

Russia and China: Neither Capitalist nor Great Powers?

A Reply to the PO/CRFI

and their Revisionist Whitewashing of Chinese and Russian imperialism

By Michael Pröbsting, International Secretary of the Revolutionary Communist International Tendency (RCIT), 28 November 2018, www.thecommunists.net

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Introduction

Some months ago, the RCIT published a pamphlet which critically assessed the theoretical foundations of the current called *Coordinating Committee for the Refoundation of the Fourth International* (CRFI) of which the Argentine *Partido Obrero* (PO, Workers Party) is the dominant component.¹ Other components of the CRFI are the PT (Uruguay), the EEK (Greece) and the DIP (Turkey).

In reply to our document, the PO/CRFI has published an article in its new journal "*World Revolution*".² We are currently working on a book about the Great Power rivalry which we hope to publish soon. In this book we will deal extensively with the background of the antagonism between the imperialist powers and the program of struggle against imperialism and militarism ("*revolutionary defeatism*"). As part of this analysis we will also discuss the positions of various left-wing parties and organizations, among them also the PO/CRFI current.

Below we publish a short summary of our reply to the critique of the PO/CRFI. For a more extensive elaboration of our criticism of the PO/CRFI current we refer readers to the book which, as stated above, we plan to publish soon.

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In our pamphlet mentioned above we have dealt with the central theses of PO/CRFI on Russia and China. The PO/CRFI comrades claim that "*the process of capitalist restoration is not completed in these countries*" and that "*they are still not integrated into the imperialist world system*".

As we have demonstrated in our pamphlet these theses unfounded. Both countries are dominated by capitalist monopolies and its economies are operating on the basis of the capitalist law of value. They are fully integrated into the world market and, in fact, China plays a leading role both in world trade as well as foreign investments.

In their reply, the comrades prefer to sidestep our arguments. This is hardly surprising as their positions are really difficult to defend. However, they deal with our, related, position on the class character of China and Russia, namely that these states have become imperialist Great Powers. Their article reiterates the fundamental position of the PO/CRFI:

* that they consider China and Russia not as capitalist Great Powers and, as a consequence,

* that they side with China and Russia against their Western rivals.

¹ Michael Pröbsting: The Catastrophic Failure of the Theory of "Catastrophism". On the Marxist Theory of Capitalist Breakdown and its Misinterpretation by the Partido Obrero (Argentina) and its "Coordinating Committee for the Refoundation of the Fourth International", 27 May 2018, <https://www.thecomunists.net/theory/the-catastrophic-failure-of-the-theory-of-catastrophism/>

² Levent Dölek: The Character of War in 21st Century: Are China and Russia a target or a side of the war? In: *World Revolution / Revolución Mundial* Issue 1 (Autumn 2018), pp. 49-59. All quotes from the PO/CRFI reproduced in this essay are from this article if not mentioned otherwise.

On such a basis the PO/CRFI seeks a theoretical foundation for their political alliance with a Stalinist party in Russia – the *United Communist Party* (OKPI). One of its central leaders, Darya Mitina, participated as a key speaker at a major international conference of this tendency in Buenos Aires in April 2018. The OKPI supports Russian imperialism in various foreign political adventures like in the Ukraine. It also sides with the reactionary Assad dictatorship against the Syrian insurrectional people. We see: theoretical confusion and abysmal failure to recognize social-historical developments of world politics inevitable results in taking the wrong side in the class struggle as well as betraying the cause of the liberation of the international proletariat and oppressed people! Revisionist theory creates revisionist whitewashing of Chinese and Russian imperialism.

Contrary to the assertion of PO/CRFI, China and Russia have become Great Powers in the recent past. We have demonstrated in a number of studies that their economies are dominated by domestic monopolies and they play a key role on the world market and in world politics.³

China has become the largest manufacturer, the largest exporter, and one of the largest foreign investors. (See Table 1) It is the second-largest home of multi-national corporations as well as of billionaires (only behind the U.S.).⁴

Analyzing Great Powers, Marxists have to base themselves on a scientific definition for an imperialist state. As we have elaborated in a number of works, the RCIT considers the following definition as most appropriate: *An imperialist state is a capitalist state whose monopolies and state apparatus have a position in the world order where they first and foremost dominate other states and nations. As a result they gain extra-profits and other economic, political and/or military advantages from such a relationship based on super-exploitation and oppression.*

Let us now deal with the arguments of the PO/CRFI comrades in detail.

³ On the RCIT's analysis of China and Russia as emerging imperialist powers see the literature mentioned in the special sub-section on our website: <https://www.thecommunists.net/theory/china-russia-as-imperialist-powers/>. Concerning China we refer readers in particular to Michael Pröbsting: The China-India Conflict: Its Causes and Consequences. What are the background and the nature of the tensions between China and India in the Sikkim border region? What should be the tactical conclusions for Socialists and Activists of the Liberation Movements? 18 August 2017, Revolutionary Communism No. 71, <https://www.thecommunists.net/theory/china-india-rivalry/>; Michael Pröbsting: The China Question and the Marxist Theory of Imperialism, December 2014, <https://www.thecommunists.net/theory/reply-to-csr-pco-on-china/>; Michael Pröbsting: China's transformation into an imperialist power. A study of the economic, political and military aspects of China as a Great Power, in: *Revolutionary Communism* No. 4, <http://www.thecommunists.net/publications/revcom-number-4>. Concerning Russia we refer readers in particular to Michael Pröbsting: Lenin's Theory of Imperialism and the Rise of Russia as a Great Power. On the Understanding and Misunderstanding of Today's Inter-Imperialist Rivalry in the Light of Lenin's Theory of Imperialism, August 2014, <http://www.thecommunists.net/theory/imperialism-theory-and-russia/>; Michael Pröbsting: Russia as a Great Imperialist Power. The formation of Russian Monopoly Capital and its Empire – A Reply to our Critics, 18 March 2014, Special Issue of Revolutionary Communism No. 21 (March 2014), <https://www.thecommunists.net/theory/imperialist-russia/>

⁴ See on this, in addition to the RCIT literature mentioned above: See also our article on this report: Michael Pröbsting China: A Paradise for Billionaires. The latest UBS/PwC Report about the Global Super-Rich Delivers another Crushing Blow to the Stalinist Myth of China's "Socialism", 27.10.2018, <https://www.thecommunists.net/worldwide/asia/china-is-a-paradise-for-billionaires/>

Table 1. Economy: US Decline and China's Rise between 1985 and 2018 ⁵

	<i>Global Share (in %)</i>									
	1985		1998/2001		2011		2016/18			
	US	CHN	US	CHN	US	CHN	US	CHN		
<i>Manufacturing</i>										
<i>Production</i>	32.4%	4.3%	25.4%	6.3%	20.5%	16.4%	16.3%	23.5%		
<i>Top 500</i>										
<i>Corporations</i>	-	-	43.0%	2%	26.0%	14.6%	25.2%	24%		

A Stalinophile Falsification of Lenin's Theory of Imperialism

A key thesis of PO/CRFI is that Russia and China can not possess an imperialist class character because of their (alleged) backwardness in terms of capital export. Since the PO/CRFI formally adheres to Lenin's theory of imperialism, they face the problem – like all supporters of the “Russia and China are not imperialist”-thesis – to explain why the leader of the Bolsheviks counted at his time countries like Russia, Japan, Italy or Austria-Hungary among the imperialist states. Obviously they exported much less capital than Britain, France or Germany and they often imported more capital than they exported.

As we have shown in detail somewhere else, the imperialist powers at the time of Lenin and Trotsky differed both in their political superstructure as well as in the specific configuration of their economic basis. ⁶ However, what united them was that they oppressed and exploited, directly or indirectly, other nations. Lenin summarized his definition of an imperialist state in one of his writings on imperialism in 1916 in the following way: „... *imperialist Great Powers (i.e., powers that oppress a whole number of nations and enmesh them in dependence on finance capital, etc.)...*“ ⁷

Hence, the revisionist deniers of Russia's and China's imperialist character today have to “re-interpret”, i.e. falsify, Lenin's theory of imperialism. They have to claim that in fact Lenin did not consider states like Russia as imperialist. The PO/CRFI is not the first and probably not the last to revise the Marxist theory of imperialism. Let's see how they are arguing their case:

⁵ For the figures on manufacturing see UNIOD Industrial Development Report 2002/2003, p. 152 (for the years 1985 and 1998), UNIDO Industrial Development Report 2013, p. 196 resp. 202 (for the year 2011) and UNIDO Industrial Development Report 2018, p. 205 resp. 209 (for the year 2016). Note that manufacturing is not identical with industrial production since the later also includes mining and the construction sector.

For the figures on the top 500 corporations see Wikipedia: Fortune Global 500, https://en.wikipedia.org/wiki/Fortune_Global_500 (for 2001), Agence France-Presse: Chinese companies push out Japan on Fortune Global 500 list, July 9, 2012, <http://www.rawstory.com/rs/2012/07/09/chinese-companies-push-out-japan-on-fortune-global-500-list/> (for 2011) and Fortune: Fortune Global 500 List 2018: See Who Made It, <http://fortune.com/global500/list/> (for 2018).

⁶ We have dealt with this argument in detail in our pamphlet *Lenin's Theory of Imperialism and the Rise of Russia as a Great Power* (Chapter II, pp. 6-32)

⁷ V. I. Lenin: A Caricature of Marxism and Imperialist Economism (1916); in: LCW Vol. 23, p. 34. Many works of Lenin and Trotsky can be read also online at the Marxist Internet Archive, www.marxists.org.

“In the age of imperialism, great powers define the act of war and carry out the territorial division of the world. However, the analysis of imperialism requires making distinctions between these great powers. According to Lenin, among the six great powers that divided the world, the United States, Germany, and Japan were young and emerging capitalist (imperialist) states and England and France were the old capitalist (imperialist) states. With a socio-economic structure dominated by pre capitalist relations and surrounded by modern capitalist imperialist forces, Russia was quite different from others. While defining Russia’s position in the World War I as imperialist, Lenin stressed this crucial difference: “In Russia, capitalist imperialism of the latest type has fully revealed itself in the policy of tsarism towards Persia, Manchuria and Mongolia; but, in general, military and feudal imperialism predominates in Russia.”

The elements of militarism and feudalism that dominated Russian imperialism were also present in Ottoman imperialism. However, the Ottoman Empire was a semi-colony and did not possess the distinct characteristics of imperialism defined as the highest stage of capitalism. Therefore, neither Russia nor the Ottoman Empire cannot be seen as imperialist powers that defined the (imperialist) character of the World War I. They were dependent on great imperialist powers and therefore occupied a secondary position (at best) in the inter-imperialist rivalry. Hence, the imperialism of Russia and the Ottomans resembled the imperialism of the Greater Rome rather than capitalist imperialism.

