. A predominantly Sikh Punjab came about only in 1965. The INC government under Indira Gandhi resented the rise of the SAD, and mishandled its call for greater autonomy. In its bid to retake Punjab from the SAD in 1980, the INC cynically backed the militant Bhindranwale against the SAD, with tragic consequences. The Khalistan movement with origins in the late 1970s launched a separatist insurgency in 1981 that dragged on until 1995. The attack on the Golden Temple by Indian Army in June 1984 was followed by the assassination of Indira Gandhi in October and an anti-Sikh pogrom mainly in Delhi soon after.

The Telugu Desam Party emerged as a strong force in Andhra in 1983 based on regional dislike of meddling by the centre. The INC, however, held on to alternate in power with the TDP. In 2019, YSR Congress, a faction of the INC resentful of domination by the centre, outdid the TDP in elections to Parliament and the Legislative Assembly. In Telangana, the strongly regionalist Telangana Rashtra Samithi with affinity to the BJP, dominates since separation from Andhra in 2014.

Regional parties such as Biju Janata Dal, a strong force with rightist leanings in Odisha, and the Rashtriya Janata Dal and Janata Dal (United)

in Bihar are offshoots of the Janata Dal. In Karnataka, amid strong regional sentiments, the Janata Dal (Secular), which too emerged from the Janata Dal, remains formidable but not the dominant regional force. The BJP has made significant inroads in both states in the past decade.

The Nationalist Congress Party in Maharashtra emerged from a faction of the INC strongly opposed to Sonia Gandhi's leading the INC. The parochial Shiv Sena, once notoriously hostile to migrants in Mumbai, is now a Hindutva force and a reactionary rival cum ally of the BJP.

Of parties that split with the INC, All India Trinamool Congress (1998) was most successful. Its early gains were at the expense of the INC. Mass disaffection with the Left Front government led to its subsequent leap. It initially allied with the BJP, and once joined a BJP-led government. Its corruption and terror made it lose ground recently, and in 2019 the BJP bagged much of its votes from angry supporters of the INC and the Left.

Demand for secession is historically justifiable in Kashmir and the north east, where accession to India was without reference to the population. Alliances for parliament and legislative assembly never reflected popular aspirations. Tribal rivalry, ethnic chauvinism and resentment of outsiders remain as divisive forces. Militancy persists to varying degrees, often to counter state oppression. The state's handling of elections in Kashmir over the years reduced electoral democracy to a tragic farce.

In general, regional parliamentary parties crave power locally while seeking patronage from the centre. Thus they lack a long term vision for India or even the people that they claim to represent. The readiness of leaders of all but a few regional parties to hitch the Congress or the BJP bandwagon whichever is in the lead is all too transparent.

## **Oppressed Caste and Adivasi Politics**

Dalit politics is an outcome of BR Ambedkar's initiatives. The Republican Party of India formed in 1956 succeeded the Scheduled Castes Federation (1942) that followed the Independent Labour Party (1935) and Depressed Classes Federation (1930). RPI never won far fewer seats than would

match the SC (Dalit) population. It has since the 1980s suffered many splits with fragmentation electorally weakening all groups.

Bahujan Samaj Party founded in 1984 aimed to unite people oppressed by identity, namely Dalits, OBCs, Scheduled Tribes (Adivasis) and religious minorities making 85% of the population. It became a party of the Dalits and was soon among the largest national parties, polling 4.16% of the vote in 1999, to reach a peak of 6.17% (21 seats) in 2009 and shrink to 4.19% (no seats) in 2014 and 3.69% (10 seats) in 2019. It dropped from the third largest vote gatherer in 2014 to fourth in 2019. This perhaps points to the stagnation of identity politics without ideology. The BSP is, however, likely to retain its vote base in Uttar Pradesh for some time.

Caste politics has limitations, and Dalit identity is no monolith. The way electorates are structured compels Dalit candidates to seek the support of major political parties. Unprincipled alliances are a flaw of Dalit parties craving electoral success, and hurts broad-based unity to fight for social justice. In politics without clear ideology, personal and sectarian rivalries come to the fore so that Dalit politics risks dividing the Dalits.

The Samajwadi Party born in 1992, after the Janata Dal fell apart. Based largely in Uttar Pradesh, it enjoys the support of an large OBC group as well as Muslims. It has on occasion had the support of segments of other smaller castes including Dalits. It has been consistent in its aversion for the BJP, but is troubled by internal squabbles that deny it potential to become an all-India political force, despite strength in Uttar Pradesh.

OBCs comprise the largest section of the population but their social class and status within the caste structure is diverse. Uniting OBCs as a group is far less feasible than uniting Dalits, as loyalty based on individual castes or caste clusters is strong among OBCs. There are, however, instances of cross-caste collaboration in elections as in Uttar Pradesh; and there are also instances of opportunist alliances falling flat as in the case of PMK and Viduthalai Chiruththaikal nine years ago in Tamilnadu.

Adivasis, who are 8.6% of India's population, are economically, socially and educationally the most deprived people in India. To this should be

added the denial of language and cultural rights and moves to assimilate their religious identity to Hinduism. Their existence as a people is under rising threat from the hunger of India's big capitalists and foreign partners for mineral deposits in their territory. Adivasi land also face the threat of land alienation for development projects. Organizing Adivasis to fight for their rights has been harder than organizing oppressed castes, and only the militant Left has taken up their cause in some parts of India.

Reservation of Parliamentary and Legislative Assembly seats did not help Adivasis to assert themselves as a people, except in states in the north east where they are a majority. In Jharkhand, a state created through prolonged struggle, Adivasi political parties at best bargain with a strong all-India party for sharing power in the state, and could betray Adivasi rights to serve the interests of big investors.

Parties representing the SCs and Adivasis, let alone OBCs, are easy prey to opportunism. Thus they may fail to be loyal partners of a programme for social justice, as electoral arithmetic (including caste and regional factors and interest groups) can undermine any alliances other than one built by mass mobilization with a minimum common programme.

What seems clear is that Dalit electoral politics now serves the interests of an emergent Dalit elite, and prospects are bleak for electoral politics to redress injustices suffered by Dalits. The case for reliance on electoral politics is even weaker for the Adivasis.

## **The Left and Parliament**

The history of the Indian communist movement is well documented. The purpose here is to study the electoral performance of communist parties and assess prospects for a parliamentary political future for a communist movement that grew by organizing peasants' and workers' parties.

In the 1920s, amid strict surveillance by the colonial regime, communists grew strong among urban workers by dedicated work in organizing trade unions and leading working class struggles. The colonial regime targeted and arrested leaders organizing trade unions in 1929. It used all

means at its disposal to punish the Communist Party of India, which it banned in 1934. The ban was lifted in 1942 when Britain needed the Soviet Union to fight Nazi Germany in WW2.

During 1936–1942 the communists organized strong peasant movements in Kerala, Andhra, Bengal and Punjab, reasserting themselves as the most militant anti-imperialist force in India. Dire economic conditions in post-independence India, prestige of the Soviet Union, and fierce commitment of party cadres guided by leaders well skilled in organizational work and mass mobilization helped the CPI — hurt by tactical and strategic errors caused by confusion of priorities and even ideological errors that led to policy inconsistencies marked by swings between right opportunism and ultra-leftism as well as incorrect analysis of the political situation — to grow among industrial workers, peasants and students.

The CPI led armed struggles against several local monarchies that refused to give up power. There were insurgencies in Tripura, Telangana and Kerala, the most prominent being the one in Telangana from 1946 against the Nizam of Hyderabad. The Party mobilized the peasantry to build a people's army and militia, and control an area with a population of three million. But the rebellion was brutally crushed by the Indian Army in 1951, and the CPI soon abandoned the policy of armed struggle.

The CPI did not expect to win power through an electoral process biased in favour of the rich and mighty. Elections were intended to be a means of access to the masses. In 1946, the CPI independently contested 108 of the 1585 seats for the Provincial Legislative Assembly, and won eight.

The socialist parties together polled more than communists until 1967 when the communists overtook them, despite losing ground owing to the nationalist setback following the Sino-Indian border conflict of 1962 and the split in 1964 into CPI and CPI(M). Despite improved electoral performance, prospects were bleak for being voted to power at the centre. That the CPI was the second largest parliamentary political party (27 seats out of 494) after the INC (371) in 1957 held no promise of election to power, as vote wise, the right wing outfits put together outdid

the Marxist parties as a whole. The strength of the CPI was its ability to organize and lead the masses in just struggles, not fighting elections.

Yet, the CPI — prohibited from elections in Kerala in 1952 — became the largest single party in Kerala Legislative Assembly in 1957 to form the world's first elected communist party government. Its prestige rose nationally, leading to better performance in parliamentary elections to come. Although the CPI's vote share touched almost 10% in 1962 and it was still the second largest parliamentary party, the political right — the Hindutva parties and the pro-West Swatantra — made headway at the expense of the socialist parties and the INC to some extent. While the split in the CPI in 1964 led to a slight drop in the total vote share of the two factions, CPI and CPI(M), the total of seats won rose from 29 to 42 in a slightly enlarged parliament (494 seats increased to 520).

Electoral success was not consistent in Kerala and the CPI lost to an INC–PSP alliance in 1960. In 1965, the split in the CPI which made CPI(M) the dominant left party in Kerala aided the INC and the Kerala Congress that broke with the INC. A united front comprising CPI(M), CPI, Samyukta Socialist Party and Indian Union Muslim League depleted INC presence in the Legislative Assembly in 1967, despite INC retaining its vote base.

The CPI and CPI(M) opposed each other in the 1970's, and a CPI-INC led United Front ruled Kerala from 1970 to 1977. An expanded UF that won in 1977 broke up in 1979. Subsequent contests were between a CPI(M) and CPI led Left Democratic Front and an INC led Left Democratic Front. Until 2019 the LDF vote base was stable, but Legislative Assembly majority was vulnerable to small swings in votes. The poor result for the LDF at the parliamentary polls of 2019, mainly due to arousal of religious fervour against its correct stand on women's right to enter Sabarimala, also signals inroads by the BJP, a warning that the LDF should heed.

In West Bengal, the CPI grew at the expense of socialists. Since splitting in 1964, CPI(M) was stronger than the CPI, and was in 1967 the second largest partner of a weak Centre-Left coalition that held power in 1967 until dismissal the same year. It was re-elected in 1969 with the CPI(M)

as the largest party with nearly 20% of the vote against over 41% for the INC but fell in 1970. In 1971 although CPI(M) won 113 of 250 seats with nearly 33% of the vote, the INC with 105 seats and 29.2% was unjustly allowed to form government. The government fell, but INC won more convincingly in 1972 with CPI as partner and ruled until 1977. (Notably, the CPI(ML) was founded in 1969 following the Naxalbari uprising of May 1967, and insurgency spread to other states amid state repression.)

INC's humiliation in the parliamentary elections of 1977 March also hurt the CPI. CPI(M), by partnering the Janata Party — including the Hindu Right — to defeat the INC, boosted its image as a major force in all-India politics. It did well in the Legislative Assembly elections of 1977 June and, thanks to its land reform and social welfare policies, dominated in West Bengal, until its vote share shrank since the General Election of 2009. The Left Front vote share of around 50% for nearly a quarter century up to 2006 fell to around 40% in 2011 and below 27% in 2016. The CPI(M)'s vote suffered most because of its suppression of peasant protests in Nandigram (2007) and Singur (2008). The mishandling was no accident, and seems to be the effect of a bigger ailment that had alienated the CPI(M) from its voters, many of whose support was conditional upon performance. Communist voters turning in droves to vote for the BJP which earlier performed poorly in West Bengal is cause for concern.

The rise of the CPI(M) in Tripura was due to its taking up the causes of the masses. When it lost in 2018, after being in power in the Legislative Assembly for 15 years at a stretch, loss of voter support was modest, and the BJP gained at the expense of the INC. The abject performance of the CPI(M) in the General Elections in the following year is hard to explain. It is likely that the results of the Legislative Assembly elections 2018 and the fall of the CPI(M) in West Bengal influenced the electorate.

The undivided CPI had representation in the Legislative Assemblies of nearly every state in 1957 and parliamentary representation in 9 states. Communist presence declined through the 1960s. The CPI and CPM increasingly resorted to unprincipled electoral alliances, especially since

the 1980s, to secure Legislative Assembly (an even parliamentary) seats. Such alliances, although electorally profitable, harmed the ideological integrity of the parties and proved to be a long term disadvantage.

The Revolutionary Socialist Party and the Forward Block (strong in West Bengal), Peasants and Workers Party (Maharashtra) and Socialist Unity Centre of India (Communist) (strong in West Bengal), are among important parties among parties with early origins and claims to be Marxist. Marxist Leninist parties are otherwise mostly successors to the CPI(ML) founded in 1969 and reject the parliamentary path to socialism, although the CPI(ML) Liberation, CPI(ML) Red Star, CPI(ML) New Democracy and the CPI(ML) Red Flag have participated in the electoral process, but not as strategy for state power. The CPI(Maoist) avoids contesting elections, and even called for boycotting elections in regions where it wielded influence. That did not, however, rule out a tactical alliance that turned sour with the reactionary Trinamul Congress to defeat the CPI(M), something that the SUCI(C) also did.

The CPI which set out as revolutionary party opted, much under the influence of the Communist Party of Great Britain, for the parliamentary path even before the Communist Party of the Soviet Union chose the 'peaceful path to socialism' and 'peaceful coexistence' with imperialism. The revisionist CPSU and the Soviet Union encouraged its later alliance with the INC. When the CPI(M) split from the CPI in 1964, expectation was high that it would uphold the revolutionary line. That proved wrong and led to renewed militancy and the formation of the CPI(ML).

Both CPI and CPI(M), in order to secure a seat or two at the centre or in a state, formed electoral alliances with parties that are hardly progressive. The obsession of the CPI(M) with power had become so deep that its leader Jyothi Basu, when offered the post of Prime Minister in 1996 to lead a coalition government, was eager to grab it. The CPI(M), realizing the risks, refused the offer, and Basu criticised the CPI(M) for committing a 'historic blunder' by denying him the opportunity.

## **Threat to Democracy**

The BJP represents all that is reactionary in Indian politics: comprador capitalism, social injustice, anti-secularism, communalism, casteism and national oppression. Its perverted attitude to science and history seeks to glorify an imagined Hindu past: the BJP regime of 2014 to 2019 sought to rewrite Indian history for the purpose and to pervert education to negate secular ethical values. It also attacked democracy in public institutions including universities and induced social violence against minorities. BJP (really RSS) intolerance to dissent is well known and mob violence and targeting of vulnerable individuals has been its method. Its choking of voices of dissent led to the International Federation of Journalists ranking India as the eighth most dangerous place for journalists in 2016.

The BJP exploits social prejudices to build mass hysteria to victimize its targets, not just oppressed minorities but more importantly liberals, leftists and non-establishment media. It will use its steamroller majority to reverse important aspects of the constitution including the secular identity of India. Oppression of Adivasi minorities will continue with passion for the benefit of big capital and multi-nations.

With its reinforced mandate it is bound to proceed along these lines with a vengeance. Thus democracy is at risk of being undone by politicization of the components of the state. It has already politicized the Election Commission in its favour and the judiciary is its next target.

BJP's victory was not just the victory of a party of Hindutva, but one secured by the Hindu fascist RSS that owns and operates the BJP. The BJP is the first Indian capitalist party to enjoy total backing by the corporate capitalist class, whose loyalty to imperialism is absolute. That class delivered unprecedented amounts of funding to the BJP while the mass media under its control conducted a forceful campaign complemented by the social media. The role of the well trained army of RSS campaigners cannot be understated. Thus the BJP campaign had all the essential ingredients to ensure the placing of a fascist regime in place.

Given the might of the alliance of forces that propelled it to power twice in a row, the BJP will be even more arrogant and Hindutva fascism more assertive. India is likely to soon witness populist fascist mobs stirring Hindu chauvinist frenzy in order to further marginalize the minorities. Where a politicized police or army waver in the face of democratic mass dissent, fascist vigilantes will take care of trouble makers to defend the interests of the corporate sector; and, if politically appointed judges fail to punish political enemies, kangaroo courts will do the needful.

The threat to democracy is real as the BJP and RSS know that pledges to the electorate will be even harder to fulfil than during 2014–2019. The move on 5<sup>th</sup> August 2019 to deprive Kashmir of its special autonomous status is only a hint of what awaits the rest of India.

## Recovering Democracy

The opposition should realize that challenges to democracy are bigger than the BJP being in power. However, parties that are hooked to the electoral process should ensure that their hopes for wresting power from the BJP are based on a realistic assessment of their own strengths.

Based on discussion in the foregoing sections we may conclude that:

- **The BJP** has become the biggest and most organized national party with strong presence in all but a few states. No political party can match its vote strength at an all India level in the immediate future.
- The BJP owes the scale of its victory to resolute support from India's big capitalists, the mainstream media dominated by them, unethical campaign strategies, and diversion of the attention of the electorate from key socio-economic issues, besides campaign at grassroots level.
- Ideological penetration by Hindutva fascism is a threat to society and can be eliminated only by sustained mass political work and not mere electoral victory over the BJP.
- **The INC** politically weakened itself by opening up the economy, dithering on non-alignment and responding weakly to Hindutva

aggression, so that, despite nominal commitment to secularism and a strong public sector, it looked much like the BJP to the oppressed.

- Its inadequate response to the just demands of Dalits and Adivasis lost it the confidence of the oppressed minorities that it once enjoyed.
- Its foreign policy was as hegemonic as that of the BJP, although less abrasive towards Pakistan, so that India's weaker neighbours saw little difference between Congress-led and BJP-led governments.
- Over-reliance on the Nehru legacy, obsolete electoral strategies, and inability to come to terms with electoral reality are serious burdens.
- **The CPI and CPI(M)** were compromised ideologically by taking the parliamentary road and, despite notable electoral success, addiction to electoral politics weakened their social activism.
- Opportunist electoral alliances further hurt the credibility of the Left in the states as well as nationally.
- The Left has a long way to go to recover old strength in its former strongholds, especially West Bengal.
- **Old socialists** initially assimilated to the INC, then to the right wing, and ceased to be relevant. Parties of region and caste followed, some progressive, some right wing and others opportunist.
- **Regionalism and caste politics** are strong in electoral politics; but the commitment of parties of region and caste to causes of democracy and social justice become doubtful when the political right dominates.
- **Third Force alliances** like the National Front that held promise of a secular, progressive alternative seem not feasible in the short run, as a credible collective leadership with vision is not forthcoming.

The BJP represents everything reactionary in Indian politics: comprador capitalism, social injustice, anti-secular communalism, casteism and national oppression. Its attitude to science and history are perverted in order to glorify an imagined Hindu past. It exploits social prejudices to build mass hysteria to victimize its targets, not just oppressed minorities

but importantly leftists, liberals and free media. Mob violence and targeting of vulnerable individuals has been its method. It will use its steamroller majority to reverse important aspects of the constitution including the secular identity of India as it has recently done in Kashmir.

Hindutva's fascist narrative and fake nationalism will act to marginalise religious minorities and Dalits and deprive Adivasis of their identity and rob their lands to serve the interests of the big bourgeoisie and their imperialist allies. Yielding to foreign multinationals, while leading to resentment and unpopularity, will not salvage the economy.

Meanwhile, repression of vulnerable minorities will persist with greater vigour, and the BJP will divert mass attention from crucial problems by keeping communal tension on the boil while imposing a most repressive regime in the name of national security.

Prospects are poor for the BJP to deliver on promises. The crises plaguing the economy will not subside and no great leader can close the widening gap between the rich and the poor without an alternative economic policy. The poor economic performance that was not highlighted well during the elections is raising its head as evident from the current crisis in the motor industry.

The failure of the BJP government and consequent unpopularity alone are, however, inadequate to bring the BJP down or to defeat it at the next election, when it will still have the formidable propaganda machinery and financial resources at its disposal, in addition to an even more pliant Election Commission and perhaps a more supportive judiciary.

Neither the INC and its UPA alliance nor the CPI(M), CPI and their allies can rapidly reverse their electoral fortunes to defeat the BJP. Much repair work needs to be done at mass political level.

A strong alliance of anti-BJP forces is, however, possible. As many Dalit, OBC, Adivasi and regional parties as possible need to unite with one or several secular national parties and concur on a common programme that will offer hope to social groups oppressed by class, caste and

ethnicity. But partners need to prioritize the cause of defeating the fascist BJP over sectarian interests and persevere to deliver on promises. Without such commitment the alliance could fail in the same way earlier secular alliances failed and, aided by popular frustration, the defeated BJP could return with even more grievous consequences for India.

Nothing can be more disastrous than underestimating the potential of BJP/RSS to fragment India on communal lines or the impact of divisive activities by the RSS over the past several decades. Nor can one ignore the impact of the residual feudal ideology, on which the newly cobbled alliance of Hindutva with Imperialism thrives. BJP's victory has boosted the forces that are determined to demolish India's cultural diversity. Thus, even if BJP is defeated at the polls, the RSS and other forces of fascism will function actively with massive financial backing from the forces of reaction. So, a movement transcending electoral politics must be put in place to decentralize power and combat communalism.

The Left, with considerably strong trade unions, peasant organizations and student bodies is better placed than the politically bankrupt INC to mobilize secular forces. But it has to rethink its strategies. There is a need to overcome prejudices against identity politics to recognize struggles against oppression by gender, ethnicity, caste, religion and region as aspects of class struggle.

To confine the struggle against the BJP to electoral politics will, however, be thoroughly inadequate as Hindutva ideology has penetrated society too far and has to be defeated by sustained mass political struggle.

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# Whither Chinese Capitalism?

**B. Sivaraman\***

The debate on whether China is a socialist country or not is now passé. Though the Chinese leadership doesn't explicitly say that in so many words, they themselves have officially declared, as far back as in their 14<sup>th</sup> Party Congress in 1992 itself, that they were building a socialist market economy. Though they scrupulously avoid using the expression capitalism, it is nothing but state-capitalism only. And though they call it primary stage of socialism or socialism with Chinese characteristics, they make it clear that they would be building this state-capitalism for a long period, perhaps for the next 50 years.

## **The Global Rise of Chinese Capitalism**

The estimated GDP of China in nominal terms in 2019 is \$14.2 trillion, second only to estimated US GDP of \$21.3 trillion. Though it witnessed record high growth rates of 8–9% for quite too long, the annual GDP growth rate of China has slowed down in recent years, and last year it grew by 6.6% and the estimated growth rate for 2019 is 6.9%. Still, that means China would be adding \$980 billion a year to its national wealth. The annual GDP of Sweden was \$568 billion and that of Norway was \$415 billion in 2018. This means China is adding the entire GDP of Norway and Sweden put together every year; i.e., equivalent to the GDP of two imperialist countries in Europe.

So, even as a form of capitalism, China has emerged as the second largest economy in the world and is expected to overtake the US to become the largest economy in the world by 2035 in nominal terms, though it has

already just overtaken the US in 2019 in purchasing power parity terms. Hence, in this discussion note, we would rather focus on the destiny of Chinese capitalism by addressing the following questions: 1) Where it stands in contrast to the major traditional imperialistic capitalist powers?; 2) How China fares in terms of traditional and fundamental parameters of imperialism?; 3) What are the new facets of imperialism and neo-colonialism, and where China stands vis-à-vis these new forms and 4) 4) In the course of its capitalist expansion whether China too would inevitably acquire the traditional imperialistic characteristics' and neo-colonial features to justify the tag of a new imperialist power and so on? For reasons of space, we would postpone for a future occasion a detailed scrutiny of the destiny of Chinese capitalism from the point of view of internal capitalist transformation in the country.

To begin with, let us make it clear that capital would remain capital when it ascends onto the global stage/scale no matter whether the country of its origin is United States or China, or Russia for that matter. Does it logically imply that capitalism with Chinese characteristic is bound to mean an inevitable "neo-colonialism with Chinese characteristics" too? Some might argue that just as there cannot be a peaceful/civilised and developmental imperialism, there cannot be a non-"neo-colonialist" global expansion of capital from any origin in this age. Would that be true? But many middle-level capitalist regimes also acquire some neo-colonial features. Many overseas economic activities of not only China's but even those of India and South Africa in Africa and Brazil in Latin America have such features. Can they all already qualify as neo-imperialistic and neo-colonising powers?

But then there are lots of variations in neo-colonialisms; so what is new about this global expansionism of Chinese capital? Can any quest for overseas markets, any form of export of capital, technology and import of raw materials automatically make a country neo-colonizing, by itself? Or, is 'neo-colonialism' primarily a political characterisation based on several other features, including the nature of the economic base on which neo-

colonizing forms arise and the position of the neo-colonizing power in the overall balance of geopolitical power?

## **Classical Leninist Theory of Imperialism**

Classical colonialism of capitalist powers was basically for expansion of markets for their commodities and for the loot of raw materials. After Marx's insightful analysis of colonialism in his time, where he had tracked the nascent monopoly stage of capital in some select developed capitalist countries of Europe and even anticipated emergence of finance capital and its imperialistic outward expansion, it was Lenin who first systematically analysed the then nascent phenomenon of imperialism, drawing heavily upon the analysis of British liberal economist Hobson and summarised its basic features in his seminal work *Imperialism, the Highest Stage of Capitalism*.

In that work, he listed five characteristics as basic features of imperialism about which he says: "...we must give a definition of imperialism that will include the following five of its basic features: 1) the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life; 2) the merging of bank capital with industrial capital, and the creation, on the basis of this "finance capital," of a financial oligarchy; 3) the export of capital as distinguished from the export of commodities acquires exceptional importance; 4) the formation of international monopolist capitalist combines which share the world among themselves, and 5) the territorial division of the whole world among the biggest capitalist powers is completed. Imperialism is capitalism in that stage of development in which the dominance of monopolies and finance capital has established itself; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun; in which the division of all territories of the globe among the biggest capitalist powers has been completed".

So imperialism was a stage of capitalism where export of capital was more pronounced compared to the earlier predominance of export of commodities. But both continued through the 20<sup>th</sup> century. So also continued an intensified imperial political policy of re-division of the world that resulted in two world wars, anti-imperialist nationalism and national liberation struggles in the colonies and semi-colonies, some of which even retained a measure of political independence due to various reasons, and then decolonization followed.

### **Neo-colonialism, after decolonization**

But imperialism did not end with decolonization. The world witnessed new forms of imperialist economic expansion without formal colonization, which came to be known as neo-colonialism. Emergence of multinational corporations (MNCs) and their growing importance in not only imperialist economic expansion and but also in political dominance over the developing world, and its political subjugation of the apparently independent post-colonial states became the main feature in the post-WWII era. Besides conventional export of capital in transport infrastructure, mining, extraction and other raw materials industries and semi-processing units, capital also flowed into technologically more developed areas in some select former colonies. And to exploit the cheap labour in them, production itself was relocated from developed capitalist/imperialist countries and very high royalties were extracted for transfer of technology.

Besides export of capital in the form of FDI, and investment in stock markets, in commodities markets or markets for futures and options, bond markets and in other securities, and outright debt associated with all sorts of conditions, the role of finance capital itself assumed numerous new forms. While promoting multidimensional capitalist development in some of the newly independent countries, it also exercised its total sway over all spheres of economic activity, not only in underdeveloped former colonies but also in those semi-capitalist countries which had reached

intermediate stage of capitalist development and continued the drain of surplus in both the old and new forms.

On the political terrain too, intervention in the internal affairs of former colonies and buying up a section of local rulers, regime changes, and even military interventions, sanctions, promoting proxy wars and arms race, and cutting down to size strong regional powers to prevent the emergence of multi-polarity and containment of major rival powers as well as imposition of unequal treaties and structural adjustment programmes to restructure the economies of developing countries conducive to the exploitation by finance capital etc., continued.

Imperialism thus was a stage in the evolution of capital, the stage of monopoly capital with the predominance of finance capital, and neo-colonialism was nothing but a mode of evolution of this imperialistic capital in the post-WWII era.

## **Post World War II Flux in the Evolution of Global capital**

However, in this changed scenario, imperialism did not evolve in a linear fashion but there were many ups and downs among old imperial powers. Some witnessed decline and almost ceased to be imperialistic in their external economic and political role and turned into primarily inward capitalist powers, while some reached new imperial heights and became global superpowers, both economically and politically/militarily.

Thanks to big power syndrome and global hegemonic ambitions of some post-revolutionary regimes like Russia, big power rivalry got mixed up with inter-imperialist rivalry. The experience of Second World War and subsequently the policy of containment of communism gave rise to Atlantic alliance between the US and the European powers and its military consolidation in the institution of NATO and triggered what is known as Cold War. The US even allied with China against the Soviet Union. The Soviet collapse gave an appearance of a unipolar world but the world had become multipolar. Such a scenario gave China an

opportunity for massive capitalist expansion in a relatively peaceful manner.

As we have already noted, acquiring certain imperialistic features by itself cannot make a country a full-fledged imperialist power in all respects. Political and military expansionism need not be fully commensurate with economic expansion. The economic base could also be vastly different. Of course, it cannot be the case for Marxists that only private monopoly capitalism can give rise to imperialism and not state-monopoly capital under a bureaucratized regime. Moreover, the term imperialism existed before monopoly capitalism and even before capitalism, like Roman imperialism or Spanish conquests. In the Marxist tradition, imperialism however used to signify monopoly stage of capitalism and the era of dominance of finance capital.

However, many countries had reached the stage of dominance of monopoly capitalism and finance capital. Not all of them necessarily assumed imperialistic role and could be described as imperialist powers. Or, even if they were imperialistic in a purely economic sense, they were not necessarily militaristic powers.

For instance, the total stock of direct investment by Switzerland totalled CHF 1228 billion by 2017 (or equal to US\$1236 billion) (CHF=Swiss francs). Of this amount, CHF 1,097 billion was equity capital (89%) and CHF 131 billion (11%) was intragroup loans. At CHF 478 billion (39%), finance and holding companies reported by far the highest capital stocks abroad, followed by chemicals and plastics at CHF 164 billion (13%). (See [https://www.snb.ch/en/mmr/reference/Direktinvestitionen\\_2017/source/Direktinvestitionen\\_2017\\_12.en.pdf](https://www.snb.ch/en/mmr/reference/Direktinvestitionen_2017/source/Direktinvestitionen_2017_12.en.pdf)) This means that more than a trillion dollar worth of capital has been exported from Switzerland. But Switzerland had declared neutrality even at the time of Cold War, it has not taken part in any military operations abroad and it is not part of the NATO or European Union even. Switzerland is one of the most globalized economies in Europe but the Swiss Army has only 300 soldiers abroad, and that too, part of the UN peacekeeping mission! This of course is a

post-World War II development and the overall imperialist-dominated global order shaped by the US-NATO has made this possible. That's why despite being one of the biggest centres of global finance capital, Swiss foreign policy has never posed any threat to any country. In the backdrop of such new global realities, it would be absurd to argue that Swiss capitalism is not imperialistic as it doesn't fulfil some of the classical criteria of imperialism as laid down by Lenin.

By the same token, we see another paradoxical development in Europe. According to CIA World Factbook data reproduced in Wikipedia ([https://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_FDI\\_abroad](https://en.wikipedia.org/wiki/List_of_countries_by_FDI_abroad)), in terms of total stock of FDI abroad, i.e., cumulative value of all investments made abroad (excluding investment in share market) measured in US dollars in 2017, EU stood first at \$16.666 trillion out of which the stock of FDI abroad from Netherlands alone stood at \$5.809 trillion, which was above the stock of total FDI from the USA, at \$5.644 trillion, and even within Europe, the Dutch FDI investment abroad was more than the combined overseas investment stock of \$5.259 trillion of Germany (\$2.074 trillion), United Kingdom (\$1.634 trillion) and Japan (\$1.548 trillion). Will that make Netherlands a bigger imperial power than the US, or combined imperial power of UK, Germany and Japan?

In some scenarios of multi-polarity and polycentrism and shifting nature of inter-imperialist contention, it might still be possible for some countries to emerge as global powers without commensurate development of all, or even key, imperialistic features. Germany as a latecomer could have assumed a very aggressive imperialistic character in the first half of 20<sup>th</sup> century. But China as a latecomer could have emerged into an economic power several fold stronger than early 20<sup>th</sup> century Germany without a history of even a fraction of its imperialistic adventures, obviously because the changed global scenario permits that. Likewise, the imperialistic expansion of Japanese capital was many times more during its peaceful evolution in the post-WWII period than during its earlier militaristic phase.

Expansion for markets (through trade), capital exports, the overseas role of finance capital like overseas lending, takeovers and speculative investments etc., besides political aggression for colonization were considered as the basic features of imperialism in the classical Leninist view. Before addressing the question of whether China can be described as a major imperialist power or not, let us get a factual picture of how China has fared in respect of these basic features.

## **The Objective Position of Chinese Capitalism in the World Today**

China is the world's largest trading nation today according to Mckinsey's July 2019 report *China and the World* (<https://www.mckinsey.com/featured-insights/china/china-and-the-world-inside-the-dynamics-of-a-changing-relationship>). Trade was considered a means of imperialism, theoretically substantiated with proof of unequal exchange. But then, trade could never be entirely equal even among, say, USA and EU, or USA and Japan for that matter, as productivity differentials are bound to bring about cross-border shift of surplus/surplus-value even in a supposedly free exchange, if we go by Marx's theory. But the principle of comparative advantages would also be at work. And in Marxist tradition, not all overseas trade by all capitalist countries was considered imperialistic either. Specific nature of the trading activity as well as the character of the trading powers could make all the difference. Seeking overseas export markets by monopoly capital after reaching saturation in the domestic market, and politically forced unequal trade need not be the case in all instances. If the volume of cheaper exports were to be considered synonymous with imperialism, South Korea and little Taiwan would be considered bigger "imperialistic powers" than many traditionally known imperialist powers of Europe like Spain, Portugal, Holland, Sweden and even Belgium.

The reality today regarding China as a trading power is that despite opposition from domestic industry in many countries, local trading

capital in those countries prevails, in the developing world and in EU-US alike, and imports from China keep booming, causing huge trade deficits in most of its trading partners? This, despite the fact that more the imports from China, lesser the domestic employment generation. The jobs “move” to China. Should radicals in the West take the side of free trade lobby or trading nationalists or strike a third way in discourse?

