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South Korea's Transformation into an Imperialist Power

by Michael Pröbsting

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South Korea as an Imperialist Power

On the nature of South Korean monopoly capital

and the ensuing programmatic tasks of the workers vanguard

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Picture on the cover: South Korean K-1 88 main battle tank,, https://upload.wikimedia.org/wikipedia/commons/ff/5/Korea_Forces_Type_88_K1_MBT.JPG

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2. Definition: What Constitutes a State as Imperialist?

Before we analyze the features of South Korean imperialism in more detail, it is necessary first to give a brief overview of the Marxist definition of imperialism. As we have elaborated on this issue in much detail in other works, we will limit ourselves at this point to summarize our concept.⁴

As Marxists, our starting point is the classic definition of imperialism as it was elaborated by Lenin, the founder of Bolshevism and leader of the Russian Revolution in 1917. Lenin described the essential characteristic of imperialism as the formation of monopolies which dominate the economy. Related to this, he pointed out the fusion of banking and industrial capital into financial capital, the increase in capital export alongside the export of commodities, and the struggle for spheres of influence, specifically colonies.

In *Imperialism and the Split in Socialism* – his most comprehensive theoretical essay on imperialism – Lenin gave the following definition of 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: (1) cartels, syndicates and trusts—the concentration of production has reached a degree which gives rise to these monopolistic associations of capitalists; (2) the monopolistic position of the big banks—three, four or five giant banks manipulate the whole economic life of America, France, Germany; (3) seizure of the sources of *raw material* by the trusts and the financial oligarchy (finance capital is monopoly industrial capital merged with bank capital); (4) the (economic) partition of the world by the international cartels has *begun*. There are already over *one hundred* such international cartels, which command the *entire* world market and divide it “amicably” among themselves—until war *redivides* it. The export of capital, as distinct from the export of commodities under non-monopoly capitalism, is a highly characteristic phenomenon and is closely linked with the economic and territorial-political partition of the world; (5) the territorial partition of the world (colonies) is *completed*.”⁵

As we can see, Lenin was unambiguously clear that the formation of monopolies constitutes the essence of the economy in the age of imperialism. This is not only clear from the quote above, but also from numerous other statements by him. In another essay, Lenin wrote:

„Economically, imperialism (or the “era” of finance capital — it is not a matter of words) is the highest stage in the development of capitalism, one in which production has assumed such big, immense proportions that free competition gives way to monopoly. That is the economic essence of imperialism. