

THE AMERICAN “COUNTERREVOLUTION” AND THE RISE OF IDEOLOGICAL GLOBALISATION

1. The USA was losing its power and prestige during the 1970s:

- Defeat in Vietnam
- Portuguese defeat in Africa (1974)
- Watergate
- Israel’s difficulties in the 1973 War
- OPEC and the oil prices (1973)
- Stagflation and unemployment during 1970s
- Accession of China to the Security Council
- The Group of 77 and the NIEO (1975)
- Iranian Revolution (1979)
- Soviet invasion of Afghanistan (1980)
- Money and investments were flowing from North to South
- Industrial activities were relocated from North to South

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2. A neo-liberal “counterrevolution” (and the TINA doctrine) was launched by the USA in the 1970s to institutionalise “ideological globalisation”, instead of “structural” globalisation to reverse the slide in USA’s power and prestige.
3. The counterrevolution rests on a threefold onslaught:
 - Liberalising financial flows and the *financialization* of international relations.
 - Deregulation of the USA’s economy and the ideology of neo-liberalism to create “space”, freedom and power for the multinational corporations.
 - An intensification of the Cold War ideological and military onslaught against the “evil empire” (Reagan, term). Massive borrowing from abroad, mostly from Japan, was essential to the escalation under Reagan of the armaments race well beyond what the USSR could afford.

4. The “financialization” of international relations (inter alia through the policy of monetarism) brought about a massive rerouting of the global capital flows towards the USA and towards the dollar.

(a) From 1950-1970: USA the main source of world liquidity and foreign direct investment

(b) Since 1980: USA became the world’s main debtor nation and absorber of world liquidity

(c) Through neo-liberalism and through an escalating foreign debt the USA succeeded in achieving through financial means what it could not achieve through political and military means: defeat the USSR, contain the South and lock in Japan and China.

The neo-liberal counterrevolution was especially catastrophic for ASS (since 1980), for Latin America (in the 1980s) and for the former USSR in the 1990s. (These catastrophes were partly counter balanced by progress in China and East Asia). *(Giovanni Arrighi)*

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A COMPARISON BETWEEN GLOBAL CAPITALISM MARK I (PAX BRITANNICA) AND GLOBAL CAPITALISM MARK II (PAX AMERICANA)

1. Structural globalisation ought to be about the *free* flow of *commodities, labour and capital* – especially from the developed to the developing world.

2. What happened in the British Empire (1870-1914)?
 - A high degree of free trade between countries of the British empire

 - Mass migration of skilled Europeans to USA and British colonies

 - In 1914 British assets overseas amounted to about £4 billion as against British GDP of £2,5 billion. (In 1913 25% of world's stock of capital was invested in countries with per capita incomes of 20% or less of British per capita GDP)

British Empire was *benevolent* compared with the *malevolence* of the American Empire. (Ferguson)

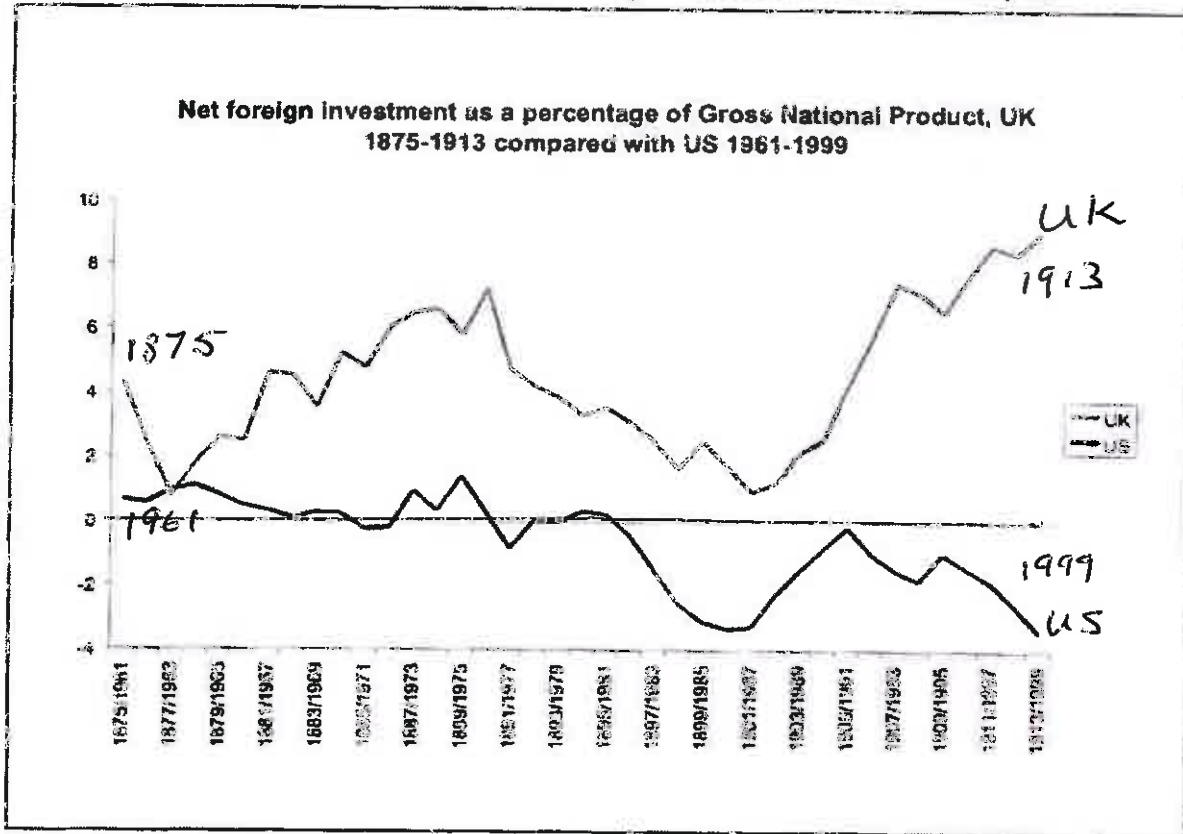
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3. What is happening in the American Empire (1960-2005)?

- WTO put pressure on ASS to liberalising its imports of industrialised products, but USA, EU and Japan are paying huge subsidies to their farmers. ASS cannot increase export of agricultural products. (Very hypocritical of Rich North).
- ASS is experiencing a huge “brain drain” of skilled and professional labour to Rich North.
- Between 1960 and 1976 the USA ran current account surpluses totalling \$60 billion. Since the early 1980s its current account has been in deficit.
- Presently only 5% of the world’s stock of capital is invested in countries with per capita income of 20% or less of US per capita GDP (in comparison with 25% in 1913).
- The USA international investment position has changed dramatically since 1980: from net foreign *assets* equal to 13% of GDP in 1980, to net foreign *liabilities* (of \$2,7 trillion) equal to 23% of GDP (or 7,5% of world GDP) in 2003. (USA preys on the rest of the world). (See Figure 1 to 4).

Figure 1

Chart 8: Net Foreign Investment as a Percentage of Gross National Product, UK



Between 1870 and 1914 the net capital exports out of London average between 4% and 5% of GDP; at their peak on the eve of the first World War they reached an astonishing 9%.

From 1983 the USA is a net importer of capital. Today the USA has a negative net international investment position of 23% of GDP.

Gross foreign claims on the USA in 2003 amounted around \$8 trillion.

(Ferguson)

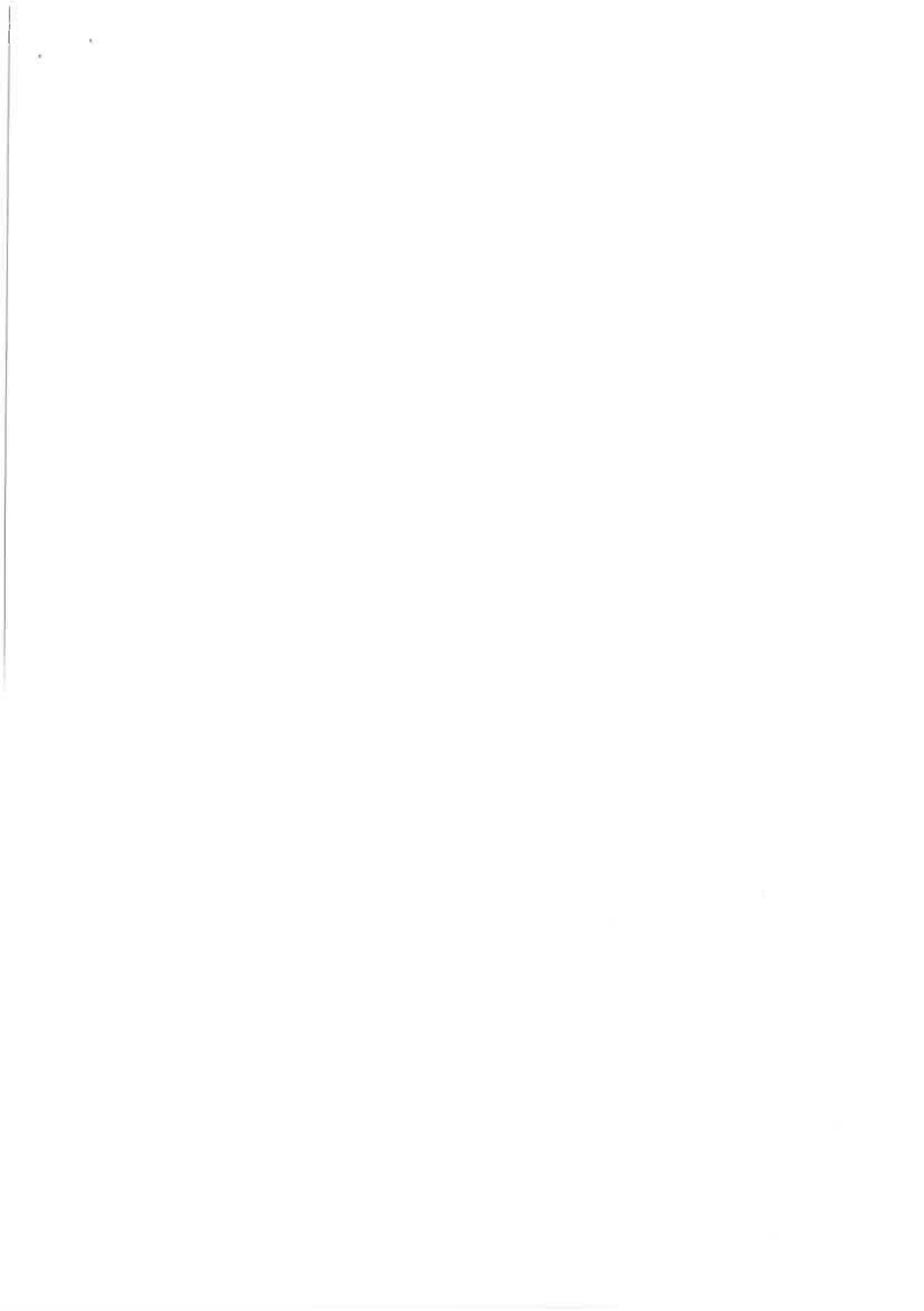