## **Finance Capital of China and its Global Dimension**

Let us now turn to globalization of China’s financial markets and the finance capital facet of China. China now figures among the top three in global finance. China’s banking system is the largest in the world and China stands second and third in bond and stock markets in the world. China’s financial assets—including equities, bonds and loans—had reached \$17.4 trillion by 2013, trailing behind only the US and Japan. But foreign lending and investment still account for only 6% of its financial assets. The sweep of the Chinese finance is being demonstrated in a breath-taking manner by the recent Belt and Road Initiative (BRI). However, Chinese finance capital’s reach extends far beyond the BRI, but massive amounts of Chinese money are being pumped into BRI, and BRI is poised to drastically alter this ratio.

But surprisingly, contrary to its image of being an increasingly open economy, foreign investment is just 2% in Chinese banking, 2% in bond market and 6% in stock markets of China. This shows that China is very selective in permitting foreign investment in its financial markets.

### ***Capital exports from China***

Secondly, China is the second largest source of outbound FDI in the world between 2015 and 2017 (McKinsey 2019). In other words, it is the second biggest exporter of capital next only to the USA, and as quoted earlier as per the conventional discourse on imperialism started by Lenin export of capital was one of the five fundamental features of imperialism and even the main one at that. But then China is also the second largest

source of inbound FDI. If the whole concept of imperialism is to be reduced to FDI, this can give rise to an over simplistic question as to whether China is the second biggest imperialist power as well as the second biggest victim of imperialism simultaneously. More meaningful question that needs to be posed is that whether all export of capital is “imperialistic” or “neo-colonial”. Ironically, Bangladesh’s overseas investment in 2018 was \$460 million and Vietnam’s was \$432 million! If you include illegal capital flight from Bangladesh—which is also a form of “export of capital”—the capital outflow from Bangladesh in 2015 was \$5.9 billion! But then nobody in his/her right senses would call them mini imperialist powers.

China might have emerged as the second largest source of FDI of late. But if we evaluate its position in terms of total stock of FDI abroad based on the Wikipedia data cited above, China occupies 11<sup>th</sup> place in the world at \$1.342 trillion in 2017 after EU as a whole (\$16.666 trillion, Netherlands at \$5.809 trillion, USA \$5.644 trillion, Germany \$2.074 trillion, Hong Kong \$1.806 trillion, UK \$1.634 trillion, Switzerland \$1.566 trillion, Japan \$1.548 trillion, Ireland \$1.490 trillion, France \$1.452 trillion, and Canada \$1.366 trillion. Not only Netherlands but Ireland and Canada are also ahead of China. But if we add the total FDI stock abroad of China and Hong Kong, then that comes third after EU and USA ahead of Germany, UK and Japan individually. Even if we exclude Hong Kong, China in 2017 was ahead of European imperial powers like Belgium, Spain, Italy, Sweden, Austria, Denmark, Norway and Finland. Hence, ranking imperialism along these quantitative lines would make no sense.

### *China’s overseas lending*

According to a working paper by the German think tank Kiel Institute for the World Economy ([https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/Christoph\\_Trebesch/KWP\\_2132.pdf](https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/Christoph_Trebesch/KWP_2132.pdf)), China’s direct loans and trade credits to developing countries have climbed from almost zero in 1998 to more than 1.6 trillion USD or close to 2% of world GDP in 2018.

These estimates suggest that the Chinese state now accounts for a quarter of total bank lending to emerging markets. This has transformed China into the largest *official* creditor to the developing world, easily surpassing the IMF or the World Bank.

For 50 main recipients of Chinese direct lending, the average stock of debt owed to China stood at 15% of the GDP in 2017 and for them debt to China now accounts for more than 40% their total external debt.

The official lending agencies of Western governments charge concessional rates for lending for developmental projects in developing countries. For instance, Japanese International Cooperation Agency (JICA) charges 0.01% interest per annum to LDCs and between 0.70–1.20% for other developing countries with a repayment period of 30 years; German aid agency GIZ charges interest rate starting from 1.26% and it has variable interest rate which goes up to 9.04% for a term loan for 20 years; DFID of UK charges 2% for lending to affordable housing projects in India; French Developmental Agency AFD charges 1.5% per annum with a repayment period of 20 years; and USAID charges anywhere between 6.5% to 9.5% to microfinance institutions in Bangladesh. World Bank's developmental assistance through International Developmental Assistance (IDA) carries an interest rate of 2% for its loans in Bangladesh. China however lends at commercial rates plus some risk premium. It makes no distinction between developmental assistance and commercial loans to developing countries. Chinese loans carry shorter maturity periods. Often, these loans involve repayment through commodity supply, especially oil, at fixed prices. These loans have some parallels to colonial era loans from British, French and German imperialisms to colonies which were aligned to political interests and carried political conditionalities.

The European and American banks and other financial institutions were lending heavily to Latin American countries in the 1980s and by 1990s at least a dozen faced sovereign debt default and debt restructuring involved massive neoliberal concessions and economic reforms. Now it is

the turn of China to face similar defaults and engage in debt restructuring. The latest is the case of default by Congo and China agreed to a debt restructuring which was a precondition by IMF to extend further loan to the oil exporting country, which was facing \$9 billion loan default due to collapse in oil prices. Chinese entities account for 34% of Congo's external debt.

China is the largest single creditor nation to African countries, accounting for about 20% of the continent's external debt (<https://www.business-times.com.sg/government-economy/china-agrees-to-restructure-debt-owed-by-republic-of-congo>). So far, more than South East Asia, Africa remains the main theatre of Chinese capitalism's expansion. China is financing more than 3000 infrastructure projects through which China has extended in excess of \$86 billion in commercial loans to African governments and state-owned entities between 2000 and 2014, an average of about \$6 billion a year. In 2015, at the sixth meet of the Forum of China-Africa Cooperation, Xi Jinping pledged another \$60 billion. China has become Africa's largest creditor. In 2012, China also became Africa's top trading partner.

But between 2000 and 2008, China has also written off debt worth \$9.8 billion in countries along the Belt and Road initiative. In total, 96 debt cancellations or restructurings by China were recorded, including a \$6 billion worth restructuring for Cuba in 2011. After US and Germany, China stands third in offering debt relief. These cancellations appear to be politically guided as the cancellations are concentrated mostly in Africa and elsewhere debt cancellations or restructuring was there only in Cambodia, Pakistan, Sri Lanka and Cuba (<https://developmentreimagined.com/2019/04/25/chinas-debt-relief-along-the-belt-and-road-whats-the-story/>). By the end of 2014, 50% of China Development Bank's overseas lending was to projects in the energy (oil) and mineral resources sector. Logistics sector also accounts for a major share among the rest. Naturally, many would see shades of natural resources grabbing of the colonial times.

Western media is accusing China of 'debt-trap' lending and cite the Hambantota Port case in Sri Lanka. When the Sri Lankan government was unable to repay the \$8 billion loan, Sri Lanka was forced to agree to a debt-equity swap and ceded control over Hambantota Port to China on a long-term lease of 99 years, surrendering 70% of the equity in the port company to China. Hambantota story might well be repeating in Kenya, as China is lending \$3.2 billion, taking Kenya's Mombasa Port as collateral for building a rail link between Mombasa and capital Nairobi.

But overseas lending is a double-edged sword. China might try to trap developing countries with its unsustainable lending but in the process it might also get trapped into loan defaults. Similar to debt restructuring deal with Congo in April 2019, debt restructuring talks are currently on with Zambia also. China's loan to Coca Coda Sinclair dam in Ecuador or \$60 billion to Venezuela's Fondo de Desarrollo Nacional carried collateral condition of repayment through oil.

Unfortunately, neither the Chinese government has come up with aggregate figures of losses incurred in lending to African countries, especially in cases of loan defaults and restructuring, nor the Western media has come up with the figures for net gain for China through its lending in Africa and whether this gain is sufficient enough to call it Chinese neo-colonialism in Africa. Especially, there is no summary of collateral gains to China in Africa similar to Hambantota in Sri Lanka. The only choice available to the observer is to take sides in this blame-game.

Since the Chinese Communist Party claims that they are only building a market economy in China albeit with a socialist tag, it is quite natural if the economic relations with developing countries are also guided by market forces/market considerations only. But this is also an age where neo-colonial and new imperialist exploitation can be carried on perfectly within the market framework itself. After all, revenue from overseas economic activities (FDI, MNCs revenues, exports, credit and so on) account for accounted for 34% of Denmark's GDP in 2014 and there is

nothing extra-economic or non-market coercive extraction about them (<http://www.oecd.org/investment/Denmark-trade-investment-statistical-country-note.pdf>). Where capitalism is legitimate and perfectly legal, so too imperialism can be!

## **China's growing technological supremacy**

Lots of materials are available on the web on China's leading role in digital dominance in the global arena, especially on Chinese forays into 5G, AI and IoT, biotech and so on and it is clear that Chinese companies like Huawei would give Western tech majors the run for their money. It might not have sunk into global perception that China is not only a mere economic giant but also a technological giant. A McKinsey study shows that 90% of the technologies used in China match global standards. America is getting paranoid about China grabbing high-tech from the US. China has tremendous capital resources and when they start investing in American tech firms "American technology" is automatically China's! In November 2018, Trump Administration identified 14 high-tech areas including biotech, AI and machine learning, data analytics and robotics and has decided to curb Chinese investments in them. But then American companies investing in China carry the "American high-tech" along and China is quite selective in allowing investments from such American and German tech firms. Trump's new IPR crusade against China accusing it of "technology theft" is aimed at curbing transfer of technology but he is unlikely to succeed, thanks to the very market dynamics.

American R&D subsidy to corporates was \$100 billion in 2018. The Chinese government's total R&D spending in 2018 was \$293 billion. Though China stands second next to the US in overall R&D spending, will China soon have an upper hand in "tech imperialism"? Though China's intellectual property imports are six times their IP exports, they are ready to offer 5G technology to any country at far cheaper rates compared to US firms. But China lags far beyond the US in frontier tech

areas like synthetic biology, regenerative medicine, 3D printing, nanotech and robotics.

## **Chinese MNCs**

Let us turn to the monopoly scenario. Today, among the Global Fortune 500—i.e., the biggest global monopolies as being computed by Forbes every year—China accounts for 110 MNCs compared to 126 hailing from the USA. The number of Chinese firms operating outside China and around the world has grown at an estimated rate of 16% a year since 2010, from 10,167 to 37,167 (McKinsey 2019). Of course, this figure includes the firms from Hong Kong also but still they together probably number more compared to the US firms operating on an international scale and closer to all the global firms from all countries of EU put together. There is of course a conceptual complication involved that a purely “domestic” firm can also operate on an international stage in this global e-commerce era.

## **Some Socio-political Issues Relating to China’s Capitalist Expansion**

### *Importance of domestic market for outward expansion*

Still there is a need for a sense of proportion. Between 2014 and 2016, among global firms figuring among the top 1% of profits bracket, Chinese firms accounted for only 10% (McKinsey 2019). And, although the revenues of the Chinese firms earned abroad has been on the increase, less than 20% of the revenue of the Chinese firms comes from overseas, including these global firms. This is just to get an idea of the proportionate importance of domestic market of Chinese capitalism. In comparison, if you take the S&P 500 as a whole—including the Chinese firms—this figure of earnings abroad comes to 44% on an average. Only one Chinese company, viz., Alibaba, figures among the top 100 global firms ranked in term of revenue/profits.

In the US too, according to the 2015 Annual Survey of US Direct Investment Abroad published by the Bureau of Economic Analysis, while the value added by all the US multinational companies (including parent enterprises and their majority-controlled foreign affiliates put together) was \$5319 billion in 2015 and out of this the parent companies operating within US alone accounted for \$3961 billion, i.e., close to 75%. While all the US MNCs employed 4.49 million workers the parent companies alone employed 2.83 million workers or 63% of their total workforce (See <https://apps.bea.gov/scb/pdf/2017/12-December/1217-activities-of-us-multinational-enterprises.pdf>). In other words, the share of foreign workers contributing to the generation of surplus-value by the American MNCs was approximately more than one-third in 2015.

An earlier 2010 report by McKinsey on US multinationals shows that 2270 US multinationals, accounting for less than 1% of the total US companies, operate primarily in the US domestic market. In 2007, they generated 60% of their collective sales, employed two-thirds of their workforce, paid three-quarters of their total wages, and held 60% of their assets in the United States. Yet, they contributed to 23% of the total value added by all companies, and accounted for 19% of the total US employment, 48% of the exports and 37% of imports and 74% of the private sector R&D spending. This shows the disproportionately greater relative weightage of the US MNCs in the US economy itself. (See [https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Americas/Growth%20and%20competitiveness%20in%20US/MGI\\_Growth\\_and\\_competitiveness\\_US%20role\\_of\\_multinational\\_companies\\_full\\_report.ashx](https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Americas/Growth%20and%20competitiveness%20in%20US/MGI_Growth_and_competitiveness_US%20role_of_multinational_companies_full_report.ashx))

This not only shows that some kind of globalised capitalism independent of its national moorings is a myth; it also underlines the importance of rootedness in huge domestic economies for outward expansion too. Chinese capitalism's expanding global role as well as limits to such expansion can be better perceived from such a point of view.

## *Capitalist development in the former colonies and semi-colonies versus Chinese state-capitalist development*

Some leftists used to identify any export of capital from any source as a form of imperialist exploitation. But then the question is why the developing countries including India/Modi are clamouring for Chinese capital/investment. Whether the capital invested is of domestic or foreign origin can make a political difference but once if a country has comfortable foreign exchange reserves and if approached from the point of view of cost of capital that would hardly make a difference. The domestic bourgeoisie in former colonies and semi-colonies were initially in favour of curbing the role of foreign capital and even now individual capitalists resort to “nationalistic” opposition to individual foreign firms in their line of operation but the domestic bourgeoisie as a whole class has realised that foreign investment increases the overall investment in the economy and thus expands investment opportunities for them also, and moreover, it brings in much-needed technology, and hence have started supporting liberalisation of foreign investment/FDI. The overall gain is much more than the loss possibly incurred in specific individual cases. Thus, while the bourgeoisie has turned in favour of globalisation, for sections of the left, any foreign investment remained anathema as “imperialistic” even if they bring in technology and create jobs. They won’t make any distinction between Enron and a Swiss pharmaceutical firm investing in the production of life-saving drugs. If you look at it from the point of view of capitalist development in the developing world, will it be sufficient if you look at it only in terms of the 1980s Left discourse on neo-colonialism? Or, on the terrain of theoretical interpretation, do we need some more modifications to the old essentials?

At the time of Marx, it was envisaged that the victorious proletariat in advanced capitalist countries of Europe, after successful revolution, would transfer capital and technology to victorious revolutionary regimes in colonies and semi-colonies and bring about industrialisation

there. But history has taken a different turn and in the absence of revolutionary people in liberated colonies taking “capital” from the victorious proletariat in Europe, the bourgeoisie is taking capital and technology from the imperialist bourgeoisie and bring about industrialisation and capitalist development in a painfully protracted manner. They might be paying a heavy price in the form of super profits for imperialism. Still, some of them are able to industrialise even within the framework of dependent capitalism depending on imperialism. From the point of view of imperialist countries also, promoting some form of dependent capitalism in developing countries is to their advantage as it can provide fertile grounds for more intensified imperialist exploitation. Earlier, in the Left tradition it was thought that there cannot be any broad-based capitalist development in former colonies as long as imperialism was not overthrown along with feudal remnants through a democratic revolution but the emergence of BRICS shows that this idea was not entirely correct. Despite being distorted dependent capitalism, capitalism did develop there.

But the case of China was different. Having successfully concluded a New Democratic Revolution led by Mao Zedong, who also laid the foundation for industrialisation allowing significant role for a sizable component of private capital, and with Deng further building upon that for a strategic course of state-capitalist development by opening up to the world capitalism and giving greater play to the capitalist market forces at home, the global emergence of Chinese capitalism was quite dramatic and revolutionary. And it was not a case of dependent development—neither on the foreign capital nor on overseas markets. This is bound to have its differential impact on the global economic expansion of, say, India and China. In other words, from the point of view of economic foundations, BRICS is not a monolithic entity.

### *China's selective and guarded opening up to the foreign capital*

Imperialism is only an extension of aggressive ultra-nationalism. Likewise, even in the case of other globalising powers, stronger the globalism, stronger the nationalism too. It is true of the bigger imperialist powers as well as in the case of China too. Trump's trade war is also based on nationalist rhetoric. The very fact that Trump is ready to risk the adverse effects of a trade war shows very strong assertion on the part of China in not succumbing to US pressure and not bringing down the tariff levels or not indiscriminately increasing imports from the USA. For all its opening up, liberalisation, reforms and integration with the world economy, China has not abandoned its core national interests.

Not many know that unlike in the case of India, where there are automatic routes for foreign investment in many areas, every proposal for foreign investment in China must undergo scrutiny and receive approval from Beijing authorities. While inward investments face lots of controls, outbound investments are also regulated to curb reckless flight of capital, especially conversion from renminbi to dollars. Despite record foreign exchange reserves, capital controls were tightened in 2017, after signs of slowdown in the Chinese economy and were further firmed up after Trump launched his trade offensive in anticipation of volatility in capital flows.

Even after decades of liberalisation and despite sustained pressure from Western governments and agencies, there is no full capital account convertibility in China. One has to take prior permission for moving money in and out of the country.

Foreign companies have been prevented from investing in core industries like telecom, transportation, energy and national defence.

Unlike in India, 100% FDI is not allowed in many industries, and foreign investors are allowed only minority shareholdings. When India imposed capital gains taxes on foreign companies and investors, there was a big hue and cry from imperialist quarters but capital gains taxes and taxes on

cross-border financial flows have been quite severe all along in the case of China.

China imposes restrictions on current account transactions too. A Chinese citizen can buy foreign currency up to a maximum of \$50,000 per year, and on capital account, beside the need to obtain prior permission there are transaction taxes and even quantitative restrictions.

Of course, thanks to the emergence of a sizable private sector and a huge affluent middle class, money laundering is a real problem in China. But many entrepreneurs wanting to set up start-ups abroad or engage in venture capital investing in other countries with more advantageous investment opportunities also face lots of restrictions. The more liberal Chinese authorities are in credit expansion, more rigid they become in capital controls. Shadow banking companies are mushrooming in China, and they were worth 87% of China's GDP in 2016 but thanks to fresh controls their value has now fallen to 70% of the GDP.

China is also imposing curbs in investment flows in real estate, entertainment and sports events to restrict shell companies and prevent money-laundering, especially now when macro-economic imperatives call for credit squeeze.

"Get rich soon..." Deng urged the Chinese people. He however didn't add, "...and get out!" But the nouveau riche Chinese middle class is doing precisely that. Not comfortable with the authoritarian order, they are buying property abroad to move out and settle there and take out the money and keep it safe in foreign banks. Not finding comfort in \$3 trillion dollars official foreign exchange reserves and reportedly as much or more of unofficial investments in US securities and banks, Chinese authorities seem to fear that any sign of economic or political instability would trigger capital flight. Their nervousness in this regard shows that they have taken Trump's offensive quite seriously and are gearing up for even a major showdown.

## **New global Expansionist Potential for Capital as a Whole**

China's capital's global expansion is not primarily dependent on export markets at this stage. Exports as a percentage of GDP in the case of China are around 20% in recent years. It was 70% in the case of Taiwan. For some other major countries the corresponding figures according to the World Bank data are: Australia 22%, Austria 54.5%, Belgium 87.9%, Brazil 14.8%, Canada 31.9%, Denmark 54.7%, Finland 39%, France 31.3%, Germany 47%, Hong Kong 188%, India 19.7%, Italy 31.8%, Japan 17.8%, South Korea 44%, Mexico 39.2%, New Zealand 27.6%, Norway 38.1%, Russia 30.7%, South Africa 30.1%, Sri Lanka 22.8%, Sweden 47%, Switzerland 65.5%, UK 29.9% and USA 12.1% based on the figures of either 2018 or 2017. The world average is 29.4%. For Euro area as a whole, it was 45.8%. (See <https://data.worldbank.org/indicator/ne.exp.gnfs.zs> for more details.)

Unlike in the case of Europe or even South Korea or South Africa, for China domestic consumption is the main engine of growth and not overseas markets. But then it doesn't make Chinese capital any less "expansionist" as domestic market is still primary for many imperialistic countries of Europe and it was all the more true for the US. Greater size of the domestic market itself cannot make an imperialist power less imperialistic. In the case of US, for instance, exports account for only 12.1%. In many cases, high exports are also accompanied by high imports and thus the countries are only processing nations. The point here however is to underline the massive outward expansion potential of both USA and China.

US can be a big market, but ninety-five percent of the world's consumers live outside the United States in terms of numbers, though the figure would be somewhat less in terms of aggregate value of consumption. The figure would be only slightly less for China. Firms which are national monopolies might not be global monopolies and globalization in the world market is still an ongoing process. So, for China and the US both, massive expansion as well as bitter contention is ahead. They are bound

to face many new contenders as well. This also refutes the theories of mega-imperialism where one or two imperialist powers would be gobbling up the entire world market, the idea of Karl Kautsky ridiculed by Lenin. Whether this economic contention would also turn into political and military rivalry and if so to what intensity is something that remains to be seen.

According to the latest Global Economic Prospects report of the World Bank, global trade in goods and services is projected to triple by 2030, i.e., in just a decade, Trump's trade war drama, the current impasse in WTO, and 'end of globalization' rhetoric of the academic left wing dandies notwithstanding. Global economy as a whole is projected to double from \$35 trillion in 2005 to \$72 trillion—perhaps the fastest-ever expansion of capital ever seen in a decade even compared to the immediate post-war phase. In other words, global expansion of capital—whether “imperialistic” and “neo-colonialistic” expansion and contention or otherwise—has immense scope. China, USA and India would be the top contenders followed at some distance by EU and Russia. Other BRICS nations would also be in the race, of course.

China's statistical agency estimates the size of the Chinese middle class at 400 million defined as those whose annual household income is between \$3640 and \$36,400 and as with the US and EU this middle class market offers the main base for Chinese capitalist expansion now. This size offers a favourable scale factor for Chinese capital to target the global middle classes as well. The world has seen 'extractive imperialism', including 'oil imperialism' for raw materials', 'product market-expansion imperialism', "militarization imperialism', 'technology/high-tech imperialism', 'debt imperialism' or 'high-finance imperialism' of the US and European banks and FIs leading to sovereign debt default of several Latin American countries and their surrender to IMF's structural adjustment for further opening up and so on. While all these features of imperialism would continue to have their relative validity, it is quite possible that "middle class-targeting imperialism" would be the main

engine of capital's/imperialistic expansion, in the form of 'digital imperialism', so to say. How far this expansion of digital imperialism is premised on the kind of early 20<sup>th</sup> century militarism and war is an open question.

We already see some early indications. The Yellow Peril phobia 2.0 is already in the air. Earlier, the war cry was "*The Japanese are coming*" and now it is "*The Chinese are coming*". The only difference is that the Chinese are coming without a Pearl Harbour 2.0 or even a Boston Tea Party 2.0!

The Belt and Road initiative (BRI) of China would be a game-changer both in terms of China's economic expansion as well as the political backlash to it.

