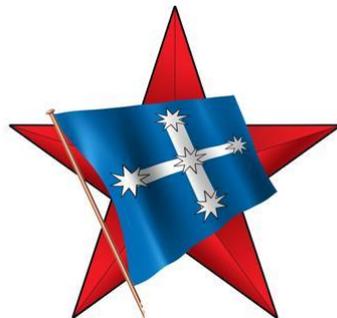


EXPLAINING

CHINA:

**How a socialist country
took the capitalist road
to *social-imperialism***



Communist Party of Australia (Marxist-Leninist)

For Independence and Socialism · www.cpaml.org

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1. Introduction

China must be explained. It has become the world's second most powerful state and is breathing down the neck of its rival, US imperialism, in every important field. Its economic, political, military and ideological leadership is in the hands of the party founded by Chairman Mao, the Communist Party of China. The present leader, Xi Jinping, advocates Marxism and the socialist road. In practice, however, there has been a large-scale reversion to capitalist practices, and the question must be asked whether or not China deserves the label Mao once cursed the Soviet Union with, namely that it is social-imperialist.

What does social-imperialism mean? What are its characteristics? Does the term have a scientific basis or has it always been a convenient term of abuse to hurl at one's opponents within the Communist ranks?

Following Stalin's death and the introduction of a series of "liberal economic reforms", reforms that discontinued adherence to central planning and control of the economy and reintroduced significant elements of private ownership of the means of production, distribution and exchange, China and Albania alleged that a restoration of capitalism was occurring. There was some theoretical exploration of this phenomenon, but not so much of the emergence along with this capitalism of an imperialist state and foreign policy.

To explain China to working class activists and social progressives, a theory of capitalist restoration needs to be referenced, and a theory of social-imperialism developed.

2. Origins of the term "social-imperialism:

The term "social-imperialism" was first applied by Lenin to the policies of Marxist parties which took the side of their own respective bourgeoisies in the predatory imperialist First World War. It was not used in this context as a criticism of a state established on socialist foundations, as was the case with China's criticisms of the Soviet Union post-Stalin.

a. Prior to WW1

"Social-imperialism" has since been retrospectively applied by some academics to an earlier era. It really has nothing to do with the social-imperialism that is under discussion here, but we mention it briefly because it will appear in Internet searches of the term.

The German Hans-Ulrich Wehler (1931-2014) advocated an analysis of history that proceeded from social and cultural perspectives. He advocated the concept of social imperialism, which he has defined as "the diversions outwards of internal tensions and forces of change in order to preserve the social and political status quo", and as a "defensive ideology" to counter the "disruptive effects of industrialization on the social and economic structure of Germany".¹ In Wehler's opinion, the German government used social imperialism as a device that allowed it to distract public attention from domestic problems for the benefit of preserving the existing social and political order. He argued that German colonial policy in the 1880s provides the first example of social imperialism in action, followed by the "Tirpitz plan" to expand the German Navy from 1897 onwards.

¹ Eley, Geoff "Social Imperialism" pages 925-926 from Modern Germany Volume 2, New York, Garland Publishing, 1998 page 925.

In Britain, France and Italy, colonial expansion and the building of empires was sometimes justified as a means to alleviate the poverty and oppression of the working classes of those countries. This was imperialism with a social purpose, it was argued, rather an imperialism for the purpose of plunder. "Social-imperialism was designed to draw all classes together in defence of the nation and empire and aimed to prove to the least well-to-do class that its interests were inseparable from those of the nation. It aimed at undermining the argument of the socialists and demonstrating that, contrary to the Marxist allegation, the workers had more to lose than their chains."²

b. Social-imperialism and the Second International

As the era of pre-monopoly capitalism developed into imperialism, the seeds for a new type of opportunism within the ranks of the working class were sown. Bernstein, Plekhanov and Kautsky promoted fallacies of the peaceful transition to socialism and opposed the Marxist view on the necessity for proletarian dictatorship. Exposure of the utter bankruptcy of revisionism took place when the predatory imperialist war for the redivision of the world broke out in 1914. The Second International of Social-Democratic Parties, of parties ostensibly Marxist in their political and philosophical orientations, fell apart as one party after another supported its own bourgeoisie in waging a war that required the proletarian cannon fodders of the respective imperialist rivals to slaughter each other.

Lenin and the Bolsheviks (and a few other courageous individuals in other countries) argued that the workers must not take the side of their own bourgeoisie in an imperialist war, but should openly agitate for the defeat of their bourgeoisie by means of a revolutionary uprising of proletarians and peasants.

Throughout the war years, Lenin maintained a fierce flow of invective at traitors to the working class, at people who claimed to be socialists, but who were showing themselves in practice to be pacifists, nationalists, chauvinists, patriots and imperialists. He attacked them, taunted them and mocked them by attaching to these words the prefix "social-", so that they were, in his view social-pacifists (socialists in words but pacifists opposing revolutionary activity in deeds); social-nationalists (socialists in words, espousing the internationalism and solidarity of the workers of all lands, but bourgeois nationalists in deeds, elevating the interests of their own bourgeoisie above that of the workers); social-chauvinists (socialists in words, preaching the equality of nations and their rights to self-determination, but chauvinists in deeds, placing the interests of their own country above all others); social-patriots (socialists in words advocating the emancipation of the working class, yet denying by their deeds that class divisions were more important than class collaboration under a national flag); and social-imperialists (socialists in words, calling for the unity of the workers of the world, yet supporters of their own bourgeoisie's expansions and territorial grabs).

Lenin and the Bolsheviks were socialists in words and by their deeds succeeded in overthrowing Czarism and the pro-war, pro-landlord and pro-capitalist Provisional Government which replaced Czarism in February 1917 and was supported by the avowedly Marxist Mensheviks. By fighting Menshevik opportunism and rallying their own forces within the ranks of the soldiers, workers and peasants, the Bolsheviks were able to seize power in October by which time they had the support of the broad masses of the working population.³

² Semmel, Bernard "IMPERIALISM AND SOCIAL REFORM English Social-Imperial Thought 1895-1914", Anchor Books Doubleday & Co. Inc., New York p. 11

³ Some within the Bolshevik Party had wanted to seize power earlier in the year, but Lenin criticised this because they still did not have the support of the majority of the workers. He also rejected the slogan "All power to the Soviets" because the Soviets were under the control of the Mensheviks. Writing at the end of September 1917, in *Marxism and*

A bitter dispute broke out between Lenin, and after his death in 1924, Stalin, on the one hand, and Trotsky and his followers on the other hand over the possibility of building Soviet socialism in the absence of revolutionary seizures of power in a number of developed European capitalist powers. Stalin's unshakeable confidence in the Soviet system and the working class ensured that socialism was built.

The socialist system withstood the armed intervention of imperialist powers (several of which were still at war with each other when their interventions in the Soviet Union began), grew in strength as Depression brought the capitalist nations to their knees, and withstood the fascist onslaught with enormous sacrifice and hardship. In the course of rolling back the Nazis, the socialist system was eventually introduced to a number of Eastern European nations. The application of Marxism-Leninism to the conditions of a semi-feudal, semi-colonial situation by Mao Zedong saw the world's most populous nation embrace anti-imperialist new democracy and socialism in 1949.

c. Soviet social-imperialism

We will examine the concept of revisionism next, but in the course of discussing the origins of the term "social-imperialism", we need to note the use of the term by Marxist-Leninists in relation to the Soviet Union following the victory there of revisionism after Stalin's death. This was a reference to an ostensibly socialist state behaving like a super-power: practising interference, bullying, subversion and control. Not only was the "imperialist in deeds" Soviet Union only "socialist in words", it was actually an economy in which capitalism had been restored. That, together with other factors explored below, provided the basis for its rapid transition into social-imperialism.

3. Revisionism

The term "revisionism" has both a general and a particular meaning. It is sometimes used within bourgeois academic discourse to denote a person who is offering a revised view of widely held and previously accepted views. For Communists the term has the specific meaning – not of simply changing one's mind at a later date – but of stripping Marxism of its revolutionary essence. It is sometimes conflated with opportunism – departures from Marxist principle to justify reformist responses to a certain set of circumstances.

a. Revisionism prior to Khrushchev

Marx and Engels fought to establish their theories on the basis of the laws of dialectical and historical materialism. They analysed the history of class society from its inception through to the revolutionary upheavals of mid-nineteenth century Europe and wrote the *Communist Manifesto* in opposition to various types of utopian and idealist "socialism". They also wrote at length to refute the influential, but unscientific, views of Duhring and Proudhon.

The ideological struggles led by Marx and Engels resulted, as Lenin noted, in the defeat of "pre-Marxist socialism". From that point on, bourgeois efforts to turn the workers from revolution and proletarian dictatorship could no longer stand "on its own independent ground, but on the general ground of Marxism, as revisionism" (*Lenin On Marxism and Revisionism*).

Insurrection, he stated "Now we have a majority in both Soviets" (ie Petrograd and Moscow) and only then did he propose the seizure of power.

Scientific socialism extends recognition of the class struggle to the necessity for the overthrow of the capitalist ruling class by means of revolution. It requires that the workers smash the old machinery of state and create their own institutions to keep the restorationists of the old order in check.

Opportunists seeking to build parliamentary careers on the backs of the oppressed were then forced to “stand on the ground of Marxism” in order to fight it. Only as “Marxists” could they have the access to the advanced workers, could they have the credibility with the revolutionary vanguard of workers, that would enable them to divert the workers from the path of the revolutionary movement.

The German Eduard Bernstein was the first significant “Marxist” to “interpret” Marxism to support opposition to it. He argued that the Marxism of the Manifesto was too impetuous, too youthful, and that in their later years, Marx and Engels matured to a point where achieving peaceful reforms through parliament was preferable to upheavals and revolution. Of course, it would be wonderful to peacefully legislate the ruling class out of existence, but it has never once happened in history. What Marx and Engels knew to be true still stands.

Other significant “Marxists” (some of whom were indeed Marxist at one time or another) included the Russian Plekhanov and another German, Karl Kautsky.

In 1895, Engels discovered that his introduction to a new edition of *The Class Struggles in France*, written by Marx in 1850, had been edited by Bernstein and Kautsky in a manner which left the impression that he had become a proponent of a peaceful road to socialism. On April 1, 1895, four months before his death, Engels wrote to Kautsky:

I was amazed to see today in the *Vorwärts* an excerpt from my ‘Introduction’ that had been printed without my knowledge and tricked out in such a way as to present me as a peace-loving proponent of legality *quand même* (at all costs). Which is all the more reason why I should like it to appear in its entirety in the *Neue Zeit* in order that this disgraceful impression may be erased. I shall leave Liebknecht in no doubt as to what I think about it and the same applies to those who, irrespective of who they may be, gave him this opportunity of perverting my views and, what’s more, without so much as a word to me about it.

The “peace-loving proponents of legality”, who sought to distort Marxism in their own image, later formed the core of those who placed defence of their respective fatherlands ahead of proletarian internationalism following the outbreak of the predatory imperialist war for the division of the world (1914-18). We have already referred to those hyphenated “social-“ socialists denounced by Lenin. These were people who “stood on the ground of Marxism” and in its name opposed its revolutionary message.