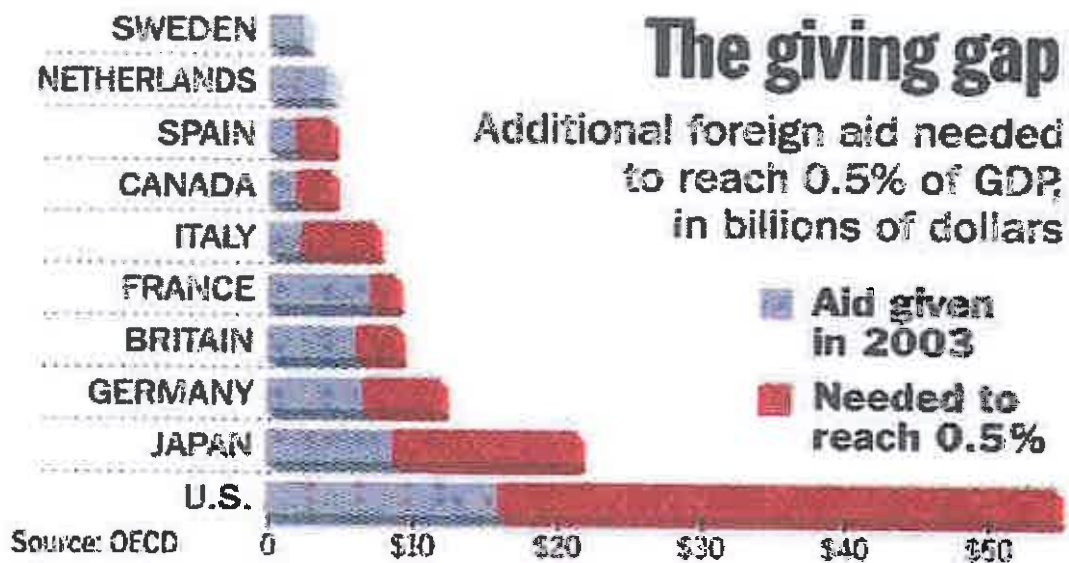