## **Belt and Road Initiative would be a Game-changer**

Some estimates put it that the total BRI investments by China by 2027 would be \$1.2–1.3 trillion. Such a massive investment plan in a concerted single initiative is almost unknown even in the history of Western imperialism.

What exactly is BRI? The BRI includes at least a dozen economic corridors. These are to be connected by at least a dozen transport corridors which include highways, rail links, sea links, ports network, optic fibre connectivity, and tunnels, passways and bridges spread across, Asia, Africa and extending even up to Europe. Chinese investment would flow into developing these manufacturing, trading and transport infrastructures. Mindboggling amount of money is involved. Nations are queuing up. Japan, Singapore and South Korea have also joined the BRI. Only notable non-participants are the USA and India. As the BRI covers East Asia, South East Asia, South Asia, West Asia, Central Asia, and Africa and even extends up to European landmass, the European countries are also game for this. If China promises, \$10–15 billion investment in a couple of industrial corridors in India, Modi would also fall for it.

The Belt and Road aims at connectivity between the production centres in Asian hinterlands and Europe, the world's largest market. More importantly, China is also building a Belt and Road Information Corridor paving way for digital transformation of these economies.

In fact, China had started work on this New Silk Road from 2013 onwards. By the end of 2018, trade in goods between China and countries along the Belt and Road had exceeded US\$6 trillion. The outward direct investment from China in these countries had amounted to over US\$70 billion. From 2013 to 2018, 82 economic and trade cooperation zones and industrial parks were established in 24 countries, with the total investment exceeding US\$28 billion, hosting nearly 4,000 enterprises from all over the world and creating 244,000 local jobs (See [https://www.fmprc.gov.cn/mfa\\_eng/wjbxw/t1657618.shtml](https://www.fmprc.gov.cn/mfa_eng/wjbxw/t1657618.shtml))

By the end of March 2019, the Chinese government had signed 173 cooperation agreements with 125 countries and 29 international organizations. Thus, though started as a China initiative, BRI has now become a mega multilateral initiative led primarily by China (See p. 10 of <https://www.yidaiyilu.gov.cn/wcm.files/upload/CMSydyjlgw/201904/201904220254037.pdf>).

Chinese capitalism is not only aiming at capitalist expansion at home but is aiming at capitalist expansion in the whole of the Indo-Pacific. Will BRI be China's own Marshal Plan 2.0 for the 21<sup>st</sup> century? If Marshal Plan ushered in the American century, will BRI usher in the Chinese century?

## **The Seamy Side of the Chinese Miracle**

China might have emerged as the 2<sup>nd</sup> largest economy in the world. But it ranks at 60<sup>th</sup> place in terms of per-capita income among countries. China's per capita GNP in international dollars (dollars in purchasing power parity terms with US dollars) in 2018 was \$18,140. The figures for other countries are: USA \$63,390, Germany \$55,800, Japan \$45,000, UK \$45,660, France \$46,900, Sweden \$53,990, Hong Kong \$67,700, Singapore

\$94,500, South Korea \$40,450, Russia \$26,470 and India \$7680 ([https://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_GNI\(PPP\)\\_per\\_capita](https://en.wikipedia.org/wiki/List_of_countries_by_GNI(PPP)_per_capita)).

This makes China still a developing country. Based on certain other features of China's external economic relations anyone is entitled to call China an "imperialist country" but he/she must be reconciled to calling China "developing country imperialism" at the risk of sounding absurd! Such conflicting realities are part of the real world and it is always possible for someone to do some nitpicking pitting one facet against the other. Our thrust here is not on the most appropriate labelling but on grasping the contradictory sides of China.

China might have emerged as the world's largest trading nation but it is the largest export destination for 33 countries; still it is the largest source of imports for 65 countries only. Out of 67 largest trading partners of China, it has trade surplus with 30. With this kind of imbalance, it is doubtful whether China's high rate of export growth can also be sustained and whether China's market would remain as lucrative for other countries as it is now.

China might have been the world's largest trader with a share of 12.4% of global trade in 2017 but its share is just 6% in global trade in services. Liberalisation of services was the least in China. Though China became the fifth largest exporter of services with \$227 billion of services exports in 2017, its services imports was \$468 billion in 2017, and it was the second largest importer of services in the world. And that is not a sign of strength. It is true that if Amazon and Walmart are both scared of one firm that is Alibaba, but Chinese capitalism has a long way to go in areas of services other than e-commerce!

China's cheap wage cost advantage is diminishing. Manufacturing wages in China overtook India's in 2000 and, after the 2008 global financial crisis, lower-end manufacturing industries in China are moving to Vietnam, Cambodia, Myanmar, Thailand and Bangladesh. The rapid expansion Chinese of capitalism could have been easier under low-wage conditions. Despite very low inflation in China, wages are increasing and

wage costs are going up and competitiveness of Chinese products is not as high as it used to be a decade back. Average hourly wages in China in manufacturing in 2019 is \$3.90 while it is \$14 in the US and \$0.92 in India. Though it might take decades for China to reach German or American wage levels, the higher tariff by Trump and his restrictions on relocating production to China by American firms might gradually erode the advantage of China.

China's growth miracle has another seamy side. Credit expansion has become the main engine of growth in capitalism of all shades in this age and China is no exception. China is sitting on a total domestic debt of \$40 trillion, around 15% of overall global debt (<https://www.scmp.com/economy/china-economy/article/3018991/chinas-total-debt-rises-over-300-cent-gdp-beijing-loosens>) and nearly 300% of China's own GDP. The corporate debt out this accounts for \$18.3 trillion. Borrowings by government are at different levels and the household debt account for the rest. Chinese banks are struggling with debt restructuring and even debt waivers of defaulting companies. Last year, there were 5665 bankruptcies and 1041 cases of 'hair-cut' where banks agreed to take reduced recovery. There are shades of India's NPAs crisis in China too. Building up a bubble economy with borrowed investments finds its limits in China too. How this debt bomb would explode and what would be its impact on China's growth miracle and external policies remain to be seen.

Before the 2009 US financial meltdown, Chinese GDP was growing at 8–10% per year for about a decade. But this high growth was not without its problems. It was mainly driven by investment, made with borrowed funds, and secondarily to some extent by net exports and not primarily by consumer spending. Such high growth through pump-priming the economy cannot obviously be sustainable for long.

The high growth saga is coming to an end. From above 8% growth, China has slowed down to around 6% in the last four years, recording 6.6% last year and further went down to 6.2% in second quarter in 2019,

lowest in 27 years. Who knows? 'Keynesianism with Chinese characteristics' might be in order. In financial year 2019, the US is expected to spend \$650 billion for Medicaid and China's health spending is estimated to be \$685 billion. But in per capita terms, the Chinese figures look pathetic. In 2017, per capital health expenditure in China was \$494.8 and in USA it was \$10,209. The per capita expenditure on other welfare spending in China compares equally poorly with the US or European countries. At this rate, it might take decades for China to reach the level of Sweden.

## **Where China is no match for Western Imperialism**

China's backwardness in communication with the outside world is legendary and its intellectual backwardness is widely being acknowledged. Like Korea, China too faces the danger of getting reduced to a country of glorified mechanics. It is difficult to come across one intelligent article on any subject originating from the Chinese academia. China can only steal intellectual property but they can't steal intellectualism. Chinese or Russian bureaucracy can challenge the American military might and can match the financial muscle power and can invade their markets or come up with superior frontier technologies but can never come anywhere near the artfulness of the old British and even post-war American imperialist intellectual hegemony. Even at the time of colonialism, the imperialists created an impression among many that colonial rule was only a civilizing mission.

Even a vast majority of the diehard anti-capitalists in the West, if given a chance to choose between China and Europe to live, would only choose Europe. Despite the chaotic character and corporate control of the bourgeois media and public life in imperialist countries, capital is somehow reconciled to an 'open society' as unavoidable but the Chinese bureaucracy will not reconcile to having even an alternative version of open society. Despite the presence of hundreds of newspapers, magazines and TV channels which are not exactly state-controlled, and

despite the functional elective democracy of local people's committees as administrative units, China doesn't have the kind of attraction that even the corporate-controlled democracy in the West has. This is not just a problem of Chinese capitalism but a general crisis of socialism. China can afford to turn into a full-fledged capitalist economy but can't have even a paler version of Western-style democracy. Does it mean, at the social level, as a society China is more vulnerable than the imperialist democracies?

## **China-US Rivalry**

The 2008 US financial meltdown gave rise to a bizarre irony of history. The world witnessed the spectacle of China, which claims to be the last remaining major socialist country, came to the rescue of the biggest imperialist power on earth from total collapse. By the end of 2008, China's holdings of US treasury securities was about \$700 billion. China purchased \$200 billion worth of more US treasury bills and bonds to prevent a sovereign financial collapse and to create enough liquidity to enable the US government to bailout banks and financial institutions with rescue packages. More importantly, when the whole global economy was reeling with a few exceptions like India, China rolled out a rescue package of \$570 billion to come out of the impact of the global crisis. That helped revive not only China's economy, but China's recovery also paved the way for global recovery.

This whole episode sealed China's position not only as a "responsible global power" but it also underlined mutual dependence of US and China on each other. Their oncoming rivalry too would be played out within the broad contours of such mutual dependence only, and there can hardly be a showdown leading to a breaking point and irreconcilable hostility between the two.

The current US-China tension and "trade war" could at best be a temporary aberration any major military conflict is also highly unlikely despite a low-intensity tension over South China Sea. It is highly likely

that the class interests of the American bourgeoisie can ultimately prevail over the idiosyncrasies of a megalomaniac like Trump.

## **China's Geopolitical Strategy**

China's sole agenda now is to further advance its economic growth and expansion and hence its geo-political strategy revolves around sustaining a stable political climate for that. Even its massive military modernisation and consolidation is intended to be a defensive strategy to serve this objective only. Accordingly Beijing has set its own priorities in foreign policy: 1) China would never seek hegemonism; 2) China would achieve full national unification including Taiwan, Hong Kong and Macao; 3) China would resist all external attempts at interference in its internal nationality and ethnic problems, especially in Tibet and Xinjiang etc.; and 4) And China would be fully prepared militarily to defend its national interests and would not compromise its territorial integrity and settle all its border disputes without compromising on its territorial integrity.

With such a foreign policy doctrine, China is also guided in practical geopolitical politics by the theory of balance of power. China, Russia, Central Asian powers and Iran have come together to form a Shanghai Cooperation Organisation (SCO) and India and Pakistan have been invited as guest participants. Though in terms of very composition of participants, SCO is strategically a significant development, the SCO too so far has maintained a non-aggressive defensive posture only.

Coinciding with the emergence of SCO and China's rolling out of the BRI, there is a shift in the American foreign policy discourse, and US now talks of safeguarding its interests in Indo-Pacific region which includes South East Asia, South Asia, Central Asia, and West Asia. US sees China essentially as a challenge to its supremacy in Indo-pacific and, without spelling it out in so many words, it wants to contain China within this region.

Militarily China is no match for the US but its armed might is sufficient enough to provide it security and deterrence against any military adventure by any power including US-NATO. However, there is now under Trump an open split between the US and EU on China strategies.

The threat to American security is not militaristic but it is mainly economic security threat from China, at least until now. China's military modernization is mind-blowing but on the whole it is still economic expansion of Chinese capitalism which is a dominant feature rather than imperial politics or militaristic expansion—which is nowhere comparable even to that of the earlier USSR.