The emphases on monopoly capitalism, finance-capital, and capital export in Lenin’s theory of imperialism displays the main foundations of the great powers struggling for the division and re-division of the world. Large armies, expansive territories, and relatively high populations were the sources of power of the pre-capitalist empires. In the age of imperialism, the export of capital took the place of military campaigns and finance-capital invading the markets took the place of invading armies. On the international plane, imperialist armies (that are financed by super profits derived from the plunder of raw materials and exploitation of cheap labor power and using the technical and technological capabilities supplied by capitalist industry) became dominant in every field. The armies of the pre-capitalist empires proud of their almighty past were either defeated by the imperialist invaders (as seen in the case of China) or became auxiliary powers in the service of imperialism (as seen in the cases of Russia, the Ottomans, and Austria-Hungary).“

So we see how the PO/CRFI turns the Marxist theory of imperialist states on its head in only three paragraphs. While Lenin, Trotsky and the Bolsheviks always consistently argued that Russia (or the Austria-Hungarian Empire) were imperialist powers, the PO/CRFI comrades now claim that these were semi-colonies (like the Ottoman Empire)!

The Bolsheviks’ characterization of Russia as “imperialist” is presented as an a-historical category suggesting that they considered Russia only as “imperialist” like the Roman Empire 2000 years ago, i.e. not as imperialist in the sense of a capitalist power! This is a bizarre distortion of truth!

We have already shown in several works that Lenin viewed Russia as an imperialist power. One can find dozens of quotes which make clear beyond any doubt that the Bolsheviks never ever characterized Russia as a semi-colony (like the Ottoman Empire) but as an imperialist Great Power. They were certainly aware of the differences between various Great Powers (more and less independent powers, economically advanced and backward, etc). But they saw Russia in the same broad category as other imperialist Great Powers!

Lenin himself drew attention to such unevenness repeatedly. In his *Notebooks on Imperialism*, for example, he suggested a “hierarchization” among the Great Powers. In one of his notes, he differentiated between three categories of imperialist states:

“I. Three chief (fully independent) countries: Great Britain, Germany, United States

II. Secondary (first class, but not fully independent): France, Russia, Japan

III. Italy, Austria-Hungary” ⁸

In place of many more we reproduce here just a few quotes which demonstrate that Lenin and Trotsky characterized Russia before 1917 as an imperialist and not as a semi-colonial state:

„Its meaning is that Russia was the most backward and economically weakest of all the imperialist states. That is precisely why her ruling classes were the first to collapse as they had loaded an unbearable burden on the insufficient productive forces of the country. Uneven, sporadic development thus compelled the proletariat of the most backward imperialist country to be the first to seize power.” ⁹

“The Russian bourgeoisie was the bourgeoisie of an imperialist oppressor state; the Chinese bourgeoisie, a bourgeoisie of an oppressed colonial country.” ¹⁰

“The last third of the nineteenth century saw the transition to the new, imperialist era. Finance capital not of one, but of several, though very few, Great Powers enjoys a monopoly. (In Japan and Russia the monopoly of military power, vast territories, or special facilities for robbing minority nationalities, China, etc., partly supplements, partly takes the place of, the monopoly of modern, up-to-date finance capital.)” ¹¹

„The character of this war between the bourgeois and imperialist Great Powers would not change a jot were the military-autocratic and feudal imperialism to be swept away in one of these countries. That is because, in such conditions, a purely bourgeois imperialism would not vanish, but would only gain strength.” ¹²

We could provide many more quotes which all demonstrate the same: While Lenin, Trotsky and the Bolsheviks were fully aware of the important role of the absolutist Tsar regime and the consequences for the specific, combined character of the Russian state (fusing semi-feudal and capitalist elements), they unambiguously insisted on Russia’s character as an *imperialist* Great Power (and not a *semi-colony*)!

Let us give another example: A few weeks after the February Revolution in Russia in 1917, when the autocratic Tsar regime was overthrown and replaced by the bourgeois-liberal popular front government, Trotsky characterized the latter as a *“liberal imperialistic government”*. He described the continuity, changes and transition of Russian imperialism from the years 1905-07 (when the *régime of June 3rd* came to power) to 1917 in the following way:

“The capitalist classes, reconciled with the régime of June 3rd, turned their attention to the usurpation of foreign markets. A new era of Russian imperialism ensues, an imperialism accompanied by a disorderly financial and military system and by insatiable appetites. Gutchkov, the present War Minister, was formerly a member of the Committee on National Defense, helping to make the army and the navy complete. Milukov, the present Minister of Foreign Affairs, worked out a program of world conquests which he advocated on his trips to Europe. Russian imperialism and his Octobrist and Cadet representatives bear a great part of the responsibility for the present war. By the grace of the Revolution which they had not wanted and which they had fought, Gutchkov

⁸ V. I. Lenin: On the Question of Imperialism, in: LCW 39, p. 202

⁹ Leon Trotsky: The Third International After Lenin, Pathfinder Press, New York 1970, p. 56

¹⁰ Leon Trotsky: The Third International After Lenin, p. 174

¹¹ V. I. Lenin: Imperialism and the Split in Socialism (1916); in: LCW Vol. 23, p. 116

¹² V. I. Lenin: Social-Chauvinist Policy Behind A Cover Of Internationalist Phrases (1915); in: CW Vol. 21, p. 435

*and Milukov are now in power. (...) This transition from an imperialism of the dynasty and the nobility to an imperialism of a purely bourgeois character, can never reconcile the Russian proletariat to the war.”*¹³

As we see Trotsky does not speak about a semi-colonial Russia but about an imperialist Russia. He characterized the liberal Provisional Government in March 1917 as representing “*an imperialism of purely bourgeois character*”.