The end of the First World War saw the final departure of those reformist Social-Democrats (as all adherents of Marxism had been called to that stage) from revolutionary socialism. Social-democracy now became synonymous with parliamentary reformism. The Australian Labor Party, by contrast, formed as a response to the 1890s strike movement, had never been possessed of a revolutionary socialist past. It has always been a capitalist parliamentary party.

b. Revisionism after Khrushchev

The struggle against wrong tendencies in the Communist Parties, a reflection of the continuation of class struggle under socialism, continued unabated throughout the more than three decades from the October Revolution to Stalin’s death in 1953. Khrushchev’s ascendancy to power after 1953 consolidated the position

of people in authority within the Soviet Party who lacked confidence in the path chartered by Stalin. They included Party leaders who were intimidated by the nuclear threats from the imperialist powers, who were convinced that retreating from the socialist collective economy would ease the pressure on themselves and make their lives more comfortable, and who were not prepared to continue the economic and other sacrifices required of a Party holding state power so that it might genuinely support the revolutionary struggles of the proletariat and oppressed nations. To a very large extent, the revisionism that came to characterise the Soviet leadership post-Stalin was born of the contemptuous cowardice of “Communists” who were simply not up to the challenge.

Cowardice alone does not explain how, under socialism, the rise of revisionism means the rise of a bourgeoisie. The material conditions for the emergence of a bourgeoisie reside in the failure or refusal of the highest leaders in a ruling Communist Party to restrict bourgeois right- a point we will expand on below.

Within the international communist movement, the prestige of the Soviet Union was enormous. The first workers’ state, it had succeeded in “building socialism in one country” and had defeated the Nazis. As Stalin’s immediate successor, Khrushchev shocked communists everywhere by denouncing Stalin at the Soviet Party’s 20th Congress. The speech was made in secret, but leaked to the imperialists’ media. Demoralised and confused by this development, many communists were not sufficiently prepared to counter policies put forward by the new Soviet leadership, policies that were thoroughly revisionist.

The new policies included the possibility, indeed the necessity in countries still under capitalism of peaceful transition to socialism. They espoused the view that the Soviet Union was now classless and therefore the Party had lost its character as a proletarian party and had become a party of the whole people; that the state could no longer be a dictatorship of the proletariat, but had become a “state of the whole people”. These new labels excused the transfer of power and authority within the party and the state away from the workers to a newly-emerging elite of bureaucrats and managers allied with those party members taking the capitalist road of economic reform.

Accommodation to capitalism at home and imperialism internationally were imposed on communist parties in other countries, on the basis of the prestige and authority that the Communist Party of the Soviet Union still enjoyed. Consequently, Communist Parties in all continents were divided, lost their revolutionary soul and in practice pulled back from the struggle to put an end to capitalism. Leading communists such as Browder in the USA and Togliatti in Italy were prominent revisionists.

Variations on a theme soon emerged. In the 1960s, the domination of the anti-war movement by petty-bourgeois intellectuals provided the conditions for the emergence of the New Left, of so-called “radical Marxists” who wanted their “Marxism” without Communism – as hopeless as wanting their bread without flour. The rejection of Soviet revisionism had originally in this early stage been led by genuine Communists in China and Albania. So-called “Eurocommunism” rejected Soviet attempts to dominate revisionist discourse and became even more reformist and anti-revolutionary in the process. All of this had echoes in Australia: the formation of our own anti-revisionist Party in 1964, the struggle within the old Communist Party between pro-Soviet and Eurocommunist-aligned revisionists, the creation of a separate pro-Soviet Party (the Socialist Party of Australia), the dissolution of the CPA by its Eurocommunist-aligned majority, and the subsequent resumption of the name of the Communist Party of Australia by the SPA.

4. Capitalist Restoration

A successful revolution against capitalism does not immediately usher in the classless society of communism. Ending the private ownership of the means of production lays a basis for progress towards communism, but

so long as the global economy is dominated by capitalism and under the control of imperialists, it is impossible to isolate a post-capitalist economy from a world in which commodities exist and are made and circulated (traded or sold) by means of money. For a considerably long historical period, post-capitalist societies will contain classes, will have a commodity economy, and will require money for the circulation of commodities. Post-capitalist societies are *not* communist. They elevate the working class to the position of the rulers of society. Their rule is democratic within the ranks of the working class, but of necessity must exclude from decision-making the old ruling class of capitalists and imperialists. The latter's power, influence and authority must be completely shattered and kept under control by means of special powers vested in a new form of the state apparatus. That form is called the dictatorship of the proletariat and must be exclusively maintained by the working class during that entire historical period between capitalism and communism. Marxists refer to that transition period as socialism. The acceptance of the dictatorship of the proletariat as the form the state takes under socialism separates Marxists from those social-democrats and others who see socialism merely as a reform of some of the most blatantly exploitative features of capitalism, a reform to "democratise" and "humanise" capitalism whilst leaving the political field open to capitalist participation through the parliamentary apparatus of the capitalist era, and the economy open to private owners and market forces.

a. Commodity production as a characteristic of socialism

Some Soviet era economists, anticipating the arrival of communism, ignored or disputed the existence of commodity production under socialism.

It is also a mistaken view among some who wish to see capitalism replaced that surplus value⁴ ends with capitalism. On a recent chatline devoted to the legacy of the Soviet Union, one correspondent stated: "...surplus value a la Capital was not created in these countries as there was no property running under market conditions with free entry and exit from said market, production being, *totally* for human needs and not for profit. Ergo no surplus value was created to begin with let alone extracted. ...surplus value didn't flow from Comecon nations to the Metropolis, USSR, there were other criterias for trade, and making Rubles wasn't one of them."

The comment is typical of some activists who believe that once a socialist economy is established the appropriation of surplus value from workers and its realisation as profit through the sale of commodities (ie exploitation under capitalist conditions) is ended. To the extent that they understand the law of value⁵, they say that it has been overcome under socialism or deny that it has any role to play under socialism.

When Stalin discussed the first draft of a Soviet text on political economy, he took its principal author, Leontiev, to task for just such a mistake. Stalin said:

Here it is written that the law of value has been overcome...As yet the law of value has not been overcome. It is not true that we are in control of prices. We want to be, but we have not yet achieved this. In order to be in control of prices you need tremendous reserves, an abundance of

⁴ Surplus value, very briefly, is the source of the exploitation of workers by the capitalist class. If the reader is unfamiliar with the concept then they should read Marx's 1865 publication *Wages, Prices and Profit* for a simple outline.

⁵ Marx explained that commodities (including labour power) are exchanged according to values determined by the amount of socially necessary labour time expended on their production. Prices, as distinct from values, fluctuate on the basis of supply and demand. Some Marxists wanted to believe that the law of value no longer operated under socialism, that commodities could be produced and exchanged regardless of their value – and that this demonstrated the superiority of socialism over capitalism.

goods, and only then can we dictate our prices...When we shall be able to distribute according to need, it will be a different matter, but as of yet the law of value has not been overcome.⁶

b. Surplus value and its social appropriation under socialism

The significance of the law of value continuing into the socialist era is that surplus value continues to be created by the labour power of the working class. However, it no longer has the character of exploitation because socialism has eliminated the appropriation of socially produced surplus value by the handful of private owners of the means of production that occurred under capitalism. The appropriation of surplus labour still occurs, but it is appropriated by its creators through their party and their government and distributed for the benefit of society according to a planning mechanism that cannot exist under capitalism. This means that the profits from the labour power of the proletariat can be turned to socially useful purposes rather than being denied to society as they are under capitalism.

Speaking of planning under socialism, Stalin told Leontiev:

It needs to be put simply: under capitalism it is impossible to conduct production according to plan on a societal scale because of competition and there is private property that disconnects things. But in the USSR all enterprises are united by socialist property. Therefore we can and must conduct a planned economy. The planned economy is not our wish; it is unavoidable or else everything will collapse...Capitalist industry, agriculture and transport cannot be run by plan. In capitalism the cities must gobble up the countryside. For them, private property interferes. Say it simply: for us things are unified, for them things are disconnected.⁷

The requirement for planning recognizes the social appropriation of surplus value under socialism and the possibility of its social distribution according to the needs of the working class in its role as the ruling class of socialist society. Socialism allows unprofitable but socially necessary enterprises to be supported through just such a distribution. So long as the proletariat is elevated to the position of ruling class, it can enforce such a socialist alternative. So long as the working class exercises leadership in everything, socialism can be maintained and developed. So long as there is proletarian dictatorship, exploitation in the old-fashioned sense can be eliminated by giving workers control over the rate and intensity of work at the point of production, and control over the distribution of surplus value through their Party and their state.

c. Bourgeois right as a necessary phenomenon of socialist society⁸

However, if persons in power take the capitalist road, then even under state ownership and in the absence of private property relations, the social appropriation of surplus value can be tampered with and a bourgeoisie can be generated within the Communist Party, and of necessity owing to it being the highest level of decision-making, in the Central Committee itself. The struggle for and against the restriction of bourgeois rights inherited from capitalism begins right at the start of the socialist era. Its essence is class

⁶ <http://revolutionarydemocracy.org/rdv4n2/5convers.htm>

⁷ <http://revolutionarydemocracy.org/rdv4n2/5convers.htm>

⁸ In the *Critique of the Gotha Program*, Marx indicated that bourgeois right would exist throughout the entire period of socialism: "In a higher phase of communist society, after the enslaving subordination of the individual to the division of labor, and therewith also the antithesis between mental and physical labor, has vanished; after labor has become not only a means of life but life's prime want; after the productive forces have also increased with the all-around development of the individual, and all the springs of co-operative wealth flow more abundantly—only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: From each according to his ability, to each according to his needs!"

struggle. If bourgeois right is not restricted, a bourgeoisie will usurp Party and State power. This happened in the Soviet Union after Stalin's death, was the subject of warnings by Mao in socialist China⁹, and has actually occurred in China since Mao's death.

The private appropriation of part or all of the surplus value, realised as enterprise profit through sales, can be channelled to private bank accounts or distributed as state sanctioned bourgeois rights as encapsulated in differential salaries, bonuses and material incentives, and elite privileges¹⁰.

If allowed to continue, this "red" bourgeoisie can grow in power and influence to the point where it condones the emergence of private entrepreneurs and the transfer or sale of state-owned enterprises to its own members. The transformation of the Communist Party into a revisionist party is promoted through rejection of the Marxist-Leninist thesis that the party represents the working class; now it represents "all productive forces" in society, the "whole people" and membership is offered to entrepreneurs and millionaires.

It seems that surplus value, transferred to the whole of society when the working class is dictating terms, can be transferred to a new bourgeoisie when the working class is disempowered by revisionist policy. And when the surplus value of allied ("socialist camp") working classes is siphoned off through unequal trade terms by a more powerful nation no longer led by its working class, but used for the further enrichment of the elite of the more powerful nation, would that not be a case of "socialism in words but imperialism in deeds"?

In so far as there have been setbacks associated with the Communist Parties of some socialist countries succumbing to revisionism and taking the capitalist rather than the socialist road we can only accept that such phenomena are part of the learning process for the proletariat. A learning process can only be positive in the long run, however regrettable the need for its lessons may be at any particular time or place. Thorough-going materialists need not be demoralised by the appearance of revisionism under conditions of socialism; rather, they can be heartened that the revolutionary movement will be strengthened in its future endeavours through having learned the need for the adoption of ideological, political and organisational measures to ensure that real power, once seized, remains in the hands of the proletarian class.