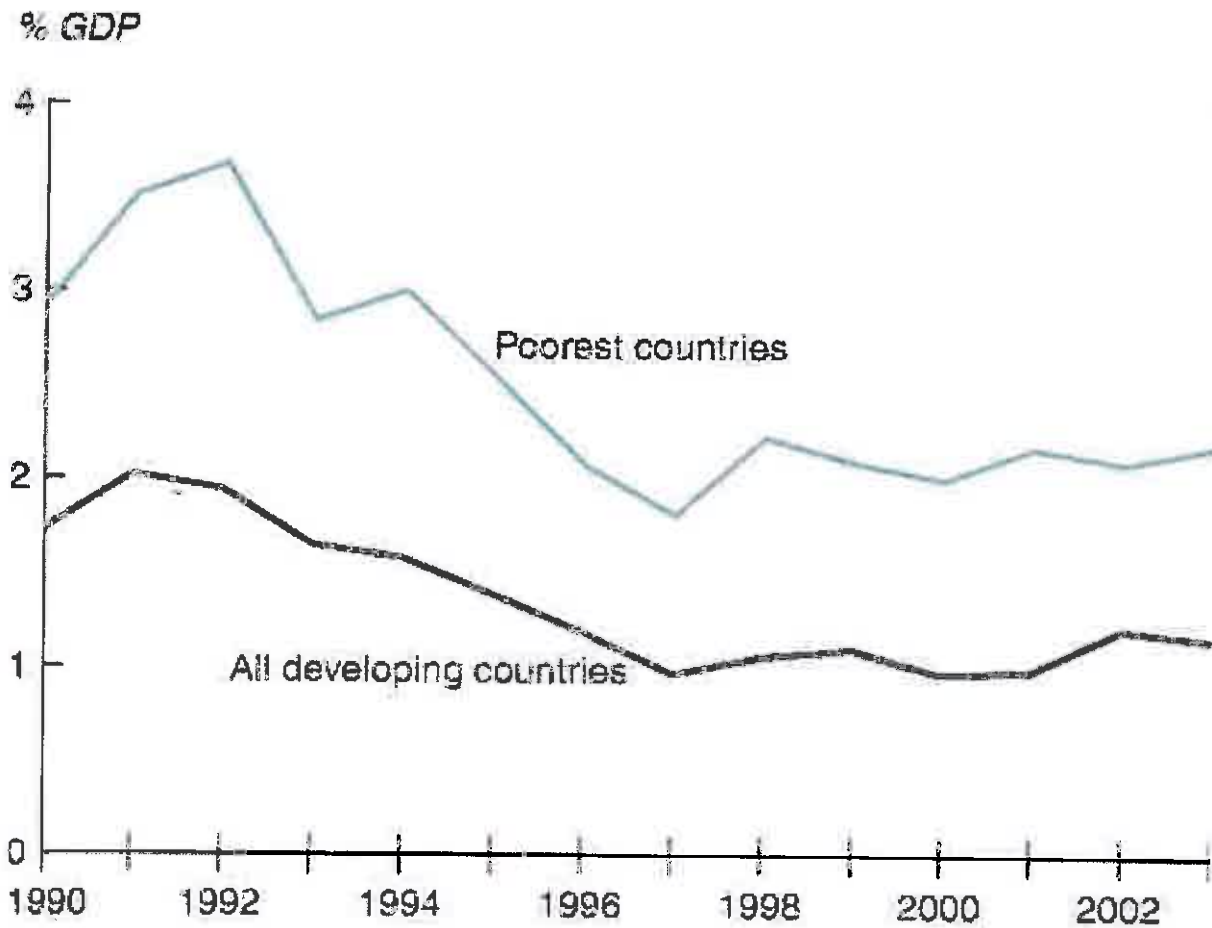
Figure 3



- The US gave ± \$16,3 billion as foreign aid in 2003.
- To reach 0,5% of GDP it should have given \$54,7b.
- To reach the NIEO's target of 0,7% of GDP it should have given \$76,6b.
- USA average foreign aid since 1975 is only 0.11% of GDP in stead of 0,7%.

Figure 4

Figure 1.13 ODA as a percentage of GDP in recipient countries, 1990–2003



- Since 1997 ODA is equal to only 1% of GDP in recipient countries in the developing world.
- Since 1997 ODA is equal to only 2% of GDP in the poorest countries.

(World Bank)

(pax Americana....continued)

- Japanese and Chinese banks have been buying up dollar assets in order to keep their own currencies from appreciating against the dollar (or to prevent the dollar from declining). Japan and China want to continue their huge exports to the USA and are prepared to loan money to the USA at favourable terms.