How do the PO/CRFI comrades reconcile this with their view that Russia was a semi-colony? Do they want to suggest that Russia was a semi-colony as long as the Tsar ruled and then, between February and October 1917, it suddenly would have become an imperialist state? Leaving aside that this would a) be absurd and b) in contradiction to what the Bolsheviks said, it would also contradict the method of the PO/CRFI itself. The comrades insist, as we have shown above, that Russia did not meet the criteria of Lenin’s theory of imperialism (“*emphases on monopoly capitalism, finance-capital, and capital export*”). This had not, and could hardly have, changed in February/March 1917!

So how does PO/CRFI explain Trotsky assessment of Russia as a “*purely bourgeois imperialism*” in March 1917? Is it not much more logical, as we always have argued, that Russia was in essence an imperialist Great Power before 1917 (similarly like Austria-Hungary, Japan, Italy, etc.) and that the February Revolution, resulting in the overthrow of the Tsarist autocracy, led to an important change in the political superstructure of Russian capitalism but not in its economic basis?!

In fact, the PO/CRFI is not the inventor of the idea that Russia before 1917 was not an imperialist power but rather a “semi-colony”. While this thesis was roundly rejected by Russian Marxists in the time of Lenin and Trotsky, it originated among the Stalinists in the 1930s.

As we have already noted in the past, it was the notorious “theory” of Stalin in the 1930s which declared that Russia before 1917 was not an imperialist power but rather a “semi-colony”. Such he instructed the Russian historians to rewrite the Marxist analysis of Russia’s class character.

*“That Russia entered the imperialist war on the side of the Entente, on the side of France and Great Britain, was not accidental. It should be borne in mind that before 1914 the most important branches of Russian industry were in the hands of foreign capitalists, chiefly those of France, Great Britain and Belgium, that is, the Entente countries. The most important of Russia’s metal works were in the hands of French capitalists. In all, about three-quarters (72 per cent) of the metal industry depended on foreign capital. The same was true of the coal industry of the Donetz Basin. Oilfields owned by British and French capital accounted for about half the oil output of the country. A considerable part of the profits of Russian industry flowed into foreign banks, chiefly British and French. All these circumstances, in addition to the thousands of millions borrowed by the tsar from France and Britain in loans, chained tsardom to British and French imperialism and converted Russia into a tributary, a semi-colony of these countries.”*¹⁴

In summary, the PO/CRFI comrades fail to understand that the law of uneven and combined development resulted in a contradictory development and nature of Russia as a backward, imperialist

¹³ Leon Trotsky: War or Peace?, Published in New York, March 30, 1917, in: Leon Trotsky: Our Revolution. Essays on Working-Class and International Revolution, 1904-1917, Henry Holt and Company, New York 1918 (Edited by Moissaye J. Olgin), pp. 209-210, online: <https://www.marxists.org/archive/trotsky/1918/ourrevo/ch11.htm>

¹⁴ History of the Communist Party of the Soviet Union (Bolsheviks): Short Course, Edited by a Commission of the C.C. of the C.P.S.U.(B.), International Publishers, New York 1939, p. 162. Another edition of the same book, published by the Foreign Languages Publishing House in Moscow in 1945, contains the same formulation on the same page.

power. It was this law which allowed the Bolsheviks to explain why Russian imperialism combined both modern as well as backward-absolutist (tsarist autocracy) features of imperialism.

This whole question is not limited to Tsarist Russia. As we said above, there existed also other backward imperialist powers at that time like Japan, Italy or Austria-Hungary. Lenin and Trotsky considered all these powers, despite their economic backwardness, as imperialist. In contrast, the PO/CRFI, following its falsification of Lenin's theory of imperialism, would be forced to revise the position of the Marxist classics on this issue too and would need to consider all these states as "semi-colonies" as they do in the case of Russia.

Capital Export – Myth and Reality

"Imperialism is a stage of capitalism in which the export of capital, rather than that of commodities, becomes determinant." This is a key statement in the argument of the PO/CRFI which the comrades distort as a feature of the world imperialist system into a caricatural criteria to characterize individual countries. But let us first continue with the quote:

"Imperialist countries such as Germany, France and the Netherlands, plus the European Union as a whole and Japan are net capital exporters in terms of the foreign direct investment stock. On the other hand, Russia and China are net capital importers in terms of the foreign direct investment stock. Whereas the stock of the foreign direct investment of China is equal to 24 per cent of its GDP, its export of capital reaches only 12 per cent of its GDP. This percentage, for Russia, is respectively 30 per cent and 26 per cent, and this despite it being the unrivalled number one exporter of capital to the former Soviet republics, which demonstrates that it is also a net capital importer. A close scrutiny of both China and Russia shows that the character of their economies is defined not by the export of capital but by the export of commodities."

As he have already stated, the PO/CRFI's method suffers from its complete lack of the dialectic of the law of uneven and combined development. From the general truth – that in the epoch of imperialism capital export becomes more important than commodity export – the comrades wrongly conclude that powers can be qualified as imperialist *only* if their capital export is substantially larger than their commodity export. However, this was never the method of Lenin and Trotsky and for good reason.

Japan, for example, was a backward Great Power with significant semi-feudal characteristics. By 1914, its capital export was still marginal with a share of only 0.1% of the global stock of outward foreign direct investment.¹⁵ Nevertheless, Lenin and Trotsky considered it at that time as an imperialist state.

In Germany, certainly also an imperialist power at that time, capital export did not play a larger role than its commodity trade. And in the case of the United States we see a picture where commodity production and trade played a significantly larger role than its capital export.