The reality of Western imperialist powers today is that many imperialistic countries have lost the capacity for long-term ground warfare and for military occupation. Politically, it is very difficult for them to incur casualties in tens of thousands. But this is not so yet with powers China, India, Pakistan, Indonesia, Bangladesh and even perhaps Turkey. If China can integrate with the imperialist powers on an economic plane citing common interests, it can well also find a *modus vivendi* for a military cooperation in select cases. It is also heading in this direction with joining non-proliferation regime and restraining North Korea and not vetoing the US on Iran and so on. Similar to the West allowing, and even demanding, a military role from Russia in the Syrian conflict, they might have to reconcile to some future role for China as well in some other context.

## **Problems in the Traditional Approach to Imperialism**

The point in this discussion is not to minimize the danger of imperialism or to interpret the current world situation and balance of forces as promoting peaceful evolution of imperialism. Imperialism has not changed colours as some Left theoreticians argue.

More than precise labelling of China, the emphasis here is to assess its actual evolution with its contradictory features—some resembling

imperialistic ones and other not. The conventional Leninist understanding of imperialism remains basically valid. But going beyond that, the Latin American school said imperialism means “development of underdevelopment” and emergence of only “lumpen bourgeoisie” or crony capitalism and “periphery” can never undergo capitalist transformation. In India too, different shades of the Left took the position that “semi-feudalism” and imperialism/neo-colonialism would never let capitalism develop and India can never become a capitalist country without a “democratic revolution” first. India emerging as the third largest capitalist economy in the world in PPP terms and about to become the fifth largest in nominal terms itself has settled these wrong notions.

With the given pace of capitalist expansion, China can potentially turn into a new imperialist force. But right now it is still evolving and in history there has been no occasion of its imperialistic military intervention except on a lone occasion of military offensive against Vietnam.

Lenin said imperialism means war. But in the nuclear era, with imperialist and big powers fully armed with nuclear arsenal based on nuclear doctrines of MAD (mutually assured destruction), a war between big powers is ruled out thanks to this nuclear deterrence. Even otherwise, a war between two developed imperialist democracies is inconceivable in the foreseeable future.

Though an imperialist statesman like Bismarck began his German unification with the doctrine of ‘blood and iron’ by waging war against Austrian empire in 1866 and France in 1870–71, his subsequent realpolitik based on a doctrine of balance of power saw a long reign of peace and absence of war between otherwise belligerent Germany, Austria, Russia, France, UK and Italy. But this unimaginable protracted peace for four and a half decades was not permanent but gave rise to two subsequent world wars.

After experiencing the devastation of two world wars, nuclear deterrence and the end of Cold War might have prevented another major global conflagration for a longer period of seven decades. But more than that, growing transnationalist integration between national capitalism of imperialist powers has played a greater role. Further, in the wake of decolonization, the cost of war for annexation and capturing of markets and raw materials perhaps far outweighed the gains.

True, like the US had—and still has—its Monroe Doctrine of ‘sphere of influence’, every major power has its own version of ‘Monroe Doctrines’ and arms race is still on, but this contention for spheres of influence and balance of power was not predominantly based on the conventional contention for markets and raw materials, though the later, especially the calculations on oil and mineral wealth, still play a major role in global geopolitics. But transition to neo-colonialism and multinational corporations, greater capitalist integration at the global level through multilateral trade treaties, FTAs, and integrated capital markets and financial flows have made militarism and global imperialistic power politics as well as hegemonism somewhat autonomous of immediate market or raw material concerns of capitalism of individual countries. This new facet of 21<sup>st</sup> century imperialism needs to be grasped.

Well, some critics can describe China as an imperialist power. But then they will have to take pains to distinguish it from traditional imperialist powers like the US, UK, Germany and Japan etc. it would not be correct to put China at par with the US. The contention between them cannot be considered entirely as conventional inter-imperialist contradiction. There is no question of progressives all over the world remaining neutral in this conflict and not taking sides.

A self-contradiction can often be noticed in the approach of these critics. On the one hand, they acknowledge China to be a capitalist power and say that it has already become a major imperialist power. But, on the other hand, they still foresee only an alignment of US-Europe-Japan-India against China-Russia as if it is a contention between imperialist and

ex-socialist powers. Even if conventional factors of inter-imperialist conflict of interests were involved, once they recognize China to be a major world power, can it not possibly bring about a different polarization? China has already distanced Europe from the US on BRI. It has also somewhat distanced East Asia/ASEAN from the American sabre-rattling on South China Sea. Philippines, which raised a big diplomatic hue and cry over fishing rights in South China Sea worth a few millions fell silent at the lure of billions worth opportunity in China, and happily joined the ASEAN bandwagon for a FTA with China! China with its power of trillions is also trying hard to distance Japan and India from the US with early indications of marginal success. Such political-diplomatic contention would go on. Neither ASEAN or Korea nor Japan wants a major conflagration over South China Sea. All these go to show that China's global economic expansion is pregnant with both the possibilities of a sudden imperialistic turn or continued peaceful capitalist expansion, which has not been fully blocked. Chinese capitalism is of very high value for global capitalism as a whole, as 2008 demonstrated.

India is also a regional hegemon but we can't put it at par with the US. Since India is a regional hegemon, some call India also imperialistic or sub-imperialistic. There are others with longer lists.

China might have refrained from military adventure abroad so far. But stationing troops abroad is unavoidable if Chinese investment assets in BRI cross even \$300–400 billion. Arms race with the US-Japan could also intensify for different geopolitical/strategic reasons.

The debate about whether China is socialist is almost over; but that about whether China would emerge into an imperialist power is not. China might be moving in that direction and can potentially turn into one but it still has a long way to go for that.

The mind-blowing expansion of Chinese capitalism also poses several theoretical questions internally about its claim of socialist market

economy as well. The conventional post-1917 theory of socialism was based on primacy of state ownership combined with what Lenin called as New Economic Policy of allowing a marginal role for market forces for a short transition period, which was extended for a protracted period under Mao's New Democracy and which was dramatically enhanced for an entire historical course by Deng's theory of indifference to cat's colours.

Of course, for a tiny academic fringe of theoretical fundamentalists, any economy not based on collectives of self-organising and self-managed cooperative producers has nothing to do with socialism. Like the Trotskyite 'original sin' theory of socialism in one country which paralyses revolutionary advance of socialism or post-capitalism in individual countries, this version of 'original sin' also results in a theoretical straitjacket and deprives the proponents of this view from having any concrete vision of post-revolutionary transition. So naturally, all revolutions would appear to be premature leaps for them. So any meaningful discussion with them ends there. But history can never stop at some beautiful theoretical passages of Marx. Others in praxis cannot afford to wait until simultaneous revolution in all countries or till some ideal revolution at a very advanced stage of capitalism ushering in an ideal model of socialist production of self-managed cooperatives comes up as set out in Marx's texts. The question of optimal post-revolutionary transitional strategy towards socialism still remains an unsettled issue today despite the world witnessing many revolutions and many attempts at socialist transition.

So, while getting back to the real history models, in a scenario where private capital freely flows into state-owned enterprises (SOEs) and state capital freely flows into privately owned enterprises (POEs) as in China, it is difficult to draw a clear demarcation without conceptual blurring. Many of the POEs which are non-state enterprises are also collectively owned. Now SOEs account for only 30% of the GDP in China.

There is also a question of the class character of the state in a bureaucratised regime, and class nature of China's constitution and legal regime and we have also seen 'mixed economy' under purely capitalist regimes. If China is a socialist market economy, the Chinese leadership has not bothered to clarify what is socialist about it. The record miners' deaths and Foxconn suicides belie the image of not only socialism but even that of a civilised capitalism.

Is the market mechanism under socialist market economy the same as the market in the USA, and if not, what are the variations? Capitalism is capitalism no matter what the adjective is and hence cannot escape its periodical crises. What is the dynamic of periodical crisis in China's state-capitalism? What is the role of money and credit and exchange, especially in a trade regime compatible with WTO framework? Is there a version of "socialist monetarism" or "socialist globalization" at work too? The list of such questions is longer. Foreign policy can in the ultimate analysis only be an extension of domestic realities. But then as we pointed out at the beginning of this note, a detailed scrutiny of all these internal and fundamental dimensions of Chinese capitalism could be taken up only on some future occasion and we are limiting this note to features of outward expansion alone.

And moreover, as this note is more to initiate a discussion, we are refraining from giving China any label here.

But all these above issues call for in-depth discussion and close tracking.

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*[\* B.Sivaraman, a reputed Indian journalist and political analyst, is a member of CPI(ML) Liberation, India, and the views expressed here are personal.]*

# Enterprise Sri Lanka: “Empowering the Merchants and Nurturing the Bankers”

## *Mass Movement for Social Justice*

In the lead up to the Budget Speech for 2019 by Finance Minister Mangala Samaraweera, critics of this government’s economic policy had anticipated either a populist ‘election budget’ or an austerity-loaded ‘IMF budget’. What we got instead, was a curious mixture of both.

The Budget’s heavy emphasis on extending cheap loans via ‘Enterprise Sri Lanka’ will likely increase domestic consumption in the short-term, which in turn will register as growth in the economy — all in time for upcoming elections. However, the Budget’s focus on deepening market liberalisation and encouraging private sector intervention in essential services like housing, transport and education, is indicative of the ideological influence of international lending agencies like the IMF.

### **Enterprise Sri Lanka**

Enterprise Sri Lanka, the flagship economic programme of the current government, attempts to leverage cheap loans in the pursuit of two somewhat contradictory goals: 1) to fulfil the aspirations of the middle class by subsidising consumption and 2) to jumpstart private sector growth in Small and Medium Enterprises (SMEs).

Newly proposed concessionary loan schemes like ‘Home Sweet Home’ (Rs. 10 million for first time home owners to build their own house or purchase a premade apartment or house) and ‘Sihina Maliga’ (Rs. 10 million for migrant workers to build a house) are blatant subsidies for the

construction industry and will serve to expand speculation in real estate. There is no reason why such funds cannot be redirected into building and maintaining affordable public housing projects.

In the sphere of transport, the concessionary loan schemes under 'Riya Shakthi' (Rs. 4 million for private school van owners) and 'City Ride' (Rs. 10 million for private bus fleet owners) can also be seen as subsidies for private transport operators. Funds which could be used for expanding and maintaining the state's fleet of public buses, or to initiate safe transport for public school children, are instead funnelled into the private sector— whose monopolies and poor safety record in transport are well known.

The 'Rekawarana' loan scheme is expected to lure the private sector into delivering sensitive and essential services such as the establishment and operation of child-care and elderly-care facilities. These are services that Sri Lanka desperately needs and should fall under the broader purview of public health. But without clear guidelines and allocations for monitoring mechanisms, it is unclear just how safe and accessible these private services will be for the most socioeconomically vulnerable groups.

In education, the Budget encourages privatisation at the lowest and highest levels. The 'Singithi Pasala' scheme provides loans for private entities to repair and establish pre-schools, while the 'My future' loan scheme allocates Rs. 200 million for students to pursue higher education in private universities. Even more farcical is the proposal of a whopping Rs. 500 million to send a mere 14 students to prestigious foreign universities. These proposals should be seen as a blatant subsidy for mushrooming private universities as well as a wellspring for university student debt which will have crippling effects on youth in the future. As with many of the loan proposals, it is unclear why the government cannot simply allocate these funds to upgrade and expand existing public education services.

The few Budget proposals for direct state investment in services and infrastructure are also gifts to the private sector. For example, Rs. 400 million has been allocated for the establishment of climate-controlled warehousing facilities for agricultural produce, though this will be handed over to the private sector for profit making. Essentially, the state takes all the risk, and forfeits the ability to collect a return on its investment.