The socialist era will always be vulnerable to departures from progress towards communism. Influences from the external capitalist environment provide conditions for this, but the basis for it is the existence of commodity production and the operation of the law of value under socialism, the remnant existence of classes from the capitalist era, and the ongoing, spontaneous tendency for the emergence of a bourgeoisie within the Communist Party itself. Such an ever-present danger of a departure from the socialist road by no means makes such a departure inevitable. The theory of continuing the revolution under the conditions of the dictatorship of the proletariat, developed by Mao Zedong, and the associated practice of empowering the working class to wage class struggle during the socialist era, of implementing the policy that the working

⁹ "You are making the socialist revolution, and yet don't know where the bourgeoisie is. It is right in the Communist Party - those in power taking the capitalist road. The capitalist-roaders are still on the capitalist road." (Quoted in <https://www.marxists.org/history/erol/uk.hightide/red-star-mao.htm>)

¹⁰ Chairman Mao pointed out: "China is a socialist country. Before liberation she was much the same as capitalism. Even now she practises an eight-grade wage system, distribution to each according to his work and exchange by means of money, which are scarcely different from those in the old society. What is different is that the system of ownership has changed." Chairman Mao also pointed out: So far as the bourgeois rights are concerned, "these can only be restricted under the dictatorship of the proletariat." (Quoted in *On the Social Basis of the Lin Piao Anti-Party Clique*, Yao Wenyan, Foreign Languages Press, Beijing, 1975)

class must exercise leadership in everything, including its supervision and right to recall leaders and officials, will give workers in new socialist societies the means of placing effective obstacles in the way of departures from progress towards communism.

d. Restoration at the micro-economic level

In *Left-Wing Communism: An Infantile Disorder*, Lenin said, "Small production engenders capitalism and the bourgeoisie continuously, daily, hourly, spontaneously, and on a mass scale."¹¹ In both the Soviet Union and China there were attempts to expand small-scale production and restrictions placed on that expansion.

Whether to restrict small-scale production or to expand it became the central question in the debate over the restoration of capitalism during the Cultural Revolution. Mao's attitude was that the law of value and commodity production had to be restricted. The opposite policy opened the door to the political acceptance at the grass roots level of capitalist rights in production. If such views flourished they would dull the vigilance of workers and peasants when changes to the ownership and operation of state-owned enterprises were made. In relation to the peasants, Chairman Mao warned: "There is a serious tendency towards capitalism among the well-to-do peasants. This tendency will become rampant if we in the slightest way neglect political work among the peasants during the co-operative movement and for a very long period after."¹²

Taking the opposite view to Mao, Liu Shaoqi promoted the "Three freedoms and one fixed quota" ("*san zi yi bao*") and "fixing farm output quotas for individual households ("*baochan daohu*"). The former authorised the extension of free markets and of plots for private use, the promotion of small enterprises with responsibility for their own profits and losses, and the fixing of output quotas on a household basis (with certain freedoms on the sale of produce surplus to the quota). This last point was the basis of the latter policy, and of the household responsibility system introduced as one of the seminal "reforms" of the Deng Xiaoping era. In 1979, in a put-up job, 18 villagers in Anhui Province signed a secret contract with local cadres to bypass the village collective and farm individually. Deng Xiaoping praised their illegal actions and in 1981 pushed for nation-wide adoption of this system.

The household responsibility system allowed households to contract land, machinery and other facilities from collective organizations. They could freely dispose of surplus production over and above national and collective quotas. By 1983, the socialist People's Communes had been replaced by individual household farming, and agricultural collectivisation, a foundation of the socialist economy, had been reversed. A group of well-to-do peasants did benefit from the restoration of capitalism in the countryside. Many peasants, however, became *mangliu* or migrant labourers as "primitive accumulation with Chinese characteristics" swept the land. Rural education and health services disappeared in many parts of the countryside.¹³

In the same year that the household responsibility system was being secretly put in place, changes further collectivised a part of the People's Communes. The Township and Village Enterprises (TVEs) which had produced agricultural equipment, chemicals, fertilisers and similar products remained for a time as nominally collective enterprises but were in fact run as private enterprises; certainly, expansion of this sector was done on the basis of it being part of the private sector. TVE employment grew from 28 million in 1978 to

¹¹ V.I. Lenin, "*Left-Wing*" *Communism, An Infantile Disorder*, Foreign Languages Press, Peking, 1965 p. 6

¹² Introductory note to "A Resolute Struggle Must Be Waged Against the Tendency Towards Capitalism" (1955), *The Socialist Upsurge in China's Countryside* (See also <https://www.marxists.org/reference/archive/mao/works/red-book/ch03.htm>)

¹³ See Han Dongping, *The Unknown Cultural Revolution: Life and Change in a Chinese Village*, Monthly Review Press, 2008

a peak of 135 million in 1996. Likewise, production of TVEs increased to 1.8 trillion yuan in 1992 from 49 billion yuan in 1978. The TVEs have been described as part of a “hybrid sector” in China.¹⁴

Like the sale of state-owned Machine Tractor Plants in the Soviet Union to collectives and then private companies, this transfer of property rights from the state to capitalist elements secured the restoration of capitalism at the micro-economic level, providing a social basis for the consolidation of bourgeois elements in the rural areas and townships of China.

e. Restoration at the macro-economic level.

The economic changes introduced early in the Khrushchev era in the Soviet Union largely corresponded to the theories advanced by the economist Liberman, the essence of which was granting to state-owned enterprises the freedom to seek profits and to take responsibility for losses under a management system that excluded any role for the direct producers, the proletariat. Stalin had criticised Liberman’s proposals in 1952, pointing out “If profitableness is considered not from the standpoint of individual plants or industries, and not over a period of one year, but from the standpoint of the entire national economy and over a period of, say, ten or fifteen year, which is the only correct approach to the question, then the temporary or unstable profitableness of some plants or industries is beneath all comparison with that higher form of stable and permanent profitableness which we can get from the operation of the law of balanced development of the national economy and from economic planning...”¹⁵

From these two mutually exclusive viewpoints, Liberman’s and Stalin’s, came the struggle over the restoration of capitalist practices at the macro-economic level of large-scale state-owned enterprises. Khrushchev took Liberman’s side when he took over after Stalin’s death; Chinese economist Sun Yefang advocated Liberman’s reforms for China and was supported in this by Liu Shaoqi. Mao Zedong countered with the mass ideological campaigns of the Cultural Revolution, but Libermanism was revived in China during the Deng Xiaoping era when everything became a matter of profitability and numerous state-owned enterprises were judged to be bankrupt or inefficient and released to the private sector.

The restoration of capitalism in the USSR was analysed in depth from a Marxist viewpoint, and we refer interested readers to the following publications which detail the economic arguments used, and the practical steps taken, to promote capitalism in a socialist society:

Joseph Ball, “The Need for Planning: The Restoration of Capitalism in the Soviet Union in the 1950s and the Decline of the Soviet Economy” <http://clogic.eserver.org/2010/2010.html>

Bill Bland, “The Restoration of Capitalism in the Soviet Union”:
<http://www.oneparty.co.uk/html/book/ussrindex.html>

Martin Nicolaus, “Restoration of Capitalism in the USSR”: <http://www.marx2mao.com/Other/RCSU75.html>

¹⁴ “Our definition of the Hybrid Sector includes all non-state, non-listed firms, including privately or individually owned firms, and firms that are partially owned by local governments (e.g. Township Village Enterprises or TVEs). The growth of the Hybrid Sector has been much higher than that of the State Sector (state-owned enterprises or SOEs, and all firms where the central government has ultimate control) and the Listed Sector (publicly listed and traded firms, with most of them having been converted from the State Sector). The Hybrid Sector contributes to most of China’s economic growth, and it employs the majority of the labor force. The co-existence of the alternative financial sector with banks and markets can continue to fuel the growth of the Hybrid Sector.” See:

<https://www.lawschool.cornell.edu/research/ILJ/upload/Allen-Qian-final.pdf> p. 502

¹⁵ Stalin *Economic Problems of Socialism in the USSR*, FLPH, Moscow, 1952 p. 23.

Red Papers #7 “How Capitalism Has Been Restored in the Soviet Union and What This Means for the World Struggle”: <https://www.marxists.org/history/erol/ncm-8/red-papers-7/>

Macro-economic reform saw the once-dominant Chinese state sector fall to 27% of the economy in 2010; the remaining 73% was in the private sector. State-owned enterprises (SOEs) still provide about half of the PRC’s tax revenue, and were credited with saving the PRC from the Global Financial Crisis of 2007-08. Not counting provincial-level SOEs, there are currently 102 national SOEs that contributed 60 per cent of China’s outbound investments by the end of 2016.¹⁶

The existence of these remnant SOEs is a source of ongoing debate in China. In 2012, the Development Research Centre of the State Council (DRC) and the World Bank co-produced a report on the challenges facing the country in the coming two decades. The report, *China 2030: Building a Modern, Harmonious and Creative Society* was a “bible of modern reform...a coherent, lengthy statement...of Western-style neoliberal economic values imported lock, stock and barrel into the PRC”.¹⁷ The document called for the removal of the state from the economy and the privatisation of SOEs. A counter to this was Document 9, issued March 2013 to Party cadres in which seven political problems were identified. Item 4, “Promoting Neoliberalism, attempting to change China’s Basic Economic System” reads:

Neoliberalism advocates unrestrained economic liberalization, complete privatization, and total marketization and it opposes any kind of interference or regulation by the state. Western countries, led by the United States, carry out their Neoliberal agendas under the guise of “globalization,” visiting catastrophic consequences upon Latin America, the Soviet Union, and Eastern Europe, and have also dragged themselves into the international financial crisis from which they have yet to recover.

This is mainly expressed in the following ways:

[Neoliberalism’s advocates] actively promote the “market omnipotence theory.” They claim our country’s macroeconomic control is strangling the market’s efficiency and vitality and they oppose public ownership, arguing that China’s state-owned enterprises are “national monopolies,” inefficient, and disruptive of the market economy, and should undergo “comprehensive privatization.” These arguments aim to change our country’s basic economic infrastructure and weaken the government’s control of the national economy.

The rebuttal of neoliberal attacks on the SOEs, which remain sources of revenue for the state as well as vehicles for its capital investments overseas, was “balanced” by a swipe at those who characterise China as having departed from socialism. Item 7, “Questioning Reform and Opening and the socialist nature of socialism with Chinese characteristics” reads in part:

For the past several years, the discussion of reform has been unceasing, with all kinds of voices joining one after another. Some views clearly deviate from socialism with Chinese characteristics.

¹⁶ <https://www.scmp.com/news/china/economy/article/2098755/how-communist-party-controls-chinas-state-owned-industrial-titans>

¹⁷ Brown, Kerry “CEO China, The Rise of Xi Jinping”, IB Taurus & Co, London, 2016, p. 129

This is mainly expressed in the following ways:

Some blame the contradictions and problems of development on Reform and Opening. They say “Reform and opening up has gone too far” and that “we have deviated from our Socialist orientation.” They question whether or not what China is doing now still truly is Socialism, or they just call it “Capitalist Socialism,” “State Capitalism,” or “New Bureaucratic Capitalism.”¹⁸

Why debate around the existence and role of SOEs even occurs in a supposedly socialist state is hard to fathom. What is certain is that they will continue to be subjected to changes that reduce their sectoral size whilst making them even more efficient as carriers of Chinese capital to the world. As Xiao Yaqing, chairman of the State-owned Assets Supervision and Administration Commission (SASAC), stressed in January 2018, Beijing’s commitment is to streamline its “bloated state-owned sector” and “create conglomerates capable of competing globally”.¹⁹

5. Conditions under which restoration of capitalism leads to social-imperialism

The four substantial texts cited above in the previous section (by Bland, Ball, Nicolaus and Red Papers) focused on capitalist restoration in a socialist society; only one, the last one, extended that to the transformation of a restored capitalism into imperialism, or rather, to social-imperialism (imperialism that still pretends to be socialist).

a. Restoration can lead a less-developed socialist economy to a semi-colonial status

Generally speaking, there is no inevitability about a restored capitalism in a formerly socialist country developing into social-imperialism. In the 1950s, alongside the Soviet Union, there were socialist economies developing in seven Eastern European states as well as in the People’s Republic of China, the People’s Democratic Republic of Korea, the Mongolian People’s Republic and the Socialist Republic of Vietnam. All of these states deferred, to a greater or lesser extent, to the Soviet Union as the leader of the world socialist camp, as the Soviet Fatherland. These states provided a sphere of influence for the Soviet Union that was denied to world imperialism, but did not themselves become social-imperialist.