To a certain degree the U.S. was at the beginning of the 20th century in a similar position like China has been in the past decade. It was a newcomer and its capital export lagged behind the established imperialist powers. Until 1914, US imperialism received more than double as much investment from

¹⁵ UNCTAD: World Investment Report 1994, p. 131

foreign sources as U.S. nationals invested abroad. In the logic of the PO/CRFI, the U.S. in 1914 would not have qualified as an imperialist power. (See Table 2)

Table 2. Foreign Investment Position of the United States, 1914 (in billions of U.S. dollars) ¹⁶

<i>U.S. investments abroad</i>			<i>Foreign investments in U.S.</i>		
<i>Total</i>	<i>Government lending</i>	<i>Private accounts (Portfolio investments and Direct investments)</i>	<i>Total</i>	<i>Government borrowings</i>	<i>Private obligations (Portfolio investments and Direct investments)</i>
3.5	0	3.5	7.1	0.1	7.0

Furthermore, the PO/CRFI's approach ignores the fundamental fact that a significant role of a country in the world's commodity trade can reflect simply the fact that it is an important homeland of capitalist value production. This, in turn, usually is an indicator of capitalist economic power.

Let us move further. In several cases, the PO/CRFI author uses inaccurate figures. For example, it is not true that China exports significantly less capital than it imports. While this was indeed the case in the early period of capitalist restoration, it is no longer the case. The figures from the annual UNCTAD *World Investment Report*, the most authoritative source in this field, demonstrate very clearly the rapid catch-up process of China in terms of capital export. In Table 3 we can see that China's foreign investment has increased so much in the last decade that its outward FDI stock already equals its inward FDI stock today.

Table 3. China's Foreign Direct Investment (in Million US-Dollars), 2000-2017 ¹⁷

<i>FDI inward stock</i>			<i>FDI outward stock</i>		
<i>2000</i>	<i>2010</i>	<i>2017</i>	<i>2000</i>	<i>2010</i>	<i>2017</i>
193,348	587,817	1,490,933	27,768	317,211	1,482,020

Germany is another example demonstrating the absurd character of the PO/CRFI argument that a country can not be imperialist if its capital export is not more important than its commodity export. It's share in world merchandise exports is 8.4% (2017) while its share in global FDI outflows as well as stocks is significantly less (5.6% respectively 5.2% in the same year). ¹⁸ Following the undialectical PO/CRFI method, we could not characterize Germany as an imperialist Great Power.

¹⁶ Mira Wilkins: *The History of Foreign Investment in the United States, 1914-1945*, Harvard University Press, Cambridge 2004, p. 64

¹⁷ UNCTAD: *World Investment Report 2018*, p. 189

¹⁸ See WTO: *World Trade Statistical Review 2018*, p. 122 respectively UNCTAD: *World Investment Report 2018*, p. 184 and 188.

It is worth noting that even the oldest imperialist Great Powers contradict the criteria of PO/CRFI. Britain, the world's oldest imperialist state, not only has a FDI stock of the same size like China. It also imports slightly more capital than it exports! According to the latest UNCTAD figures, Britain's Inward FDI stock is \$1,563,867 Mil. and its Outward FDI stock is \$1,531,683. The same proportion between Inward and Outward FDI stock exists for the United States: \$7,807,032 respectively \$7,799,045. As we see, the whole PO/CRFI theory is based on nonsensical arguments, distortion of the Marxist theory and false figures!

Confusion on China's Foreign Investments

Let us move to the next attempt of the PO/CRFI author to save their failing theory. *"While 40% of Chinese direct capital export concentrates on the mining, oil and energy sectors, only 4% of it goes to manufacturing industry. China is one of the major customers of raw materials and energy and this demand emerges out of export-oriented production within the borders of China, that is, out of the impetus for the export of commodities. The determinant variable in China's direct investments abroad is the national income of the country into which the Chinese capital is exported. Foreign investments of China target not cheap labor but large markets. Large markets mean more demand for Chinese goods, which demonstrates that the export of Chinese capital is an extension of its export of commodities and that this characteristic of the Chinese economy cannot be defined as an indicator of imperialism."*

Again, one confusion follows the other. The author notes that China's capital export has a focus on the mining, oil and energy sectors and suggests that this would be indicator for China's non-imperialist character. (By the way, he makes a similar remark concerning Russia.) So what?! Can it be the case the PO/CRFI author is not aware that oil, gas and the whole energy sector is a crucial part of the capitalist world economy?

This is true not only for semi-colonial but also for imperialist countries. According to a recently published study, energy (and hence any price fluctuations of it) affects over 60% of the total production costs in France.¹⁹ Among the top 10 companies on the Fortune Global 500 list of year 2018 six were operating in the energy sector (and two others in the automobile sector which is strongly affected by energy prices). The whole history of world capitalism is marked by the important role of the energy sector (one just has to remember the role of the oil barons in the U.S. history)!

Furthermore, have the PO/CRFI comrades forgotten that Lenin himself named the search for raw materials one of the five key characteristics of imperialism?! He wrote in his key essay on imperialism: *„We have to begin with as precise and full a definition of imperialism as possible. Imperialism is a specific historical stage of capitalism. Its specific character is threefold: imperialism is monopoly capitalism; parasitic, or decaying capitalism; moribund capitalism. The supplanting of free competition by monopoly is the fundamental economic feature, the quintessence of imperialism. Monopoly manifests itself in five principal forms: (...) (3) seizure of the sources of raw material by the trusts and the financial oligarchy..."*²⁰

¹⁹ Henri Safa: The Impact of Energy on Global Economy, in: International Journal of Energy Economics and Policy, Vol. 7(2017), No. 2, p. 294.

²⁰ V. I. Lenin: Imperialism and the Split in Socialism (1916); in: CW Vol. 23, pp. 105-106 [Emphases in the original]

In short, we can not understand why the PO/CRFI author interprets China's strong capital export in the energy sector as an indicator to disprove its imperialist character.