### **No SMEs without R&D**

There is no real guarantee that cheap loans will go towards investment in the productive capital that Sri Lanka desperately needs if it is to move towards industrialisation. A glance at the newly proposed loan schemes under Enterprise Sri Lanka indicate that any new ‘entrepreneurs’ would simply be rentiers in essential services like housing, transport and education. Rather than generating sustainable growth and employment, these proposals would leave vulnerable groups at the mercy of the market.

In his Budget speech, Samaraweera places blind faith in the mythical notion of a “genuine entrepreneur who uses his ingenuity to compete in a fair market” and “the small and mid-size businesses that embody the spirit of Sri Lankan trade and commerce”. But tree market utopias aside, the Budget’s proposals fail to address any of the structural issues that inhibit the development of SMEs.

Local SMEs operate in a context of low state investment in research and development (R&D), leaving them with little access to data and industrial knowhow. This in turn makes them disadvantaged when having to compete with highly specialised imported commodities - a factor that will increase in prominence as the government continues phasing out para-tariffs. One of the few proposals that deals with R&D is ‘Science at Work’ which allocates a meagre Rs. 50 million for research in areas broadly linked to agriculture and housing. The allocation is earmarked for the ‘Scientific Community’ with no mention of specific

organisations or institutions that might carry out such research for the public good.

## **Consuming without Producing**

In his Budget speech, Samaraweera noted that many banks were hesitant to give out loans to people without collateral. The Budget's solution for this is to allocate Rs. 500 million under a Central Bank fund to act as collateral for loans given out under Enterprise Sri Lanka. Therefore, if and when inflation eats into borrowers' ability to pay back their interest, it is taxpayer money that will serve as collateral.

Loans to subsidise consumption, no matter how cheap, are destined to backfire given their long term inflationary effects. As commodity prices rise against stagnant wages, those who borrow for consumption will find themselves financially squeezed to pay back the interest. Meanwhile, those who borrow for productive enterprises are unlikely to succeed in competition with highly specialised imported commodities that will flood the market as para-tariffs are phased out. The end result would be the extraction of wealth from the semi-urban and rural middle class towards urban financial centres. This will heighten inequality and, given Sri Lanka's history, likely manifest in social and communal unrest. The government would have us believe that Enterprise Sri Lanka is "empowering the people and nurturing the poor". But by prying the domestic market open for foreign imports and mobilising cheap loans as the only solution to a host of macroeconomic problems, the truth is that this Budget will only empower and nurture a small coterie of merchants and bankers.

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*Press Release*

*25<sup>th</sup> June 2019*

### **Kalmunai North Sub-Divisional Secretariat NDMLP's Appeal**

*The Tamil and Muslim sides should act in a spirit of give and take on the matter of Kalmunai North Sub-Divisional Secretariat.*

Comrade SK Senthivel, General Secretary of the New Democratic Marxist Leninist Party issued on behalf of its Politburo the following statement on the upgrading of the Kalmunai North Sub-Divisional Secretariat.

Upgrading of the Kalmunai North Sub-Divisional Secretariat to become a fully-fledged Divisional Secretariat is important to meet the needs of the people and development; and will help devolution of state administration.

The long standing demand of the Tamil people of Kalmunai North that the Sub-Divisional Secretariat for the Tamils should be upgraded and made into a Divisional Secretariat, has to be viewed based on ideas of fairness and the traditional existence, history and relations of the Tamil and Muslim people, transcending narrow racial, religious and regional considerations. If the Tamil and Muslim people had conducted themselves with mutual respect and addressed the demand with accommodation and understanding, there would not have been room for the week long hunger strike and the *satyagraha* in protest against it. Unfortunately, room has been created for Sinhala chauvinist forces to intervene to wreck Tamil-Muslim relations and thereby strengthen their chauvinist agenda. It is also explicit that parliamentary ballot-box political forces are seeking to achieve their purposes. Hence the matter should be resolved by consensus, free of designs for political power and not harming Tamil-Muslim unity and none seeking to deprive any of his rights.

The NDMLP, a party of the toiling masses, urges that the way to achieve it will be for the Tamil side to free itself of hegemonic notions based on race and religion and take steps that eradicate the concerns of the Muslims and

adopt confidence-building measures and for the Muslims to offer fraternal cooperation to elevate Kalmunai North Sub-Divisional Secretariat to fullness.

Following the 21<sup>st</sup> April explosions, Sinhala Buddhist hegemonic thought and action is manifesting as propaganda and, in places, violence against Muslims. Some members of the Buddhist clergy were at the forefront, and parties seeking power through the ballot box did not fail to take advantage.

Under the conditions, it is unwelcome for Tamils, who have for long been subject chauvinist oppression, to be in conflict with the Muslims who are now subject to the same oppression and act on the basis of narrow racial, religious and regional considerations and separatist thought.

Tamils and Muslims should, besides, not fall prey to the divide and rule tactics of politicians with an eye to their vote bank to win parliamentary and provincial council seats, and people should identify and reject politicians who pit the Tamils and Muslims against each other in their hunt for votes.

Thus it is necessary for Tamils and Muslims to act with accommodation and understanding. Hence, the Party calls upon progressive forces and socially concerned thinkers and activists among the Tamils and Muslims who truly love the soil of Kalmunai and work towards its development to recognize the social responsibility facing them and the challenge of this critical period, and come forward to think with far sight to work together to resolve the problem in the interest of protecting their traditional home and a joyous life.

SK Senthivel  
General Secretary, NDMLP

*Press Release*

*8<sup>th</sup> June 2019*

## **Intimidation of Muslims**

*The NDMLP strongly denounces planned acts of intimidation against Muslims*

Comrade SK Senthivel, General Secretary of the New Democratic Marxist Leninist Party issued the following statement on behalf of the Politburo of the Party on the on-going intimidation of Muslims.

The forces of Sinhala Buddhist chauvinism during the seventy years since we were said to have won independence quenched its thirst for blood at the expense of the Tamils of the North-East and Hill Country Tamils, and occasionally the Muslims. They are now fully focused on pouncing on the Muslims. The New Democratic Marxist Leninist Party strongly denounces their planned threats against the Muslims.

The chauvinist violence and damage to property unleashed after the 21<sup>st</sup> April Easter bombings continue to affect harshly the entire Muslim people. Besides, nearly 2300 Sinhalese, Tamils and Muslims have been detained irrespective of age and, notably, most are Muslims. Meantime, racist media and social networks are propagating vicious anti-Muslim propaganda.

By Government circular, men in state service were required to wear shirt and trouser or the national dress and women the sari. Thus, the *abayaya*, the traditional full length garment of Muslim women, was rejected. Although the circular was withdrawn following protests from several quarters, the act has demonstrated male chauvinism and anti-Muslim thought.

The recent three-day hunger strike in Kandy by clergyman-parliamentarian Athuraliye Rathana Thero was launched with the bigoted aim of breeding anti-Muslim sentiments among the Sinhalese. Another Buddhist clergyman, Gnanasara Thero, released recently on pardon by the President, added to it his call for violence. Because of these, conditions prevail where Muslims all over the country conduct their daily activities with fear and anxiety.

The New Democratic Marxist Leninist Party denounces such intimidation Muslims. It condemns the violence of the Islamic fundamentalists that led to this sorry state. It also condemns the activities of Sinhala Buddhist religious fundamentalists who are subjecting Muslims to slander and intimidation

Had the distinctiveness and cultural identity of the minority nationalities, namely the Tamils, Muslims and Hill Country Tamils, been recognized and a political solution found on that basis for the national question, which remains the main contradiction of the country, there would not have been such a sad situation.

The very Sinhala Buddhist chauvinist ruling class that made rivers of blood flow during the thirty year war is today paving the way for another

bloodbath targeting Muslims. It is obvious the fundamentalist thought emanates from all four religions in the country. Anyone who opposes one to defend others is anti-people.

Muslims are not confined to a religious identity. They are also a part of the toiling masses who constitute the vast majority of the country. Most of them love this country and people of other races and religions, and are progressive and democratic in their thinking.

People in the Middle East are struggling against imperialist intervention and against reactionary regimes. Notably, in Syria's Kurdish regions Marxist-Leninist militants joined hands with other groups to overcome IS terrorists and protect their territory and its people. Notably the Kurdish fighters too are Muslims.

Thus, in this critical climate it is important for Muslims to think with far sight about the political situation in the country, the chauvinist parties, and an alternate political path for the Muslims.

It is an essential for the younger generation realize that, beyond identity politics, the Muslims are a nationality and examine which political path will be suitable for them to win all the rights due to them as a nationality.

At this juncture, the Party wishes to point out that that an alternate political stand that will enable the Muslims to advance together with left, democratic and progressive forces is essential for the Muslims.

SK Senthivel  
General Secretary, NDMLP

*Press Release*

*5<sup>th</sup> May 2019*

## **Arrest of Student Leaders**

*The NDMLP calls for the immediate release of student leaders*

Comrade SK Senthivel, General Secretary of the New Democratic Marxist Leninist Party issued the following statement on behalf of the Politburo of the Party protesting the arrest of University of Jaffna student leaders.

The President and Secretary of the University of Jaffna Students' Union, arrested by the Army during search operations conducted in the University on 3<sup>rd</sup> Friday, have been kept in remand custody by the Police under the Prevention of Terrorism Act. The New Democratic Marxist Leninist Party strongly condemns these arrests and detention.

These steps have the motive of taking revenge on the university students for their past activities as well as intimidate them against likely future activities. The actions of the Army and the police have raised the question as to whether oppressive measures are once again unleashed against the Tamil youth and Tamil people.

Detention of university student leaders under the Prevention of Terrorism Act by a government which says that it will abolish the Prevention of Terrorism Act that has been in effect against the people of the country for the past 40 years and replace it with a new anti-terrorism legislation raises suspicions.

Using possession of old images of the leader of the LTTE and others as pretext to arrest and detain is petty, while the real reason is revenge and intimidation. The Party calls upon all to unite in condemning this action of the government and urges early release of the student leaders.

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General Secretary, NDMLP

## Events

- On 16<sup>th</sup> June the Social Science Study circle conducted a seminar on "Results of the Indian General Election and its Impact on South Asian politics". The well attended seminar was addressed by Comrades SK Senthivel, K Thanikasalam and S Thanujan and Dr Akilan Kadirgamar among others.
- On 8<sup>th</sup> June the NDMLP released in Jaffna a 16-page pamphlet in Tamil on Islamic Fundamentalism and Bomb Explosions in Sri Lanka. The pamphlet whose text was published in the May 2019 issue of this journal under the title "Muslims Fundamentalism and terrorism" was well received by readers at home and abroad for its sober and balanced analysis and the positive outlook representing the line of the NDMLP.

# The Certainty

*Roque Dalton*

After four hours of torture, the Apache and the other two cops threw a bucket of water at the prisoner to wake him up and said: "The Colonel has ordered us to tell you you're to be given a chance to save your skin. If you guess which of us has a glass eye, you'll be spared torture." After passing his gaze over the faces of his executioners, the prisoner pointed to one of them: "His. His right eye is glass."

And the astonished cops said, "You're saved! But how did you guess? All your buddies missed because the eye is American, that is, perfect." "Very simple," said the prisoner, feeling he was going to faint again, "it was the only eye that looked at me without hatred."

Of course they continued torturing him.

*(Roque Dalton (1935–75) was a great Salvadorian Poet and Revolutionary)*

# On the Critical Attitude

*Bertolt Brecht*

*The critical attitude*

*Strikes many people as unfruitful*

*That is because they find the state*

*Impervious to their criticism*

*But what in this case is an unfruitful attitude*

*Is merely a feeble attitude. Give criticism arms*

*And states can be demolished by it.*

*Canalising a river*

*Grafting a fruit tree*

*Educating a person*

*Transforming a state*

*These are instances of fruitful criticism*

*And at the same time instances of art.*

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