

Sam Williams and “Progressive” Chinese Capitalism

An essay on the theoretical roots of confusion among centrists

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The current world situation is characterized by a skyrocketing deterioration of the relation between China and USA which is a clear demonstration of a deep political and economic crisis of the capitalist system. The latest news about Taiwan is a clear illustration of the rivalry between Great Powers striving for world domination. [1, 9, 10] Nevertheless, the centrists are unable to elaborate a revolutionary perspective in the current world situation. Quite the opposite, they are repeating a mechanistic dogma about the "U.S. Empire" or are repeatedly producing cyberpunk-like conspiracy fiction about the transnational elite, which is controlling all police with all roads leading to Washington. The latest example of confusion among the left and their view on China is an essay produced by Sam Williams.

In contrast to various “anti-imperialist” conspiracy idiots from RT.com, Sam Williams recognizes a Marxist economic and class-based foundation for the Global Trade War and rising tensions. Unfortunately, it is spoiled by some demagogy about U.S. Empire and “progressive” Chinese capitalism.

When everyone shall agree

Firstly, we agree with Sam Williams that the Global Trade War is the effect and not the cause of looming economic recession. [11] Thus, we agree with the assessment of a near recession and the slowing down of the economy. It is also hard not to agree with the following thesis:

"But what happens if the actions of individual industrial capitalists and their bankers are insufficient to suppress competition? This is most likely to be the case on an international level. In that case, capitalists turn to their enforcement arm, the state." [2]

It is a wide-spread prejudice of various petty-bourgeois ideologists that they refuse to recognize the significant role of the capitalist state in economic politics. The capitalist state is an apparatus of violence. However, it is also serving as a protector of last resort and anchor investor for its bourgeoisie. If we look through the history of capitalism, we can see how industrial and banking capitalists developed and grew behind the wall of protectionist policies, financial diplomacy, and last resort investment during the economic crisis. Sometimes, the state confiscates the property of foreign or native capitalists and transforms it into "public" ownership. However, only quite narrow-minded person and scientists will deny that such action is done for protecting a bourgeoisie as "whole". Nationalization of unprofitable assets or expenses is also done in the interests of capitalists, who can benefit later from privatizing profits. Thus, here, Sam Williams is correct in his statement.

Secondly, we strongly agree with Williams that the Chinese economy is capitalist, contrary to the claims of various Spartacist sects, CRFI and others.

"In China today, the industry is clearly owned and dominated by a class of capitalists, a few of which have become dollar billionaires. There is no monopoly on foreign trade, and Chinese enterprises operate not only in China but around the

world. Unlike Soviet state enterprises, today's Chinese enterprises — like Huawei, for example — whether state-owned, owned by stockholders, or privately owned, compete directly with both Chinese and non-Chinese capitalist enterprises for market share, access to raw materials, and labor power in order to maximize their profits." [2]

This becomes also evident when we look at the legal framework of Chinese law, i.e. the constitution:

"Article 13: Citizens' lawful private property is inviolable. The State, in accordance with law, protects the rights of citizens to private property and to its inheritance. The State may, in the public interest and in accordance with law, expropriate or requisition private property for its use and make compensation for the private property expropriated or requisitioned." [3]

Maybe someone is confused with the article on "*Socialist public property is sacred and inviolable*".

"Article 12: Socialist public property is sacred and inviolable. The State protects socialist public property. Appropriation of or damage to State or collective property by any organization or individual by whatever means is prohibited." [3]

However, Article 11 unmistakably talks about a "*socialist market economy*" where capitalism and socialism are living in harmony, which is the new dialectical invention in *Xi Jinping Thought* added to several articles in 2018. Surely, under the iron fist of Chinese police-state, sorry "communist party leadership", people of all nations and classes can peacefully co-exist like Stalinism with capitalism.

We are aware that some people imagine that a state-owned enterprise might not be part of the capitalist economy. However, we think such a statement is a shame for Marxists and would only make the great thinker turning at accelerating speed in his grave! Engels explained already that the *form* of property (state or privately owned) itself does not determine the class character of a given enterprise. Why shall we even consider an enterprise to be non-capitalistic just because of its public ownership when it is working on the basis of *market and capitalist* production?! It might surprise some critics but large monopolies even in private hands are protected from bankruptcy or losses by Her Majesty Treasury. Otherwise, some strategic industries will fall out of the market and that might be worse for the whole national economy.