Let's move ahead. The author claims. *"Foreign investments of China target not cheap labor but large markets."* Really?! We have shown in past studies that China has become a leading investor in many semi-colonial countries. In 2010 China became the third-largest investor in Latin America behind the US and the Netherlands.²¹ According to a study from McKinsey Chinese corporations already play a dominant role in Africa. About 10,000 Chinese corporations (90% of which are private capitalist firms) operate in Africa. They control about 12% of the continent's total industrial production and about half of Africa's internationally contracted construction market. In Africa, China is also a leader in "green field investment" (i.e., when a parent company begins a new venture by constructing new facilities outside of its home country); in 2015-16, China invested USD 38.4 billion (24% of total green field investment in Africa).²² Furthermore, China is a leading foreign investor in many Asian countries.

Certainly, we do not deny that China's corporations are interested in access to "large markets." This seems to us a pretty common desire for capitalists – despite the fact that the PO/CRFI leaders want to convince us that capitalism still has not been restored in China! As far as we know, there are also many Western imperialist corporations which are interested in access to "large markets."

In fact, searching for raw materials, for new markets, etc. has always been a feature of imperialist monopolies as Lenin already explained in his book on imperialism.

Anyway, does the PO/CRFI author seriously want to suggest that Chinese capitalists are not exploiting cheap labor force in these countries?! Who is working in all those enterprises? True, some Chinese corporations bring their own labor force but this is hardly the case for the majority of foreign investments!

What is the Character of China's and Russia's State-Owned Corporations?

Let's deal with the next argument of PO/CRFI. The comrades are forced to admit *"that finance-capital, characteristic of the age of imperialism, exists in Russia and China."* But they make an important relativization which supposedly undermines the thesis that China and Russia are imperialist states: *"However, almost all of those companies are either state-owned corporations or joint-stock companies in which the state is the main share-holder."*

"Three petroleum and natural gas giants, Gazprom, Lukoil and Rosneft, and two publicly traded national banks, Sberbank and VTB Bank, are the Russian companies which are amongst the world's biggest 500 companies list. China, on the other hand, enters the list as one of the leading countries, with approximately 20 companies in the top 500 list. Thus, if we add the increasing stock market activity in both China and Russia to the increasing importance of the banks' capital, we can easily say that finance-capital, characteristic of the age of imperialism,

²¹ Miguel Perez Ludeña: Adapting to the Latin American experience; in: EAST ASIA FORUM QUARTERLY, Vol.4 No.2 April–June 2012, p. 13

²² Irene Yuan Sun, Kartik Jayaram, Omid Kassiri: Dance of the lions and dragons. How are Africa and China engaging, and how will the partnership evolve? McKinsey & Company, June 2017, p. 10 and pp. 29-30

exists in Russia and China. However, almost all of those companies are either state-owned corporations or joint-stock companies in which the state is the main share-holder. The only private Chinese company which made it to the list is the Hong-Kong based Noble Group, which is in fact a British company founded by a big coal trader named Richard Elman. The reason why those companies are among the top 500 in the world is not the developed capitalism of China and Russia, but Russian leadership in natural resources and China's huge market due to the fact that it has the biggest population in the world"

We note in passing that, unfortunately, the comrades don't recognize the irony implied in this statement: despite admitting the existence of finance capital, the PO/CRFI insists that capitalism still has not been restored in these countries! But unintended self-mockery is certainly not the biggest misfortune of the comrades! In fact, the PO/CRFI's assertion reveals that it is unaware of Lenin's thesis of *"state monopoly capitalism"*. In his theory of imperialism, Lenin stated that advanced capitalism, in the age of its decline, is increasingly characterized by a central role of the state. This results in the increasing role of state (or partly state) corporations, indirect state intervention in the economy, etc.

*„The question of the state is now acquiring particular importance both in theory and in practical politics. The imperialist war has immensely accelerated and intensified the process of transformation of monopoly capitalism into state-monopoly capitalism.“*²³

It is a widespread myth of neoliberalism to claim that state-owned corporations could not operate profitable. As we have demonstrated in past studies, China's state-owned enterprises underwent massive restructuring, mass lay-offs, abolishing of social benefits so that, as a result, the majority of them make profit since years. And the Western capitalists themselves have to admit this implicitly when they include numerous state or semi-state owned corporations in the annual *Global Fortune 500* list.

The Role of Migration

Let us now deal with the last argument of PO/CRFI why Russia and China supposedly are not imperialist powers. The author claims that China is no imperialist country because there is no migration to China where such migrant workers would be super-exploited as cheap labor.

"Additionally, it is impossible for China to rise up to the league of imperialist countries as long as it does not seek cheap labor beyond its borders, but continues to offer wages among the lowest in the world and remains a country into which capital flows and out of which its own population moves. In connection with this, we must mention that Lenin also added the phenomenon of migration to the indicators of imperialism: "One of the special features of imperialism connected with the facts I am describing, is the decline in emigration from imperialist countries and the increase in immigration into these countries from the more backward countries where lower wages are paid." In today's world if there is no such thing as American, German, Danish, Dutch, Canadian, British or French migrant workers, the reason is that these countries are imperialist powers. And the converse relation must also be taken to be true."

²³ V. I. Lenin: *The State and Revolution. The Marxist Theory of the State and the Tasks of the Proletariat in the Revolution* (1917); in: *LCW Vol. 25*, p.387

The first sentence is simply nonsense as we have shown. Yes, capital flows into China (as it is also flowing into many North American and European imperialist countries). But a lot of capital also flows out of China as foreign investment of Chinese corporations. This is why they are among the leading foreign investors in Africa, Asia and Latin America. Contrary to the PO/CRFI myth, these corporations are exploiting the local, cheap labor forces. The author seems to suggest that there is a significant emigration of Chinese people from China to other countries. This is simple nonsense. There is no significant migration from China to other countries.