Denying entry to this sphere of influence centered on the European front. When the imperialists established the Organisation for European Economic Cooperation in 1948, the Soviets countered by establishing the Council for Mutual Economic Cooperation (COMECON) in 1949. The imperialists established NATO in 1949; when the Soviet Union was denied entry into NATO and a re-armed West Germany allowed to enter, the Soviets created the Warsaw Pact in 1955. Thus, in both the economic and military realms the Soviet sphere of influence became a formal reality.

Of the seven Eastern European states within the Soviet sphere of influence (Yugoslavia is not included as it had kept a measure of independence and of openness to capitalism and Anglo and US imperialisms), Bulgaria, eastern Germany, Hungary and Romania had been part of Hitler’s war on the Soviet Union. They were states that began their relationship with the Soviet Union under obligations to pay reparations (later waived in whole or in part). In any case, relations between the more powerful Soviet state and its less powerful European allies were not equal, and under both Khrushchev and Brezhnev, the Soviet Union turned

¹⁸ <http://www.chinafile.com/document-9-chinafile-translation>

¹⁹ <https://www.reuters.com/article/us-davos-meeting-china-companies-exclusi/exclusive-chinas-state-owned-firms-to-face-more-mergers-idUSKBN1FD0TM>

economic ties in COMECON to its own advantage, backed up by Soviet tanks. Theories of an “international division of labour”, “specialisation in production” and “economic integration” were developed throughout the Brezhnev era to consolidate the Soviet grip over its sphere of influence. In the process, the restored capitalist states of the formerly socialist countries of Europe developed into one hegemon and a group of dependencies. Albania alone defied this trend.

What factors are required for a restored capitalism to become social-imperialist?

b. Strong State and/or private monopolising capitals as a requirement

The restored capitalist economy must have state monopoly capitalist or private monopolising capitalist corporations of sufficient strength in decisive sectors of the economy so that the class of capitalists indigenous to that country, whether they are embedded in the private sector or the state sector, can develop in isolation from and in competition with any other sources of imperialist capital. They must be strong enough to utilise foreign investment capital on their own terms, resisting their transformation to a comprador appendage to already existing centres of imperialist finance capital. These conditions were lacking in the European “partners” of the Soviet Union which enabled the new Soviet bourgeoisie to develop not only through its own internal strength, but through the exploitation of its allies. Thus, the first stage in the emergence of Soviet social-imperialism was the enlargement and strengthening of Soviet state monopoly capitalist entities through relations of economic inequality with its satellite states. Lacking such an already-made “empire”, Chinese capital engaged in a particularly brutal form of primitive internal capital accumulation to avoid becoming a mere comprador of US, European and Japanese imperialisms.

It is important to note that because of the centralised control of state-owned companies in China by Party and Government bureaucrats, they have much more power than state-owned enterprises in other capitalist countries, and much greater influence and power than their sectoral share in the overall economy.

According to Hua Shi,

As far as state ownership is concerned, the nature of state-owned enterprises in the West is very different from that of China. There, because government officials are hired by private capital to serve private capital and are responsible to private capital, the ownership of Western state-owned enterprises does not belong to the local government bureaucracy (because government officials are not an interest group there). Instead, it indirectly follows the principle of “one dollar, one vote” and belongs to the entire bourgeoisie. That is to say, within the power of the Western bourgeoisie, the real ownership of state-owned enterprises is based on the amount of capital each capital group has to determine its right to speak. This is the essence of Western democracy.

In contrast, the actual ownership of the state-owned enterprises in the Heavenly Kingdom belongs only to state-owned capital groups, not to the whole of the Chinese bourgeoisie. Private capital cannot effectively interfere with the operation of state-owned enterprises through “democratic” means. China's bureaucratic group is not a public servant of capital but a master of state-owned capital. It does not need to be accountable to anyone other than itself.²⁰

Hua Shi adds that it is only in the economic sphere that China is integrated into the global capitalism system: its ruling elite is completely sovereign in the political and military sphere, something that cannot be said of other imperialisms and sub-imperialisms clustered under the leadership of US imperialism. Hence the state-

²⁰ <https://mike-servethepeople.blogspot.com/2018/11/translators-note-i-came-across-this.html>

owned capitalist sector has the unambiguous support and protection of the essential components of state power.

The continued existence of a strong state-owned sector is thus a condition for the development of social-imperialism, rather than a sign that the economy of a revisionist state is still socialist. Even under capitalism, nationalised companies have long been used by capitalist governments to complement private capital accumulation. Most often these nationalisations or state-owned enterprises are utilities such as energy, transport and communications/telecommunications. The existence of a state-owned sector in the Soviet Union after Stalin's death in 1953 assisted the restoration of capitalism under Khrushchev and his successors as did the state-owned sector in China under Deng Xiaoping and his successors. In both cases, the state-owned sector has served the transition from the restoration of capitalism into a social-imperialism not dependent on and subordinated to the imperialisms of other nations.

c. A developed financial sector as a requirement

The restored capitalist economy must have a financial sector of such sufficient strength as to allow it to penetrate and compete with the financial institutions of existing imperialist powers. The ability to extend credit in competition with imperialist finance capital is the essential condition for redrawing the map encompassing the economic and political spheres of influence into which the world is divided. The Soviet Union used this method extensively in the case of India, as a result of which the Indian ruling class moved into the Soviet sphere of influence for a while under Brezhnev: loans of 2.5% over a 12 year period were better than anything the British, US or French imperialists could offer at the time, although the loans were tied to the purchase of Soviet equipment in much the same way as imperialist "aid" is more often than not a means of aiding the nation from which the aid is sourced. A number of African and Middle Eastern countries (Egypt being a case in point) were also seduced by Soviet loans, all of which required a strengthened, expanded and outwards-looking Soviet financial sector.

In China's case, financial institutions have expanded from a small number of central banks servicing China's then socialist construction and foreign trade. As capitalist relations of production re-emerged during the Deng era, a shadow banking system developed to service capitalist enterprises.²¹

Urban and rural credit cooperatives facilitated small private enterprises and by the mid-1990s were transforming themselves into over 100 city commercial banks – banks based in large cities - and inviting private investors, Chinese and foreign, to purchase shares. They provided credit to larger infrastructure developments in the state and private sectors.

Another financial innovation in 1986 was the opening of China's first stock exchanges since 1949. Small stock exchanges began operations somewhat tentatively in Shenyang, Liaoning Province, in August 1986 and in Shanghai in September 1986.

By 1979, China's financial base had developed to the point where the domestic market could no longer meet the needs for expanded capital accumulation. Deng Xiaoping established the China International Trust Investment Corporation (CITIC) as a state-owned investment company. As the CITIC Group Corporation Ltd., by 2017, it had become one of China's biggest conglomerates, with one of the largest foreign assets holdings

²¹ "...the most successful part of the financial system, in terms of supporting the economy's overall growth, is neither the banking sector nor the financial markets. Rather it is a sector of alternative financing channels, such as informal financial intermediaries; internal financing and trade credits; and coalitions among firms, investors, and local governments. This alternative system is often referred to as the shadow banking system." See: <https://www.lawschool.cornell.edu/research/ILJ/upload/Allen-Qian-final.pdf> p. 501

in the world. CITIC has its own bank, the China CITIC Bank, which is the seventh largest lender in China, as well as operating in 130 other countries.

Today, China has both the Asian Infrastructure Investment Bank (AIIB) and the BRICS New Development Bank (NDB) through which to offer loan and investment capital in competition with the financial institutions controlled by the US and other imperialisms.

China's financial clout has the capacity to create dependency and to undermine sovereignty. This is the threat inherent in the creation of debt traps. Of course, sections of Western academia, media and political life who purport to warn Third World countries about this threat from China are acting entirely out of hypocritical self-interest. Aid has long been a means by which imperialist powers have extended their influence and outmanoeuvred each other for geo-political control.

But why should the new kid on the block be expected to act any differently? China's Export-Import Bank extended credit to Sri Lanka in 2006 for the construction of the Norochcholai Coal Power Plant located in Puttalam. China owned an 85% stake in the plant by 2012. Unable to repay the debt incurred to build the coal-fired power plant, the government is now transferring its ownership to the Chinese, in a debt-equity swap.²²

Then there is the Sri Lankan port of Hambantota. Funds for the Hambantota project were made available at near commercial terms by China's Export-Import Bank, which extended credit of over \$1.2 billion for the construction of the port. Assistance was also extended for a southern highway, a tele-cinema park and an airport.

Between 2009 and 2014, Sri Lanka's debt tripled. The current total debt stands at around \$65 billion. Sri Lanka spends over 90 per cent of all government revenue to service its debts. Finance Minister Ravi Karunanayake has announced that his government has decided to sell 80 per cent of the \$1.5-billion Hambantota port to a Chinese company. China has also been offered an investment zone in the same region, in another bid to cut the country's debt burden.

China has now virtually taken over the Hambantota port on a 90-year lease, its surrounding areas and adjacent industrial park, despite widespread local protests. Reports indicate that this 'investment zone' will be used by China to manufacture a wide range of products for export to India. China will thus, in effect, be seeking to export its products from Sri Lanka, making use of the free-trade advantages that Sri Lanka enjoys in trade with India.²³

Many Pakistanis feel that Chinese financing of their port of Gwadar will lead to the same loss of sovereignty. Pakistan has struggled to pay the debts to China incurred in the building of the port and related infrastructure. China has reduced interest payments to zero, meaning that Pakistan only has to repay the principal. Some infrastructure is now being built by Chinese grants rather than by loans. In return, China has

²² <https://china.aiddata.org/projects/33463>

²³ <https://www.thehindubusinessline.com/opinion/columns/g-parthasarathy/a-chinese-chakravyuha-in-south-asia/article21866960.ece1>

secured a 43-year lease on a 2,282-acre free trade area in Gwadar which is being modelled on the lines of the Special Economic Zones of China.²⁴

d. Concentration of state power and armed force as a requirement

Those formerly socialist countries in which capitalism has been restored will only develop into social-imperialism if they have a concentrated, not a diffuse or poorly organised state power, and a sizeable armed force. Allowing any semblance of “bourgeois democracy” in which competing political parties or social movements vie for office in a changing political environment militates against the effectiveness of a transformation from a socialist into a social-imperialist power. The handling of internal contradictions to the advantage of the new rulers, and their jockeying for position in the international arena, requires a stable and largely unchallengeable state power such as can be inherited through the apparatus of the formerly socialist state and its ruling party. Hence, the interests of the newly ruling capitalist-roads are best guaranteed by continuing the rule of the former vanguard of socialism, the Communist Party. In that respect, the seizure of state power by the revisionist elements does not require the smashing of the existing state machine, but its subversion and transformation into an instrument for the further development of capitalism at the expense of socialism.