Thirdly, we can see that Williams recognizes that the Chinese capitalist firm Huawei is owned by local capitalists while Foxconn is dominated by foreign capitalists (Taiwan).

"Unlike the state enterprises of the former USSR, Huawei operates in a market economy, which forces it to maximize profits. However, unlike Foxconn, Huawei is neither owned by or subordinate to U.S., Japanese or Western capitalists. Instead of producing products that are sold under Western and Japanese brand names like Foxconn does, Huawei is developing its own brand names." [2]

In fact, this **is** a clear example that China is different from capitalist semi-colonies even if they are as developed as Taiwan.

Williams is going further and identifies the impressive achievements of productive forces of China: "*Huawei began as a manufacturer of phone switches. But in 2012, it became the largest telecommunications equipment maker in the world. It then overtook Apple as the second-largest manufacturer of smartphones. As the largest producer of telecommunications equipment and the second-largest producer of smartphones, Huawei is not a collaborator of Silicon Valley companies such as Apple and Cisco but rather a competitor. And — at least before Trump launched his anti-China trade war — it seemed well positioned to become the leading company in the coming global switch from 4G to 5G — G being short for generation — technology expected to revolutionize computerized communications in the next few years.*"[2]

However, the whole article is going downhill pretty fast when the author transmits his main message about China and the USA.

“Relatively progressive Chinese capitalism”?

While Sam Williams recognizes the capitalist character of China, he considers it as a “progressive” force which deserves the support of socialists against the Western imperialists. Such he titles a chapter of his essay: *“The reactionary role of US imperialism versus the relatively progressive role of Chinese capitalism”*

And while Williams favors support for the Chinese workers in their struggles with the Chinese capitalists, he also supports the Chinese state – since it is supposed to represent an “oppressed nation” – against their Western rivals: *“We should not idealize Chinese capitalism or confuse it with any form of socialism. Chinese capitalism is subject to all the economic laws described in Marx’s “Capital” that govern the capitalist mode of production as a whole. The Chinese capitalists are just as hungry for surplus value — the unpaid labor of the working class — as any other capitalists. In the struggle between China’s growing working class and the Chinese capitalists, we must support our sisters and brothers of the Chinese working class. But our sympathies are with China and other oppressed nations whose capitalists are challenging the thoroughly reactionary monopoly capitalism represented by the “Western democracies.””*

What is the theoretical basis of such an outright support for Chinese imperialism? It is related to Williams’s failure to understand the Marxist theory of imperialism. Like many modern Marxists he is misreading the works of Hilferding and Lenin and superficially identifies *finance capital* with *banking capital*, which is expressed in his firm belief that industrial capital is subordinated to “finance capital”:

“The kind of capitalism represented by Foxconn illustrates the subordination of industrial capitalists to “finance capital” — a basic characteristic of imperialism according to Lenin — but adds to this the economic subordination of China to the U.S. and other imperialist countries. Foxconn is perhaps the classic example of John Smith’s model of early 21st-century imperialism, which differs from the imperialism of Lenin’s day in that the bulk of industrial production now is carried out in low-wage oppressed countries. The result has been a dramatically lowering of the value of labor power worldwide.”

The RCIT has dealt with this theoretical mistake of Williams and others in past works. [12] We have demonstrated that Marxists in the tradition of Lenin and Trotsky consider finance capital as monopoly industrial capitalism merged with monopoly banking capital. The highest form of such capitalism is state-monopoly capitalism, where the state is playing not only arbitrary but essential work in promoting finance capital via various aid programs, credit, and protectionism in the interests of its own national champions. In this sense, we cannot see any the qualitative difference between the USA, China, Russia, EU, and Japan. The shift of production to the South is a significant development as the RCIT has explained repeatedly. [13] However, it is unable to produce a significant difference to Lenin's time from a fundamental economic point of view. In fact, it only demonstrates how reactionary modern capitalism is.

Bearing in mind such confusion, it is not surprising that Williams sees Chinese capitalism as more “progressive”, because it is primarily industrial, not banking capitalism.

“Trump’s attack against Huawei is coming at a critical point in the development of the telecommunications industry, the transition from 4th-generation networks to much faster 5G. And it is exactly in this area that Huawei has emerged

as the global leader. So far at least, Huawei has shown it can produce advanced communication equipment of the highest quality and at a lower cost price than its U.S. and Western European competitors. Established capitalists are in no hurry to replace fixed capital that represents older but not fully depreciated fixed capital such as 4G telecommunications equipment. Industrial capitalists never junk their fixed capital before it is worn out physically unless forced to by competition."

Why shall we support China because it is making advances in the industry? Applying such a logic, Germany under the Kaiser was avant-gardist given its progressive development in chemistry, industry and other areas. However, it would have been utterly reactionary to support the imperialist plans of German capitalists, just because Haber has made a revolution in fixing nitrogen in ammonia. Or should we have supported Japan when it developed fast in the 1970s and 1980s as a modern economy with a developed technological sector?!

It seems that Williams is falling into the CRFI-type of argument that the expansion of China in semi-colonies via the construction of railroads and resource extraction is just capitalist but not imperialist expansion, while the USA expansion has an imperialist character because it is striving for the exploitation of cheap labor. [14] Nevertheless, from the perspective of capitalism, both things are the same. The capitalists are investing in extracting industry or road construction to get profits, and they are moving to semi-colonies because they have a lower organic composition of capital with much cheaper labor power. This argument by itself is leading to *tenkō*-style apologies of Japan imperialism that its colonial expansion was progressive because it aided the development of the productive forces.

According to Williams, the USA is not controlling Huawei as it is a Chinese-owned capitalist corporation. Williams is also smart enough to recognize that Chinese capitalists are the same surplus hungry beasts. He also pointed out that the USA will not tolerate competitors:

"But to return to the present day, U.S. imperialism, due to the very nature of the capitalist system and the economic laws that govern it, cannot tolerate China with its huge population — more than a billion people — and continental scope as a rival. Foxconn yes but Huawei no! After all, the U.S. couldn't even tolerate Germany, which compared to China is a European mini-state of around 80 million. It certainly cannot tolerate the competition of a fully developed capitalist China dominated by dynamic companies like Huawei." [2]

However, here, Williams is recognizing that Chinese capitalism is not fully developed. However, at the same time China is a capitalist economy with a dynamic capitalist industry! How it is possible that a capitalist economy in China with the independent bourgeoisie is still lacking in development? In fact, as Williams is forced to recognize, China is a force which is competing against and even able to use some measures against the USA, the strongest capitalist economy:

"However, the Chinese government can and is indicating that it will take other actions to defend Huawei and its economy in general. China is the largest producer of metals called "rare earths." Other countries, including the U.S., also have rare earths but they can be mined and refined only at a much higher cost than the Chinese rare earths. Rare earths have many uses including in tech and in the military. China is hinting that it will begin withholding the export of rare earths if Trump doesn't call off his economic war against China." [2]

It seems that anti-Americanism (instead of anti-imperialism) of Williams pushed him into the option of supporting relatively «*progressive*» capitalism and some whitewashing of Chinese polices.

Is China imperialist?

According to the essay: "*More importantly, Chinese capitalism will hopefully be swept away in all its forms by the combined actions of the working classes of the U.S, Europe, China, Latin America and all other nations before Chinese capitalism can develop into Chinese imperialism. This is the future we must strive for.*"

Is the author denial of China's imperialist character justified? We don't think so. As the RCIT has demonstrated in numerous documents, China (and Russia) have become imperialist Great Powers in the past one, two decades. [15] Just look at facts that China is one of the largest exporters of capital in the Middle East and North Africa. [4] China is one of the biggest creditors in Latin America. [5] China is so influential in the world economy that some relatively strong imperialist states like Australia are heavily infiltrated by Chinese interests group, which are influencing home policies. [6]

If we analyze investments more closely, we can see how they are interrelated with China's foreign policy for searching of cheap resources (see Figures 1, 2 and 3 in the appendix). *Foreign Policy*, a journal acting as a mouth piece of the U.S., pointed out that for of many countries exports to China are far more bigger than to the U.S.:

"In some cases, key U.S. allies such as the UAE send nearly three times more exports to China than to the United States, and for Kuwait, Qatar, and Oman, the gap is even starker, with nearly eight times, nearly nine times, and nearly 28 times, respectively, more goods exported to China than to the United States. For Saudi Arabia, the difference in 2018 was less stark, sending some 30 percent more exports to China than to the United States, according to an analysis of IMF data. Expect this gap to widen as the United States continues to ramp up domestic oil production." [4]

We can also see that investments of Chinese capitalism in Latin America is so large that even *Foreign Policy* is arguing to combat this influence and finally to address the issues of inequality and poverty(!):

"Latin American governments have long lamented their countries' patchy infrastructure. Increasingly, in recent decades, China has stepped in with a solution: roughly \$150 billion loaned to Latin American countries since 2005. About 90 percent of that has gone to boosting the region's energy, infrastructure, and mining sectors. The scale of Latin America's borrowing from China in the past decade is astounding: Venezuela has received \$62 billion; Brazil, \$42 billion; Argentina, \$18 billion; and Ecuador, \$17 billion. Those deeply in arrears to China have sometimes had to take on more loans from the superpower to stay afloat. The example of Ecuador is telling. President Rafael Correa's administration borrowed an additional \$3.5 billion between 2011 and 2015 to bridge the budgetary gaps that resulted from Chinese-financed development projects. (...) At the moment, Latin America lacks the safeguards and planning capacities to ensure that megaprojects have the best possible fiscal, social, and environmental outcomes. The United States, by playing a supporting role in development, could help to lay the groundwork for increased economic connectivity, regional political integration, an approach to growth mindful of and respectful to indigenous communities and the environment, and substantial reductions in poverty and inequality across the region." [5]

We can see that the majority of these investments are done for the purpose of finding new cheap resources for Chinese industry and to appropriate wealth of the semi-colonies – in the end not different from the approach of U.S. imperialism. In fact, looking at these developments everyone must update their view that if "*we have some war for oil seek to find Chinese or their Russian friends hand*"! Looking at these facts, can someone still repeat their view that China is better for semi-colonial countries than the U.S.?! It will be hard to explain workers from the Middle East, Africa or Latin America that Chinese investments are done for the purpose of a progressive goal while only the U.S. is stealing national wealth from the oppressed peoples!

Furthermore, Chinese financial capital is not controlled by any foreign powers and was for decades protected from USA banks, which caused some complaints in WTO. [7]

Can we call such a nation with a large amount of investment in semi-colonies, own independent monopolistic and banking bourgeoisie as oppressed by foreign capitalists powers?! We can also add that we are dealing with the power, which has the second-largest military budget on the planet. Of course, if we follow the logic of ICFI, CRFI, and Williams, we shall see only Yankee threat, without asking the question where China will deploy its military and why. [8] Is it not an irony that modern Trotskyism is falling into the narrative of Stalinism seeing only U.S. provocation against China?! It is quite likely to hear in future Molotov-style demagoguery of "strong China is a guarantee of the world peace"!

Centrist confusion

The questions of China, the Global Trade War, the neo-scramble for Africa demonstrate once more the collapse of centrism. For many years organizations like IMT, CWI, ICFI, CRFI, and many others have kept the view of American super-imperialism which dominated world politics. Such an approach allowed them to adapt to the left-wing sub-culture of progressive labor aristocrats and middle-class youth in universities. Indeed, someone can listen to the 100 best albums in the history of humankind made by "self-defined" music authorities instead leaping into the depth of the avant-garde music to be in "the theme". Until it will not be considered as bad taste and you will find out yourself into the existential confusion.

As such when reality caught up, and capitalism fell into turmoil since 2008 and ongoing, centrism was not able to adapt to crisis and instead repeating the same old formulas about USA imperialist domination and China still is degenerated worker's state (like various Spartacist-type sects) or a still not fully restored capitalism with domination of a "non-capitalist state sector" (like CRFI). However, the inability to grasp reality and real struggle in the whole depth logically created confusion and failure to apply Marxism on the ground.

It is also the basis why so many centrists were not able to understand the Great Arabian Intifada and were blind to policies of the imperialist bourgeoisie.