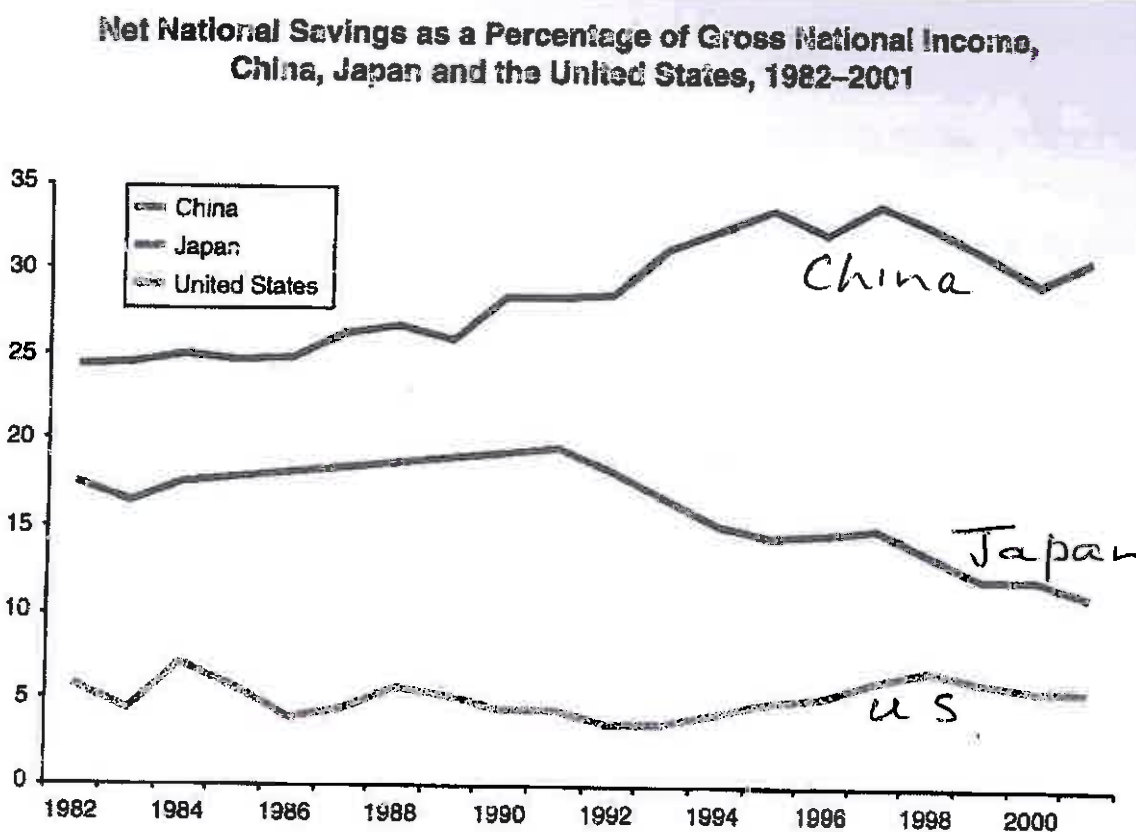
4. ASS in the American Empire

- Africa receives less than 5% of the \$200 billion flowing annually in FDI to developing countries – and it flows mainly to enclave oil economies. (China receives FDI's equal to 40% of its GDP).
- About 40% of Africa's wealth is held off-shore – 70% in the case of Nigeria.
- Within the framework of Global Capitalism Mark II, ASS
 - *imports* industrial goods,
 - *exports* social capital,
 - is in all probability a net *exporter* of capital,
 - while its *exports* of commodities (and the terms of trade) have declined sharply.

5. **A strange new world: A symbiotic relationship exists between Asia and the USA:**

- Asia saves, lends and exports to America
- America imports and borrows from Asia and it CONSUMES and maintains living standards much higher than their own resources justify. (See Figure 5)

Figure 5



There is a neat symmetry between the American propensity to consume and the chinese propensity to save. China is playing essential the role that Japan played in the 1980s channeling its surplus *savings* into the American current and fiscal deficite.

From a strategic point of view the USA is for its economic stability reliant on the central bank of the Peoples Republic of China. (Ferguson)

6. The growing economic and financial *interdependence* between USA and Asia has squeezed ASS out of the picture.
7. The growing foreign indebtedness of USA and the growing fiscal indebtedness of the Federal government have transformed the USA into a vulnerable, selfish and *malevolent* giant ... very much to the detriment of ASS!
 - If we take the present value of all the revenue the Federal government can expect in the future and the present value of all its future commitments, the shortfall amounts to \$45 trillion. (With this huge “generational imbalance” the Federal government is technically bankrupt. (See Gokhale and Smetters)
 - Because of 9/11, the Iraqi war and the confrontation between the USA and parts of the Moslem world, ASS has dropped from the radar screen.
 - According to the “neocon” ideology, the Bush administration wants to mould the rest of the world in the image of America to make America safe for Americans. In this ideological climate Africa will only draw the attention of the USA when it endangers the USA – and that is unlikely.
 - ASS is systemically neglected by the USA and the rest of the Rich North.