Thus, both formerly socialist countries in which social-imperialism has developed, the Soviet Union and China, maintained their appearance as socialist countries led by a Communist Party. The state apparatus inherited from its socialist era was maintained in the former case until Gorbachev’s era when it was formally destroyed. In the latter case, it still exists. Undoubtedly this has caused confusion, as well as giving rise to revisionist theories that socialism existed throughout the Brezhnev-Kosygin era in the Soviet Union, and under Deng Xiaoping and his successors in China. We have argued, however, that the direction of development – back towards capitalism – began in the Soviet Union as early as 1956 and in China as early as 1979²⁵ and that therefore the restoration of capitalism in both countries began at those times.

Substantial armed forces are required, in the first place to protect the newly-created state of restored capitalism from resistance by the disenfranchised workers and peasants; secondly, to protect it from absorption into existing imperialist spheres of influence; and thirdly, to enable it to establish and expand its own sphere of influence. Imperialist powers must, by definition, possess the ability to practice interference, subversion, bullying and control of lesser powers. They must be able to enmesh others countries in a web comprising a variety of strands: economic, political, diplomatic, social and cultural (belief in “shared values” is promoted by US imperialism; cultural acceptance of “higher ideals” is promoted by China). The drawstring for the net remains military might.

The revolutionary history of the Peoples Liberation army and the principles underlying people’s war are well-known. They were never an argument for keeping it poorly equipped or backwards in its use of technology. The aim of modernising national defense, along with agriculture, industry, and science and technology had

²⁴ See https://www.thehindubusinessline.com/opinion/column_s/g-parthasarathy/a-chinese-chakravyuha-in-south-asia/article21866960.ece1 and https://en.wikipedia.org/wiki/Gwadar_Port

²⁵ There is some disagreement among Marxist-Leninists and others as to when to date the restoration of capitalism in China. Some give the date as 1976 (Mao’s death), but the ascendancy of Deng over Hua Guofeng was formalised at the Third Plenary Session of the Eighth Central Committee in December 1978. Deng referred to this in his opening speech to the Twelfth National Congress of the CPC in September 1982 as the time from which “our Party has restored its correct policies in the economic, political, cultural and other fields of work and adopted a series of correct new policies...” (see “The Twelfth National Congress of the CPC”, Foreign Languages Press, Beijing, 1982, p. 3)

been a laudable aim of the Chinese party since the early 1960s. Deng Xiaoping's revival of the "Four Modernisations" (1977) served as a cover for introducing capitalist management principles and values into these four areas. Since that time, the PLA has become a highly professional, rigidly hierarchical and technologically obsessed machine. As a socialist country China's military focus was on defending its sovereignty and national integrity. This has now changed to encompass a blue water naval fleet, at least one Chinese foreign military base (in Djibouti on Africa's east coast) and has included references to as yet undefined "development interests" to the traditional military concern with safeguarding national unification and territorial integrity.²⁶

The 2015 White Paper on China's military strategy reiterates some principled positions that were developed in the socialist era. It states that "China will unswervingly follow the path of peaceful development, pursue an independent foreign policy of peace and a national defense policy that is defensive in nature, oppose hegemonism and power politics in all forms, and will never seek hegemony or expansion."

It says that there will be "adherence to the principles of defense, self-defense and post-emptive strike; and adherence to the stance that 'We will not attack unless we are attacked, but we will surely counterattack if attacked'."

However, the PLA's mission and strategic tasks now include:

- To safeguard China's security and interests in new domains;
- To safeguard the security of China's overseas interests;

To carry out its mission and strategic tasks, there has been a change from a focus on land-based defence to a focus on blue-water protection of overseas interests:

The traditional mentality that land outweighs sea must be abandoned, and great importance has to be attached to managing the seas and oceans and protecting maritime rights and interests. It is necessary for China to develop a modern maritime military force structure commensurate with its national security and development interests, safeguard its national sovereignty and maritime rights and interests, protect the security of strategic SLOCs²⁷ and overseas interests, and participate in international maritime cooperation, so as to provide strategic support for building itself into a maritime power.²⁸

The relationship of the Chinese armed forces to the State initiative of the One Belt, One Road strategy is interestingly analysed by General Qiao Long in a 2015 talk delivered at the University of Defense, China's top military school, where the general is in charge of the education curriculum for the officers.

Let's look at the Americans' passion for sports: the first is basketball and the second is boxing. Boxing typically reflects strength in the style Americans advocate: go straight, strike, the KO (knockout) wins, and everything is clear. China, by contrast, likes blur and softness, and we do not look forward to knocking you out, but want to resolve and understand all your actions. Chinese people like to practice taiji, which is indeed a higher art than boxing.

²⁶ In addition to its military base in Djibouti, China has purchased a string of major ports throughout the world (see <https://ig.ft.com/sites/china-ports/>). It has been claimed that it is seeking to build a naval base in Pakistan (see <https://www.lowyinstitute.org/the-interpreter/chinas-new-network-indian-ocean-bases>).

²⁷ SLOCs = sea-lanes of communication

²⁸ http://news.xinhuanet.com/english/china/2015-05/26/c_134271001.htm

"One belt, one road" reflects this idea. The history of the rise of all great powers concerns their globalization movement. This means that globalization is not a consistent process from antiquity to the present day, but each place—the Roman Empire, the Qin Empire—has its own globalization process. Each process of globalization was being pushed by the rising empire; every empire is associated with a period of globalization, with its heyday of globalization when it reached a peak. And globalization will also be limited by their strength, which is the maximum range that can be achieved by their vehicles—that is, it's the end point for each phase of globalization. Therefore, both the Roman and Qin Empire globalization, today only seem like a process of regionalization of imperial expansion. The real globalization of modern history came from the beginning of the great British Empire, which was the globalization of trade. After the United States took over the mantle of the British Empire, it carried on with the globalization of trade, while the truly American globalization was the globalization of dollars. This is the globalization that we are experiencing today. But I do not agree that today's Chinese strategy of "one belt, one road" is an integration into the global economic system. To say that the dollar will continue its globalization and integration is a misunderstanding. As a rising great power, "one belt, one road" is the initial stage of China globalization. As a big country, the process of rising must be about the plan for advancing globalization.

"One belt, one road" is by far the best strategy China can put forward. It is a hedge strategy against the eastward move of the US. Some people will question this, believing hedging should be in the same direction—how can you hedge by going in the opposite direction? Right, "one belt, one road" is China's hedge strategy of turning its back to the US eastward shift: You push in one direction; I go in the opposite direction. Didn't you pressure me to it? I go west, neither to avoid you nor because I am afraid, but to very cleverly defuse the pressure you gave me on the east.

"One belt, one road" is not a strategy of two parallel lines, but there should be primary and secondary focuses. Given that China's sea power is still weak, the first choice of "one belt, one road" should be to compete on land, which means "the way (sea lanes)" should be a secondary attack direction and "the belt" should be the main direction. If "the belt" has become the main direction, it means that we must re-recognize the role of the Army. Some people say that the Chinese Field Army is invincible. If they mean it within the scope of Chinese territory, yes, the Chinese Army is invincible. Who would want to set foot on Chinese territory to fight large-scale battles? The problem is, does the Chinese army have expeditionary capabilities?²⁹

This passage is very revealing in its contrast between the psychology of the US "hard attack" underlying its expansion, and the "soft attack" incorporating absorption and deflection embedded in the psychology underlying China's expansion and embrace of globalisation. The question posed at the end of this passage is simply rhetorical, and actually a call for the Chinese army to quickly develop its own "expeditionary capabilities".

China is very quick to dismiss regional concerns about its growing naval presence. People's Daily Online carried a report that stated:

"China should send more submarines to the Indian Ocean to make concerned countries get used to their presence in that region," said Hu Bo, researcher with Peking University Ocean Strategy Research Center...

²⁹ http://temi.repubblica.it/limes-heartland/one-belt-one-road/2070?refresh_ce

The Times of India reported that a total of 12 to 14 Chinese vessels appeared in high seas in the Indian Ocean in the past 2 months; meanwhile there were only 3 to 4 several years ago. In addition, 7 nuke submarines have entered the region so far, the paper said....

Zhao Gancheng, director of South Asia Studies with Shanghai Institute for International Studies, told thepaper.cn that extension of military power was only a natural step taken by China to protect its national interests.

The geo-strategic position of the Indian Ocean has a profound influence on China's national security and development, Zhao said, adding that sending vessels to the region was normal for the country.³⁰

State power, the apparatus of governance, is highly concentrated in China, and it has military force of such sufficient strength as to deter any other imperialist power from launching a pre-emptive strike against it. That same military power is now being placed at the service of China's overseas "development interests", the definition of which is so vague as to allow future military deployment in currently unforeseen circumstances.

6. Validity of "social-imperialism" as a description of current Chinese practice

China led the world in condemnation of Soviet social-imperialism and promised never to become a superpower. Here is what Deng Xiaoping delivered at the United Nations on behalf of Mao Zedong, in 1974:

China is not a superpower, nor will she ever seek to be one. What is a superpower? A superpower is an imperialist country which everywhere subjects other countries to its aggression, interference, control, subversion or plunder and strives for world hegemony. If capitalism is restored in a big socialist country, it will inevitably become a superpower. The Great Proletarian Cultural Revolution, which has been carried out in China in recent years, and the campaign of criticizing Lin Biao and Confucius now under way throughout China, are both aimed at preventing capitalist restoration and ensuring that socialist China will never change her colour and will always stand by the oppressed peoples and oppressed nations. If one day China should change her colour and turn into a superpower, if she too should play the tyrant in the world, and everywhere subject others to her bullying, aggression and exploitation, the people of the world should identify her as social-imperialism, expose it, oppose it and work together with the Chinese people to overthrow it.³¹

However, the same Deng Xiaoping led the Chinese Communist Party to abandon the practice and policies of continuing the revolution under the conditions of the dictatorship of the proletariat and of advancing victoriously along the socialist road. Under the umbrella of these policies were said to be mistakes made by Chairman Mao in his later life. So, they were discarded. A pledge was made to uphold the Four Cardinal Principles (the principle of upholding the socialist path, the principle of upholding the people's democratic dictatorship, the principle of upholding the leadership of the Communist Party of China, and the principle of upholding Marxism-Leninism-Mao Zedong Thought) but practices emerged which left the political shell intact whilst pursuing a return to economic Libermanism.

a. The blatantly capitalist nature of Chinese economic expansion and some Australian experiences

³⁰ See: <http://en.people.cn/n3/2017/0718/c90000-9243240.html>

³¹ <https://www.marxists.org/reference/archive/deng-xiaoping/1974/04/10.htm>

Deng Xiaoping became the architect of a supposedly socialist version of neo-liberal trickle-down economics. He propounded the view that “It is glorious to get rich” and argued that China should “let some people get rich first” in order that others may get rich later. Some people certainly did “get rich first” and, for the first time since 1949, some of those people quickly became millionaires and billionaires. The Gini Coefficient, the global measure of social disparity, exploded in China as a result. Bourgeois right, which Mao had declared could only be restricted under socialism, suddenly became laudable in the extreme, expanding in every sector of economic, political and social life. Displays of bourgeois right sank to such depths of vulgarity and pretentiousness that they gave rise to the satirical novel, “Republic of Wine” in which author Mo Yan depicts the raising of “meat boys” – plump little infants destined to be served up as banquet delicacies at the tables of cannibalistic dignitaries.³²

Mao had foreshadowed an end to the Great Proletarian Cultural Revolution with references to great disunity leading to great unity and great disorder leading to great stability. And he acknowledged that there had been problems in its unfolding: “The Great Cultural Revolution can be evaluated 70 to 30, 70 per cent for achievements and 30 per cent for mistakes.”