The only thing which is true is that there is indeed little migration to China. But before dealing with this issue, we want to draw attention to the fact that the author furtively left out the case of Russia. This is most likely the case because PO/CRFI denies the imperialist character of Russia. Nevertheless, as we have shown in past studies, Russian imperialism enormously gains from super-exploitation of migrants. According to official statistics approximately 12.3 million legal migrants currently reside inside Russia. In addition, another 5-8 million migrants have illegally entered the country in order to work there. Estimates of the percent of foreign migrants among all employed in Russia is about 8-10 %, which is close to levels in various European countries. However, this appears to be an underestimation. Most of these migrants come from Central Asia and Caucasus. In addition, this figure does *not* include the migrants from oppressed nations within Russia.²⁴

In *general*, the author is right to say that migration plays an important role in imperialist countries. In fact, this is a central feature of imperialism particularly in the current historic period of its decay.²⁵ However, it is useful to bear in mind that there are *exceptions* and not every imperialist country experiences strong migration. This is, for example, the case with Japan, one of the strongest imperialist powers in the world. Japan has only a small share of migrants among its population (1.7% in 2007).²⁶

The case of China has its peculiarities as we have pointed in past studies. The Stalinist-capitalist ruling class utilizes effectively the sheer size of the country's population – China's 1.4 billion people are the

²⁴ For more information on migration in Russia see Michael Pröbsting: Russia as a Great Imperialist Power (Chapter "Migration and Super-Exploitation")

²⁵ For the RCIT's analysis of migration see e.g. Michael Pröbsting: Patriotic "Anti-Capitalism" for Fools. Yet Again on the CWG/LCC's Support for "Workers" Immigration Control and Protectionism in the US, 30.5.2017, <https://www.thecommunists.net/theory/cwg-lcc-us-protectionism/>; Michael Pröbsting and Andrew Walton: The Slogan of "Workers" Immigration Control: A Concession to Social-Chauvinism, 27.3.2017, <https://www.thecommunists.net/theory/workers-immigration-control/>; Michael Pröbsting and Andrew Walton: A Social-Chauvinist Defence of the Indefensible. Another Reply to the CWG/LCC's Support for "Workers" Immigration Control, 14.5.2017, <https://www.thecommunists.net/theory/cwg-immigration-control/>; RCIT: Marxism, Migration and Revolutionary Integration, <https://www.thecommunists.net/oppressed/revolutionary-integration/>; Michael Pröbsting: The Great Robbery of the South, chapter 8.iv) and 14ii), <https://www.thecommunists.net/theory/great-robbery-of-the-south/>; Michael Pröbsting: The British Left and the EU-Referendum: The Many Faces of pro-UK or pro-EU Social-Imperialism, August 2015, Chapter II.2, <https://www.thecommunists.net/theory/british-left-and-eu-referendum/part-5-1/>; RCIT-Program, chapter V: <https://www.thecommunists.net/rcit-manifesto/fight-against-oppression-of-migrants/>; RCIT-Manifesto chapter IV: <https://www.thecommunists.net/rcit-program-2016/chapter-iv/>; and various actual statements and articles here: <https://www.thecommunists.net/worldwide/europe/articles-on-refugees/>. See also Michael Pröbsting: Migration and Super-exploitation: Marxist Theory and the Role of Migration in the present Period of Capitalist Decay, in: Critique: Journal of Socialist Theory (Volume 43, Issue 3-4, 2015), pp. 329-346. We have also published a detailed study on migration and the Marxist program in German language. See Michael Pröbsting: Marxismus, Migration und revolutionäre Integration (2010); in: Der Weg des Revolutionären Kommunismus, Nr. 7, pp. 38-41, <http://www.thecommunists.net/publications/werk-7>

²⁶ Gabriele Vogt: Bevölkerungsentwicklung in Japan: Fokus Migration, Berlin-Instituts für Bevölkerung und Entwicklung, 2008, p. 3

equivalent to 18.5% of the total world population! Furthermore, it utilizes the old household registration system which was set up by the Stalinist bureaucracy in 1958. According to this system (called *hukou* in China) “residents were not allowed to work or live outside the administrative boundaries of their household registration without approval of the authorities. Once they left their place of registration, they would also leave behind all of their rights and benefits.”²⁷

Given rural poverty and opportunities for jobs in the cities, millions and millions of rural, mostly young, peasants moved to the cities to find employment. These former peasants or peasant youth who moved to the cities are called *migrants* in China. This category is misleading since it is usually used for people who move to another country. In fact they are rural-to-urban migrant workers. However it is no accident that these people are called migrants, because there is an important similarity between them and those who internationally are called migrants: they move to areas where they live often illegal and without rights and claim to social security.

Living in very poor conditions, these migrants soon became a major driving force for the capitalist process of super-exploitation. The number of migrant workers in China rose from about 30 million (1989), to 62 million (1993), 131.8 million (2006) and by the end of 2010, their number rose to an estimated 242 million. In the capital city, Beijing, about 40% of the total population are migrant workers, while in Shenzhen nearly 12 million of the total 14 million population are migrants. These migrant workers are usually pushed into hard-labor, low-wage jobs. According to the *China Labour Bulletin* migrants make up 58% of all workers in the industry and 52% in the service sector. The proportion of migrant workers in manufacturing industries and in construction reached as high as 68% and 80% respectively.²⁸

In short, Chinese imperialism does not need to import migrants because it already can super-exploit vast human resources of cheap labor. In fact, this system of super-exploiting internal migrants is one of the sources for the rapid process of capital accumulation which resulted in the rise of Chinese capitalism. The PO/CRFI comrades are therefore completely wrong to conclude from China’s lack of migration that this would reflect China’s non-imperialism.