The article of Williams is just a reflection of how painting gray on gray, creating a distorted landscape with the confused interpretation of reality when real facts are interpreted by wrong and mechanistic understanding.

Of course, centrist can follow old pathways. However, the real objective reality will push centrist like a natural force into camps. The question is: will it be a revolution or reaction?

Footnotes

1. China vows to impose sanctions on U.S. firms supplying Taiwan military, 12/07/2019, <https://www.theguardian.com/world/2019/jul/12/china-taiwan-sanctions-us-firms-military-sales>

2. Political and Economic Crises (Pt 8) Trade war intensifies as U.S. and world economy slows, Sam William, 23/06/2019, <https://critiqueofcrisistheory.wordpress.com/political-and-economic-crises/political-and-economic-crises-pt-8/>
3. [Constitution of People's Republic of China, English translation, with amendments accepted at First Session of the Thirteenth National People's Congress on March 11, 2018,](https://npcobserver.files.wordpress.com/2018/12/PRC-Constitution-2018.pdf) <https://npcobserver.files.wordpress.com/2018/12/PRC-Constitution-2018.pdf>
4. China's Global Investments Are Declining Everywhere Except for One Region, Afshin Molavi, 16/06/2019 <https://foreignpolicy.com/2019/05/16/chinas-global-investments-are-declining-everywhere-except-for-one-region/>
5. How to Respond to Chinese Investment in Latin America, Max Nathanson, 28/11/2018 <https://foreignpolicy.com/2018/11/28/how-to-respond-to-chinese-investment-in-latin-america/>
6. Australia's China Challenge, Damien Cave, 20/05/2019 <https://www.nytimes.com/2019/05/20/world/australia/australia-china.html>
7. China's protectionist tendencies will continue, Preety Bhogal, 22/03/2017 <https://www.orfonline.org/expert-speak/china-protectionist-tendencies-continue/>
8. Global military spending tops \$1.8 trillion, highest on record, Niles Niemuth, 30/04/2019 <https://www.wsws.org/en/articles/2019/04/30/pers-a30.html>
9. RCIT: World Perspectives 2019: Heading Towards a Volcanic Political Eruption. Theses on the World Situation, the Perspectives for Class Struggle and the Tasks of Revolutionaries, 2 March 2019, [www.thecommunists.net https://www.thecommunists.net/theory/world-perspectives-2019/](https://www.thecommunists.net/theory/world-perspectives-2019/)
10. Michael Pröbsting: Anti-Imperialism in the Age of Great Power Rivalry. The Factors behind the Accelerating Rivalry between the U.S., China, Russia, EU and Japan. A Critique of the Left's Analysis and an Outline of the Marxist Perspective, RCIT Books, January 2019, <https://www.thecommunists.net/theory/anti-imperialism-in-the-age-of-great-power-rivalry/>
11. On the RCIT's analysis of the Global Trade War see the collection of our documents here, <https://www.thecommunists.net/worldwide/global/collection-of-articles-on-the-global-trade-war/>
12. See e.g. Part II of 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. Another Reply to Our Critics Who Deny Russia's Imperialist Character, August 2014, <https://www.thecommunists.net/theory/imperialism-theory-and-russia/>
13. See e.g. Michael Pröbsting: The Great Robbery of the South. Continuity and Changes in the Super-Exploitation of the Semi-Colonial World by Monopoly Capital. Consequences for the Marxist Theory of Imperialism, RCIT Books 2013, <https://www.thecommunists.net/theory/great-robbery-of-the-south/>
14. See on our critique of the CRFI e.g. <https://www.thecommunists.net/theory/anti-imperialism-in-the-age-of-great-power-rivalry/chapter-9/> and <https://www.thecommunists.net/theory/anti-imperialism-in-the-age-of-great-power-rivalry/chapter-25/>
15. See the collection of RCIT documents dealing with China and Russia as imperialist Great Powers, <https://www.thecommunists.net/theory/china-russia-as-imperialist-powers/>

Appendix

Figure 1. MENA Growing BRI Clout [4]