However, Mao was clearly unhappy that Deng Xiaoping, having been brought back into the leadership in 1974, was still advocating a revisionist position. Deng put Mao’s directives on promoting stability and unity and on pushing the national economy forward on a par with the directive on studying the theory of the proletarian dictatorship and combating and preventing revisionism, describing all three as “the key link for all work.”

Mao’s response was straight to the point: “What ‘taking the three directives as the key link’! Stability and unity do not mean writing off class struggle; class struggle is the key link and everything else hinges on it.” And he attacked Deng’s “black cat white cat” statement: “This person does not grasp class struggle; he has never referred to this key link. Still his theme of ‘white cat, black cat,’ making no distinction between imperialism and Marxism.”³³ Deng was “sent down” again by Mao in 1976.

Mao Zedong died later the same year. Initially there was an avoidance of the ideological debate that had erupted following Khrushchev’s complete denunciation of Stalin and his advocacy, alongside this, of revisionist policies that clearly abandoned Marxist principles. Following his death, Mao was given a 70 per cent approval rating by Deng whose economic changes were said to be consistent with a “primary stage of socialism” and a “socialism with Chinese characteristics”. The revisionist “theory of productive forces” was quietly reintroduced alongside the negation of the Great Proletarian Cultural Revolution but no other encroachments on the Four Cardinal Principles occurred until Party leader Jiang Zemin expounded the “Theory of the Three Represents” which developed out of the theory of productive forces and ended the era in which the Communist Party was exclusively representative of the working class (and poor peasants). The “Theory of the Three Represents” opened the door of membership in the ruling Communist Party to such “productive” elements as millionaires and billionaires. “Market socialism” benefitted capitalist elements at both the micro- and macro-economic levels.

Under Deng Xiaoping, a rapprochement was established between the Chinese Communist Party and the centres and institutions of imperialist finance capital. To the extent that avenues were opened for the entry of imperialist loan capital into China, this was not necessarily bad. Mao Zedong had suggested to Roosevelt’s representative John S. Service in 1944 that foreign capital could aid China’s industrialisation.

³² Mo Yan, “The Republic of Wine”, Penguin Books, 2001

³³ Quoted in <https://www.marxists.org/history/erol/uk.hightide/red-star-mao.htm>

Lenin had also sought foreign investment in the form of loans. There is nothing inherently capitalist about foreign loan capital being used by a socialist state trying to establish an industrial base. Deng Xiaoping's reforms, however, allowed foreign investors to establish their own factories in a China that already had an industrial base, and allowed Chinese bourgeois elements (managers and *gao gan*, very high-level cadres in the Party and government) to take over formerly state-owned enterprises that were deemed to be unprofitable. He justified these changes once again with the "black cat-white cat" statement, according to which it didn't matter whether socialist or capitalist methods were used so long as there was an increase in production (the number of "mice" caught). The question of "for whom" the "mice" were to be caught was never raised and as a consequence China's Gini Co-efficient grew wider and wider.

The "Opening" aspect of Deng's reforms meant that foreign capitalists were given entry to the domestic Chinese market as investors and were allowed to open production facilities where they extracted huge amounts of surplus value from Chinese workers. Special Economic Zones (SEZs) were established along the coastline to enable foreign capitalists to establish a beachhead regardless of law and custom. One of the pioneers of the SEZs was Xi Jinping's father, Xi Zhongxun who was first secretary of Guangdong Province in 1980. A Xi Jinping biographer wrote that "Many impute to Xi Zhongxun the idea of SEZs in the first place".³⁴

Initially, such an open slather encroachment on the Chinese workers and peasants gave rise to a view that China's rulers were compradors, that they were the agents of foreign capital in China, traitors just as were the compradors variously attached to Japanese, British and US capital prior to the 1949 Revolution. Moby Gao in his important book, *The Battle for China's past*, saw capitalism with Chinese characteristics as mainly being a restoration of a comprador bourgeoisie serving transnational capital. However, the apparatus of the formerly proletarian state gave the post-Mao rulers all the protection they needed from becoming mere vassals of imperialist capital; rather, they were able to sacrifice the workers and peasants to a goal they shared with foreign investors – capital accumulation. One of the consequences of their success in emerging as independently powerful owners and controllers of massive amounts of newly accumulated capital was that of finding outlets for the investment of this accumulated capital. If the era of the Cultural Revolution was characterised by the emergence and promotion of "socialist new things", then the era of "reform" and "opening" has been characterised by the emergence and promotion of "capitalist new things"; the expansion of capitalism has been promoted by the Communist Party with a concomitant retreat from socialism. "Opening" China to foreign capital inevitably became "going abroad" for China's own capital funds.

"Going abroad" has had two economic drivers: trade and export of capital. China is not only Australia's largest trading partner; it is also a major source of foreign direct investment (FDI) in this country. As a socialist society China pursued trade relations on the basis of equality, mutual benefit and the exchange of needed goods. The Chinese Embassy in Australia has since argued that the flow of capital between our two countries is the same as the flow of commodities, and is mutually beneficial: Chinese capital is invested in Australia and Australian capital is invested in China. However, there is a difference between capital and commodities. Capital is utilised for the purpose of exploiting labour power and appropriating surplus value. Commodities are the product of labour power and their sale is the means through which surplus value is realised. Commodities can be traded between countries without adding to or intensifying the exploitation of labour power in their country of origin; capital must seek the intensification and exploitation of labour power wherever it is invested.

The China-Australia Free Trade Agreement (ChAFTA) was signed by negotiators from the respective sides in November 2014, although the text was only released in June 2015; the Agreement became operative in

³⁴ Brown, Kerry "CEO China, the Rise of Xi Jinping", IB Taurus and Co, London, 2016 p. 61

December 2015. Like the TPP created by US imperialism, it is not so much a trade agreement as an investment guarantee. It contains provisions which are unacceptable to the Australian working class, such as the right of Chinese companies investing more than \$150 million to import temporary workers from China without testing whether Australian workers are available, and for those temporary workers to be paid at Australian minimum wage standards which can be below those negotiated in enterprise agreements. It also includes Investor State Dispute Settlement (ISDS) clauses which cancel national sovereignty by providing corporations with the right to sue governments over legislation which harms the investor's interests. China is the more powerful partner in the ChAFTA and the provisions it contains amount to interference in our internal affairs, undermining of our sovereign right to enact legislation to protect the people and the environment, and an attack on the rights and conditions of Australian workers.

While the majority of all foreign investment in Australia continues to be held by the United States (27% of foreign investment or \$861 billion) and the United Kingdom (16% of foreign investment or \$516 billion), China has recently emerged as a significant new source of investment. Indeed, Australia was the single biggest destination for Chinese outward FDI until 2012, but dropped to second place behind the United States in 2013³⁵. A June 2018 report stated that Australia remains the second largest recipient country of accumulated Chinese investment, after the US³⁶. (Japanese FDI has recorded annual declines in investment here for several years.) Chinese investment in Australia quadrupled in value between 2010 (\$19 billion) and 2016 (\$87 billion).

Most of the Chinese FDI has been in the resources sector with smaller amounts flowing to agriculture, financial services, infrastructure and housing.

It is one thing for a socialist nation to trade extensively with the capitalist world. It is an entirely different thing for a socialist country to export capital. We have already characterised China as a country which has departed from the socialist road, a country being taken further and further down the capitalist road by the Communist Party. We have also stated, in our report to the 14th Congress of our Party in 2015: "The capitalist orientation of China's modern reforms coupled with its push to export capital to world markets invariably means that it is not just on the capitalist road but on the highway to imperialism."³⁷

China's economic expansion over the last four decades has been blatantly capitalist in nature. As a socialist nation during the time of Mao Zedong's leadership, it had practised proletarian internationalism and opposed imperialism, hegemonism and superpower politics. With capitalist-roaders holding the upper hand in the Party and state, and with restoration of capitalism throughout much of the economy, the new Chinese rulers sought to participate in the global capitalist economy. There was no longer to be any mention of "imperialism" in the Chinese media and the process of deregulating the economy and opening it to foreign investment was driven by a desire to join the General Agreement on Trade and Tariffs (GATT) which had been created in 1947. China had not sought membership during Mao's time, but joined in 1986. GATT was subsequently replaced by the World Trade Organisation in 1995; after further economic "liberalisation" demanded by US imperialism, China was admitted in December 2001.

The Chinese Nationalist Government had participated in the founding of the International Monetary Fund (IMF) in 1945. The People's Republic of China, as a socialist nation, condemned the IMF and refused to participate in it. All that changed with the capitalist-roaders seeking admittance to the governing bodies of international finance capital. In April 1980, China established a formal relationship with the IMF, and gained

³⁵ KPMG, Demystifying Chinese Investment in Australia - Chinese Investors in Australia Survey 2014

³⁶ KPMG, Demystifying Chinese Investment in Australia: Update June 2018

³⁷ www.cpaml.org/congress.php?id=718

a seat on its international executive board. It joined the World Bank at the same time. The IMF allocates special drawing rights to member countries to its own currency equivalent, the XDR. The latter can be used to trade in foreign exchange assets contained in a “basket” of currencies of the biggest imperialist powers, namely, the US dollar, British pound, the Euro and the Japanese yen. On October 1, 2016, the Chinese yuan was added to the basket of currencies of the IMF. China has sought to expand its influence over the governance of both the IMF and the World Bank, contending with the US and its allies through an alliance with its own BRICS (Brazil, Russia, India, China, South Africa) allies.

As China’s economic clout has grown, so has the form of its contention in the economic sphere with the other imperialist powers. In 2012, India proposed that the BRICS group establish its own bank. In 2014, the BRICS Development Bank was established, with each of the five BRICS nations contributing \$10 bn in start-up capital. Now known as the New Development Bank (NDB), it aims to:

1. Promote infrastructure and sustainable development projects with a significant development impact in member countries.
2. Establish an extensive network of global partnerships with other multilateral development institutions and national development banks.
3. Build a balanced project portfolio giving a proper respect to their geographic location, financing requirements and other factors.

The NDB is a capitalist financial institution and will operate for the purpose of extracting surplus value from developing nations through their repayments on loans provided by it.

In 2015, China initiated the Asian Infrastructure Investment Bank (AIIB). The structure of the AIIB is different to that of the NDB. There are currently 57 member nations and voting shares are distributed on the basis of each country’s contributions to the bank’s capital. Like the NDB, the initial capital is \$50 bn, but China’s \$27.89 bn contributions was greater than the combined contributions of the next 5 biggest contributors (India, Russia, Germany, South Korea and Australia). As the largest shareholder, it has the largest number of voting shares. The AIIB was bitterly opposed by the US imperialists who were nevertheless isolated when other members of the Western imperialist bloc (UK, France, Italy, Germany) and loyal allies such as Australia, joined.