Anti-Imperialism or Pro-Eastern Social-Imperialism?

Lenin liked to say: „*Our doctrine is not a dogma, but a guide to action.*“²⁹ A correct theory guides a party to a correct practice. In reverse, we can say that a revisionist theory guides a party to a revisionist practice.

Unfortunately, this is the case with the PO/CRFI. From their analysis – that Russia and China are not imperialist power – they draw the strategic conclusion to support these Eastern powers against their Western rivals.

²⁷ China Labour Bulletin: Migrant workers in China, 6 June, 2008, <http://www.clb.org.hk/en/node/100259>

²⁸ China Labour Bulletin: Migrant workers in China, 6 June, 2008, <http://www.clb.org.hk/en/node/100259>

²⁹ V.I. Lenin: Certain Features of the Historical Development of Marxism (1910); in: CW 17, p. 39

“What determines the character of war in the 21st century is the encirclement of Russia and China by US imperialism, in alliance with its subordinate allies of European and Japanese imperialism, in order to integrate the former countries into the imperialist world system in unrestrained fashion by bringing the process of capitalist restoration in these countries to its completion. (...) The interest of the world proletariat lies in the defeat of imperialism. The military power of Russia and China reduces the possibility of an imperialist invasion to almost impossible. However, prior to a military attack, these countries are faced with the risk of an economic and political collapse, resulting from the destruction of all the achievements of the proletarian revolution and the sharp mobilization of all the capitalist crisis dynamics into those countries. That is to say that, even though those powers may resist imperialism, they cannot defeat it. On the other hand, the defeat of Russia and China at the hands of imperialism would give rise to retrogressive results worldwide. Thus, no impartiality is possible between imperialism and these countries. On the contrary, each blow received by imperialism would pave the way for revolutionary dynamics.”

The same position is expressed in a statement adopted at a congress of the CRFI in April 2018. In it they proclaim that Russia and China have not become imperialist and can not become such. They state that these countries only have the alternative to either become colonies of Western imperialism or socialist states. From this, the PO/CRFI comrades draw the inevitable conclusion that they are siding with Russia and China against the U.S., EU and Japan.

“An imperialist capital has not been created in Russia or China, and the likelihood of an exclusively state-based imperialism is a flimsy hypothesis. These regimes of transition to capitalism face, on the one hand, imperialist colonization (and wars) and, on the other, proletarian revolution. Given a hypothesis of imperialist war against Russia and / or China, to carry out a capitalist restoration of a colonial nature, revolutionary socialists will fight for the complete defeat of imperialism and will take advantage of this struggle to promote the resurgence of the soviets, as the independent political power of the working class; to expropriate the oligarchy and the bureaucracy and develop a socialist revolution, defending the free self-determination of the peoples, in the perspective of the reconstruction of the Union of Soviet Socialist Republics [inspired] in the revolutionary and internationalist origin of the October revolution.” ³⁰

This closes the circle. From denial of the imperialist class character of China and Russia, the PO/CRFI and their Russian Stalinist allies in the *United Communist Party* end up in siding with these Great Powers against their Western rivals. And all this in the name of “Marxism” and “Anti-Imperialism”!

Nevertheless, one has to thank the PO/CRFI comrades for one thing: as we have shown in other works, many self-proclaimed “Trotskyist” organizations share the thesis that Russia and China are not imperialist states. ³¹ However, only few are prepared to articulate so consistently and explicitly the devastating consequences of this position in calling to support China and Russia against their Western rivals.

We conclude in reiterating our position which we have outlined in our recently published programmatic document *“Theses on Revolutionary Defeatism in Imperialist States”*: *“In cases of conflicts*

³⁰ Partido Obrero, PT (Uruguay), DIP (Turkey), EEK (Greece): Declaration of the International Conference, 13 de abril de 2018 <http://www.prensaobrera.com/prensaObrera/online/internacionales/declaration-of-the-international-conference>

³¹ See on this e.g. Michael Pröbsting: Syria and Great Power Rivalry: The Failure of the „Left“. The bleeding Syrian Revolution and the recent Escalation of Inter-Imperialist Rivalry between the US and Russia – A Marxist Critique of Social Democracy, Stalinism and Centrism, 21 April 2018, <https://www.thecomunists.net/theory/syria-great-power-rivalry-and-the-failure-of-the-left/>

between imperialist states, the RCIT calls workers and popular organizations around the world to act decisively on the basis of the principles of international working class solidarity. This means that they must not support either camp. They must refuse to side with their own ruling class as well as with that of the opposing imperialist camp: Down with all imperialist Great Powers – whether the US, EU, Japan, China or Russia!”

“Refusal to recognize the Great Power rivalry as a key feature of the present period and, related to this, refusal to recognize the imperialist character of China and Russia” inevitable results in “supporting Russian and Chinese imperialism.”³²

Authentic Marxists draw a dividing line between consistent anti-imperialism and pro-Eastern social-imperialism. The former opposes all Great Powers and supports the liberation struggle of oppressed people against them. The latter sides with China and Russia against their Western rivals and refuses to support those liberation struggles of oppressed people which are directed against the Putin and Xi regimes resp. their local allies (e.g. Assad).

Obviously revolutionary Marxists are sharply opposed to such revisionist whitewashing of Chinese and Russian imperialism.

³² RCIT: Theses on Revolutionary Defeatism in Imperialist States, 8 September 2018, <https://www.thecommunists.net/theory/theses-on-revolutionary-defeatism-in-imperialist-states/>