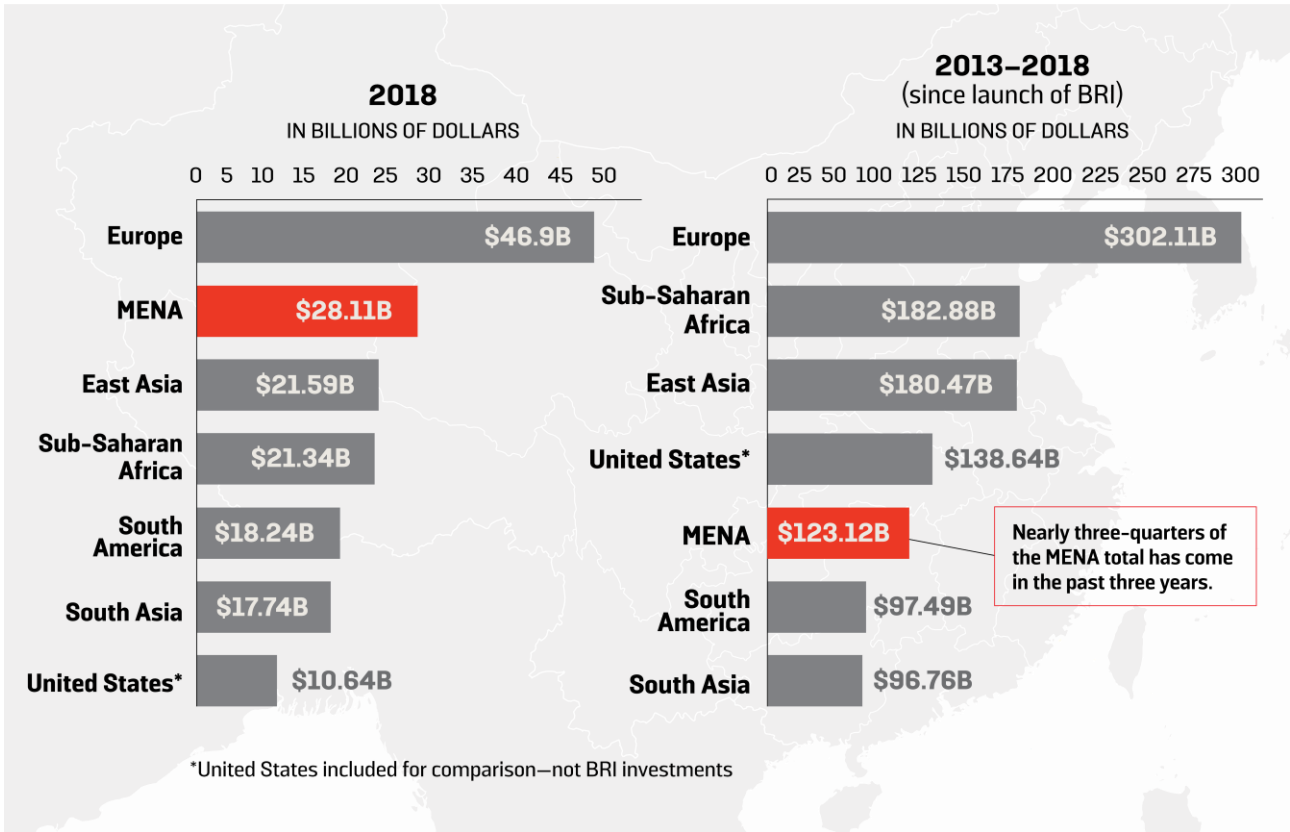


Figure 2. China investments in MENA region countries [4]