Seeking to participate in the global capitalist economy meant that China accepted and endorsed the imperialist globalisation that blossomed with the ascendancy of finance capital over industrial capital in the late 1970s. China has endorsed globalisation and developed its Belt and Road Initiative (BRI)³⁸ to bend globalisation to Chinese capital’s will. According to Chen Qingqing (*Global Times* 18 Oct 2017), the BRI “has reshaped the landscape of globalization”.³⁹ Bai Ming, a research fellow at the Chinese Academy of International Trade and Economic Cooperation told *Global Times* that “By tapping into new multilateral financial institutions such as the Asian Infrastructure Investment Bank (AIIB) and the BRICS New Development Bank, countries and regions along the B&R route have benefited from more investment opportunities and financing channels.”⁴⁰

If developing countries can secure loans through the NDB and the AIIB on more favourable terms than they can through other global or national financial institutions then they should certainly do so. But “more

³⁸ The One Belt, One Road initiative is known by various acronyms: OBOR, BRI, B&R

³⁹ <http://www.globaltimes.cn/content/1070907.shtml>

⁴⁰ *ibid*

favourable” doesn’t necessarily mean such loans are without their own means of creating dependency and benefitting those extending the loans more than those receiving them. China describes its financing of infrastructure and other projects in developing countries as a means of helping them (Bai Ming: "The B&R initiative gives more opportunities to developing countries, which were marginalized in the old world order")⁴¹, but such assistance is helping them along the capitalist road and towards dependency on foreign capital, rather than towards independence and socialism.

Chinese “financing channels” have also benefitted: “Total outbound investment to 57 economies along the route amounted to \$9.6 billion in the first three quarters, and countries like Cambodia, Laos, Malaysia and Russia saw accelerated growth,” according to the official B&R site yidaiyilu.gov.cn. And according to the Chinese online media platform *Global Times*, investment by Chinese companies along the B&R are growing: “acquisitions by Chinese companies in countries that are part of the B&R initiative are soaring, totalling \$33 billion as of mid-August. That compares with a \$31 billion tally for all of 2016, according to Thomson Reuters data...”⁴²

Huang Rihan, executive director of the B&R Institute at the Centre for China and Globalization, noting that “The presence of Chinese companies has become increasingly distinct on the global stage”, claimed that this “contributes to regional peace and the well-being of local people”⁴³. These are feel-good words that fail to match the reality that Chinese capital invested in Australia or any other capitalist country must conform to the laws of capitalism, that is, it must seek the intensification and exploitation of labour power.

A case in point is Chinese investment in the Port of Darwin. A 99-year lease to operate the port was won by Landbridge Corporation, owned by Chinese billionaire Ye Cheng. According to Forbes, Landbridge is "active in petrochemicals, logistics, real estate and international trade" as well as port operations. Cheng has a net worth (2015) of \$1.37 billion.

Landbridge’s Australian spokesperson said in 2015 that current employment levels would be maintained during the enterprise agreement then in operation which would expire in June 2018. What has happened since is that part of the stevedoring arrangements at Darwin have been handed over to Qube, a notoriously anti-union company and Landbridge is seeking a new EBA with significantly worse conditions.

The Maritime Union of Australia’s Northern Territory Branch newsletter notes: “Wharfies jobs in Darwin are under threat since Landbridge, the Chinese company that were handed a discount 99 year lease by the Country Liberal Party allowed QUBE Energy to move in on traditional stevedore work.

While QUBE Energy and QUBE Ports share the same website, under the corporate veil that companies use to undermine workers’ rights, when it comes to work at East Arm Port they are “different entities”. Pipe destined for the Jacana Energy Pipe Line is being unloaded by QUBE Ports wharfies, but in a first in the history of the Darwin wharves a “non-stevedore”, QUBE Energy, is receiving, stowing, and on-delivering the pipe on the wharf after discharge from the vessel.

This move creates great risk for the job security of Darwin’s stevedore workers....

⁴¹ *ibid*

⁴² <http://www.globaltimes.cn/content/1062635.shtml>

⁴³ <http://www.globaltimes.cn/content/1070907.shtml>

This encroachment on traditionally unionised stevedore work is also concerning given it has happened not long after the Chinese owned company Landbridge has taken over the port in a long term privatisation arrangement. With privatisation comes the hunger to make a dollar, regardless of social outcomes, and all too often without regards to the wants and needs of workers.⁴⁴

The MUA NT branch (now part of the amalgamated CFMMEU) has complained that Landbridge's refusal to "come to the table" in the current EBA negotiations may lead to strike action.

Chinese capital invested in Australia is as insensitive to the wishes of the Australian people as any foreign investment. Chinese investment in Cubbie Station, the largest irrigation property in the southern hemisphere, flies in the face of environmental concerns for the future of the Murray-Darling Basin. Chinese investment firm CITIC was a major shareholder in Marathon Resources during the whole of the time that Marathon fought against community objections to mine uranium in the Arkaroola Wilderness Sanctuary. In July 2018, we reported on our website about death threats to Aboriginal elders opposing gold mining by Hawthorn Resources in which three state-owned and one private Chinese companies are major shareholders.

Last, as far as this article goes, but certainly not least in the future roll-out of contradictions between Chinese capital and Australian workers, is the example of Chinese-owned construction company John Holland Group. Established in 1949 by Australian national bourgeois John Holland, the company became one of Australia's largest building and infrastructure construction companies. In 1991, it was bought out by the widow of one of Australia's richest capitalists, Robert Homes à Court who had died the year before. In 2000, Leighton Holdings, created by an English capitalist but taken over by Spain's Hochtief corporation, took over the John Holland Group. The Spanish owners of Leightons sold John Holland in December 2014 to China Communications Construction for \$1.15 billion. They are the sole owner of the Group and a Chinese state-owned enterprise. The Chairman of the Board of Directors is Lu Jianzhong.

Any thought that John Holland might have changed its anti-union and anti-worker agenda when it came under Chinese control, under the control of an enterprise of a supposedly "socialist" state, was soon dispelled. The Australian construction union the CFMMEU, alleges a litany of breaches of awards and enterprise agreements by John Holland and its sub-contractors throughout 2017, including non-payment of overtime and allowances, payment of below Award wages, failure to provide proper breaks, as well as breaches around payment of superannuation.

CFMMEU National Construction Secretary Dave Noonan said the union had detailed 55 alleged contraventions of the Fair Work Act in its claim. The union is seeking the repayment by John Holland and its sub-contractors of \$700,000 in unpaid wages and entitlements to workers on the Canberra Light Rail project.

When construction workers were called upon by their union to attend national rallies in support of the Australian Council of Trade Union's campaign to Change the Rules and to seek long-denied wage rises, the Chinese-owned construction giant was caught out bullying its subcontractors into keeping records on workers who attend political rallies, threatening legal action and fines. In a leaked email to its subcontractors, John Holland Group said that workers attending the national rallies might be participating in "unprotected industrial action", that may lead to "investigation by the Australian Building and Construction Commission". The union said the company's action came after the ABCC last week threatened to fine

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https://d3n8a8pro7vhmx.cloudfront.net/muanational/pages/4258/attachments/original/1493004466/NT_Branch_News_Issue_18_April_2017.pdf?1493004466

construction workers up to \$42,000 for participating in the national Change the Rules protests. Here we have a major Chinese investor in Australia working hand-in-glove with the hated anti-worker ABCC to threaten, intimidate and ultimately fine and gaoi workers for simply taking time off work to exercise their democratic right to speak out in an organised and collective way.

When Chinese capital, state or private, is exported to other parts of the global capitalist economy, it can only follow the laws of motion of capital in general. The state that promotes and encourages this export of capital is not a socialist state, but a capitalist state, a state that is socialist in words, but imperialist in deeds.

Huang Rihan's reference to the distinct presence of Chinese companies on the global stage is entirely accurate. "Chinese investments overseas have been growing at a double-digit rate over the past 10 years. By 2016, some 30,000 Chinese companies have marched overseas, with a total investment of \$1.2 trillion, including outward foreign direct investment at \$183.2 billion. In five years, that figure is expected to rise to \$750 billion, revealed Zhou Xiaofei, a director at National Development and Reform Commission (NDRC)"⁴⁵. Nor has the trade war with the US and EU slowed the outpouring of capital from China. An August 2018 report stated:

China's investment in overseas destinations posted steady growth in the first seven months of 2018 despite increasing restrictions imposed by US and EU regulators on Chinese investors amid escalating trade tensions, a report showed on Thursday.

From January to July, China's non-financial foreign direct investment (FDI) expanded 14.1 percent year-on-year to \$65.27 billion, according to a report issued by the China Council for the Promotion of International Trade (CCPIT).

As of the end of 2017, China's cumulative FDI was \$1.482 trillion, ranking No.8 in the global market, the report showed.⁴⁶

Zhou Xiaofei revealed that private companies make up some 60 percent of the Chinese companies in the foreign market. "The NDRC has streamlined the application process to facilitate Chinese companies' overseas investment. Most investments only require a record on file, with no lengthy verification procedure," Zhou said. "The NDRC will continue to encourage Chinese companies to go overseas..."⁴⁷

It should be noted too that Chinese investors are not only channelling their capital into traditional areas such as raw materials and infrastructure: China is at the cutting edge of communications technologies, the digital economy and artificial intelligence and its investors seek opportunities in new areas of capital accumulation. India's food delivery industry, which is rapidly growing thanks to the rise of the younger generation and their burgeoning consumption power, is an example of new investment possibilities, and Chinese internet giants are targeting it according to Chinese on-line newspaper Global Times. A report on the phenomenon states:

Chinese tourism website ctrip.com is reportedly considering investing in Zomato, an India-based food delivery company, joining other big online Chinese names like Meituan Dianping and Alibaba, which have already invested in Indian food delivery companies. Experts say that as the trend of eating out rises in India, food delivery companies are grabbing market shares through unchecked money spending, which means they need capital from overseas investors. Chinese companies are being welcomed not only for their money but also for their success at home.

⁴⁵ People's Daily Online July 13, 2017

⁴⁶ www.globaltimes.cn/content/1117759.shtml

⁴⁷ Ibid.

Noting that the Indian food delivery market was volatile, Satish Meena, an analyst from global research and advisory company Forrester said investing in the Indian companies allowed “rich Chinese investors (to) fulfill their thirst for money-burning.”

But for Chinese companies, they consider such investment as a "strategic" choice, said Wang Chao, a veteran in China-India business cooperation. "They don't care about the short term, say, two or three years, of financial losses by those food delivery companies, because they want to bet on the [long-term] development space of the industry," he told the Global Times on Wednesday.

Food delivery is just a small part of Chinese e-commerce giants' investment in India's start-ups, with companies like Alibaba and Tencent investing in a string of Indian tech firms in areas like e-commerce, gaming and mobile payment - areas where they have already achieved huge success in China in recent years.⁴⁸

It should be no surprise that the 2018 Forbes China Rich List was dominated by internet and tech executives. Of the top 20, seven spots were held by internet billionaires, including the top two spots.

Alibaba's Jack Ma Yun was ranked the richest Chinese man with a net worth of \$34.6 billion, and Tencent Holdings' Pony Ma Huateng came in second with \$32.8 billion. Real estate tycoons, who had dominated the list for years, only accounted for 3 spots, led by Evergrande Group Chairman Xu Jiayin, who came in third with a net worth of \$30.8 billion.

"This is a display of the transition of the Chinese economy to a more high-tech focused one," Li said, adding that "there are still so many opportunities in the high-tech and internet sectors that we expect there will be a whole lot more internet and tech billionaires."

This year's list also saw 12 new tech executives, including Huang Zheng, founder of online shopping site Pinduoduo, who ranked in 12th place with a net worth of \$11.25 billion. Some saw their wealth expand significantly, including CEO of smartphone-maker Xiaomi Lei Jun, whose net worth rose to \$11.9 billion from \$6.8 billion a year ago.⁴⁹

China's investments in Africa have been the subject of both positive and negative comment. Despite Chinese claims to be benefitting African nations through trade and investment⁵⁰, Chinese media comments endorse capitalist and imperialist involvement in the continent. Global Times reporter Hu Weijia stated in August 2018:

China is a latecomer among big powers - including the UK - in terms of developing economic ties with Africa, but Beijing is Africa's largest trading partner. Chinese investment has become an engine of growth that is strengthening Africa's economy through revitalization...