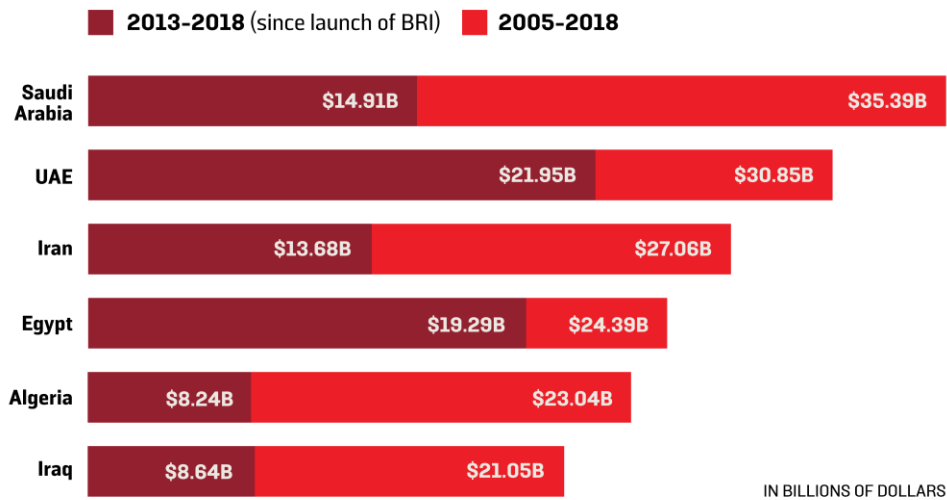
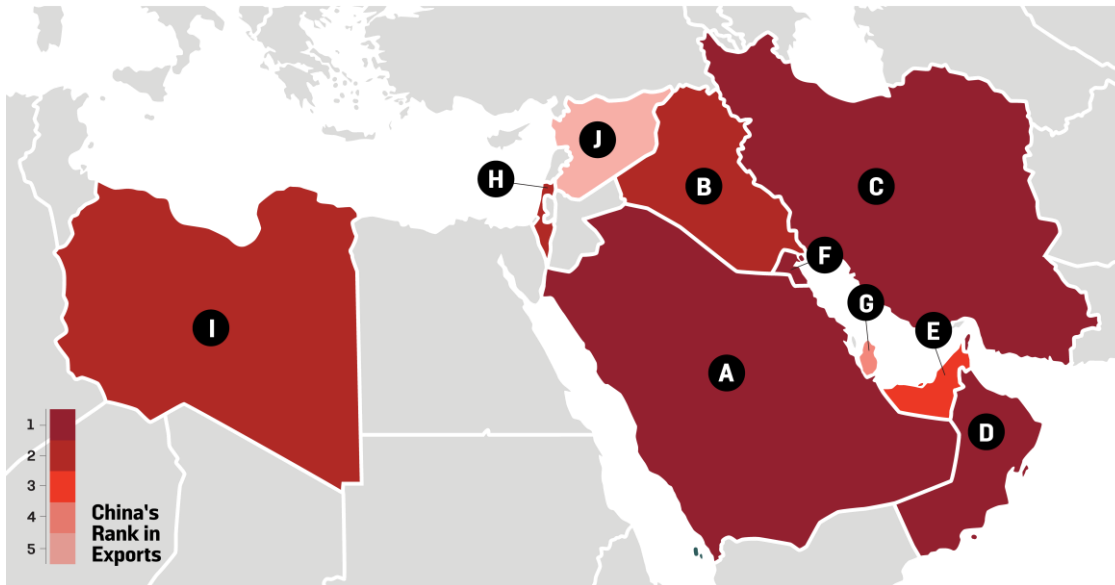


Figure 3. China is one of the largest import receiver from major MENA powers [4]



- A Saudi Arabia, \$38.39B**
After being No. 2 for a solid decade, China entered the No. 1 spot this year, supplanting Japan.
- B Iraq, \$21.19B**
In 2009, China entered Iraq's top five export destinations and has been moving up ever since.
- C Iran, \$20.73B**
Oil volumes to China may slow amid U.S. sanctions, though that likely won't break its streak at No. 1.
- D Oman, \$17.98B**
China dominates export numbers and has been the No. 1 destination for more than a decade.
- E UAE, \$15.3B**
A major reexporter for Chinese goods, the UAE is set to grow as it becomes a New Silk Road hub.
- F Kuwait, \$14.48B**
China entered the No. 1 spot for the first time this year, replacing South Korea.
- G Qatar, \$9.6B**
China's demand for gas and Qatar's natural gas expansion will ensure that China rises over the next decade.
- H Israel, \$4.6B**
The United States remains the top destination by far, though China has been the fastest-growing over the past five years.
- I Libya, \$3.84B**
The only North African country in which China makes the top five.
- J Syria, \$69M**
China entered the top five in 2013, but the numbers remain small as exporters have been hit hard by Syria's civil war.