China is pleased to see European countries engage themselves more in economic development in Africa....

⁴⁸ <http://www.globaltimes.cn/content/1119901.shtml>

⁴⁹ <http://www.globaltimes.cn/content/1124599.shtml>

⁵⁰ See http://english.qstheory.cn/2018-09/05/c_1123384232.htm for arguments from an authoritative Chinese source on why labelling “China as an economic predator in Africa, claiming that China pillages natural resources, steals local jobs, wreaks havoc on the environment and has dragged the vast continent into a debt crisis”, is wrong.

European companies are welcome to join projects under the B&R framework, which is an open initiative that welcomes everyone to join on the principles of equality and voluntary participation.⁵¹

Nor is it reassuring when China's major policy bank, rebutting claims that China's loans to Africa are causing a debt crisis, said "every loan it has granted was market-driven and in line with international standards."

The China Development Bank (CDB) which has so far extended more than \$50 billion in funding to nearly 500 projects in 43 African countries, has been called on to commercialize projects in Africa, "because with more equity investment, local companies will strive to ensure projects yield returns for stakeholders ." This, according to a senior research fellow with the Chinese Academy of Social Sciences, is preferable to investment in African "State-backed infrastructure projects, (where) it's hard to forecast their profitability".

⁵²

For some time, Chinese companies, both state-owned and private, have been pushing established multinationals and corporate monopolies aside on lists such as the Fortune Global 500 List. In 2014, there were 95 Chinese companies on the list; in 2015 there were 106; in 2016 there were 115; in 2018 there were 120, nearly equalling the 126 based in the US. The U.S. retail giant Wal-Mart topped the list, with the State Grid Corporation of China, Sinopec Group and the China National Petroleum Corporation taking second, third and fourth place. Thirteen Chinese companies entered the list for the first time, including three insurance companies. Chinese real-estate developers were the only firms of their kind on the list.

Even with its rich firmly integrated into global capitalism, China promotes itself as part of the Global South (formerly known as the Third World) and says that its investments strategies are building South-South cooperation as a new form of development model. However, the strategy seems to have more in common with a Global North utilisation of not only capital export but also of unequal exchange. Danish author Torkil Laussen says that the relatively high wages of workers in the OECD countries are a result of the "value transferred from the South to the North via the profits made from global chains of production and the relatively low prices for goods produced in the South. This is the essence of imperialism today".⁵³ Lauesen says that the "aristocracy of labour" that emerged from skilled workers in imperialist countries benefitting from imperialism's exploitation of the colonies and semi-colonies, today embraces the whole of the working class in the developed capitalist world. He does not see China as imperialist, or explain the rise in living standards for many in its urban centres as arising from unequal exchange: "It has no external proletariat to exploit," he says.⁵⁴ We disagree. China has an external proletariat to exploit. It exists in all countries where Chinese capital purchases labour power and extracts surplus value. It embeds itself in Chinese loans and terms of trade. What is referred to as China's "burgeoning middle class" and China's having "lifted millions out of poverty" has come in large part, and continues to come in even larger part, from value transferred from the South to China through the relatively low prices China pays for goods produced in the South and explains why Chinese companies are starting to relocate to Vietnam, Africa and other low wage countries.

b. Imperialist or social-imperialist?

⁵¹ <http://www.globaltimes.cn/content/1117761.shtml>

⁵² <http://www.globaltimes.cn/content/1120428.shtml>

⁵³ Lauesen, Torkil "The Global Perspective: Reflections on Imperialism and Resistance", Kersplebedeb, 2018, Montreal, p. 268-9

⁵⁴ Ibid, p. 344

As an exporter of capital,⁵⁵ China's FDI in the capitalist economies of other countries is exploitative of the labour power of the workers of those countries. Its investments are of a size and nature to rival those of established imperialist powers. The export of capital was one of the five distinguishing features of imperialism according to Lenin.

The view that China is an imperialist power is contested by erstwhile anti-imperialists who argue that by competing with the imperialists on their own ground, China is weakening countries like the US and the European Union and that such a weakening should be welcomed. The rejection of the depiction of China as imperialist is argued on the grounds that there is still a strong state-owned component of essential industries in China, that the ruling party remains the Communist Party of China, and that the man who exercises leadership over the Party, the government and the armed forces, Xi Jinping, actively promotes Marxism and socialism. Chinese overseas investment is justified as helping developing countries to break away from dependence on older development models based on established centres of global capital such as the IMF and World Bank.

Xi Jinping certainly does promote Marxism. Given the powers he has gathered unto himself, including waiving the restrictions on tenure of office, it is important to be familiar with what he means by Marxism and to be clear that socialism in words can never conceal imperialism in deeds.

Here are some of Xi's most recent pronouncements, starting with his October 2017 "Speech at the First Plenary Session of the 19th Central Committee"

...we must ensure that the Thought on Socialism with Chinese Characteristics for a New Era and its basic principles are fully put into practice, and consistently enhance the entire Party's understanding of Marxist theory.

Without reform and opening up, there would be no Chinese socialism, and the flourishing China we see today would not exist.

Comprehensively deepening reform remains the fundamental impetus for upholding and developing Chinese socialism in the new era.

Since the very beginning, Chinese Communists have always aspired to promote the people's wellbeing. We must never lose sight of this aspiration, and always take the people's yearning for a better life as the goal of our struggle.

We are confident because we are empowered with Marxist truth, the strong leadership of the Party, the correct path of Chinese socialism, and the great unity of the Party, military, and people.⁵⁶

Here are some of Xi's comments from a speech at a ceremony marking the 90th anniversary of the founding of the Peoples Liberation Army:

Noble ideals and beliefs imbue the people's army with the inner strength to courageously march forward; they are a blazing torch vigorously burning inside the hearts and minds of all officers and soldiers.

⁵⁵ China became a net exporter of capital in 2014, exporting more than it received:

http://www.chinadaily.com.cn/business/chinadata/2015-01/21/content_19367818.htm

⁵⁶ http://english.gstheory.cn/2018-05/16/c_1122817670.htm

The key reason the people's army is able to overcome hardships, be invincible, and grow in strength is that it is armed with the theories of Marxism, it has noble ideals and beliefs, and it willingly and heroically devotes itself to the pursuit of these noble ideals and beliefs.

The Chinese people cherish peace, and never engage in acts of aggression or expansion, however, we are always confident that we will be victorious over any acts of aggression.

The people's army will firmly uphold CPC leadership and our country's socialist system, safeguard our national sovereignty, security and development interests, and uphold regional and world peace.⁵⁷

Finally, these are comments made by Xi at a "Speech at a Ceremony Marking the 95th Anniversary of the Founding of the Communist Party of China":

To stay true to why we started out and continue going forward, we must remember that our Party established communism and socialism as its program at the time of its founding; remain committed to the great ideal of communism and the common ideal of Chinese socialism; and constantly advance a great effort for our ideals.

The entire Party must thoroughly study Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, the Three Represents, and the Scientific Outlook on Development.

The whole Party must remember, what we are building is socialism with Chinese characteristics, not some other –ism. History has not ended, nor can it possibly end.

The Chinese people are fully aware that China has benefitted from the international community, and they are willing to contribute to international development through their own development. China's opening drive is not a solo act. Rather, it is an invitation open to all. It is a pursuit not to establish China's own sphere of influence, but to support cooperative development of all countries. It is meant to build not China's own backyard, but a garden shared by all countries.

China advocates a community of shared future for humankind, and is opposed to the Cold War mentality and zero-sum game. China upholds that all countries are equal, irrespective of size, strength, and wealth. It respects the right of all countries to choose their own path of development, upholds international equity and justice, and opposes the act of imposing one's will on others, interfering in the internal affairs of other countries, and using one's strength to bully the weak. China does not covet the rights and interests of other countries, nor does it envy their development, but it will never give up its own legitimate rights and interests. We Chinese people do not believe in fallacies, but we are not afraid of them; we do not make trouble, but we are not afraid of it. No country should entertain the fantasy that China will barter away its core national interests or allow its sovereignty, security, and development interests to be infringed upon.

China adheres to a strategic principle of active defense. It will not threaten the use of military force on a whim, nor will it impulsively show off its military strength on others' doorsteps. Going around

⁵⁷ Qiushi Journal, Central Committee of the CPC 9english ed.), Beijing, October-December 2017 | Vol.9, No.4

showing off one's strength all over the place is not a symbol of strength, nor is it going to scare anyone. .⁵⁸

These are quite random quotes. Others could have been selected from the same or other speeches. All show that Xi is determined to argue that China is socialist and not capitalist, and that its guiding ideology is Marxism. Under these conditions, it is not enough to refer to China as "imperialist": this gives the impression that a country cloaked in the label of socialism is no different to a capitalist country. This does a disservice to those workers searching for an alternative to capitalism.

China has embraced the path of capitalist restoration and has as a necessary consequence, and for reasons we have outlined, developed into an exporter of capital on a massive scale; developed a military capacity no longer restricted to the defence of China's own sovereignty and territorial integrity, with global reach based on asserting China's "development interests abroad"; and under the guise of "non-interference" and "respect for each country's own development path" is strengthening political elites in its growing spheres of interest to entrench the very capitalist mode of production that has kept, and is keeping, them poor and dependent. In short, it is an imperialist country.

In many respects China's restoration of capitalism has been so naked, so unbridled that it is commonly spoken of as a capitalist country. Yet it is run by a Communist Party and identifies itself as a socialist country with a market economy. For that reason, it is just as commonly referred to as a "Communist" country and its leaders as "Communists".

It is preferable that as Marxist-Leninists, we refer to Chinese social-imperialism, adding the explanation in parentheses, that this means "socialism in words, but imperialism in deeds".

7. Australian independence: between the superpowers

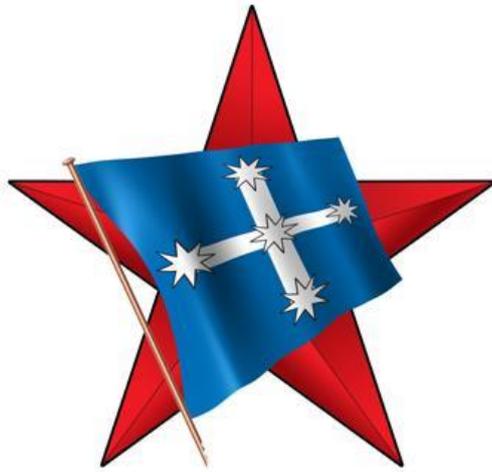
Our belief that China is social-imperialist does not blind us to the fact that US imperialism is the power behind the ruling class in Australia⁵⁹ and the main enemy of the people of the world. Our task is to fight for anti-imperialist independence and socialism in Australia. However, the situation is both fluid and complex. We aim to throw out US imperialism and to keep out Chinese social-imperialism.

We have absolute confidence that we can achieve these aims. We are strengthened in our confidence in socialism by being able to learn the lessons of its betrayal and abandonment in the Soviet Union and in China.

We are part of a world-wide movement that has renewed the battle for socialism. We will not let the people down!

⁵⁸ http://english.qstheory.cn/2016-12/20/c_1120042032.htm

⁵⁹ See: www.cpaml.org/web/uploads/Who+Owns+Australia+Booklet+A5+Final.pdf



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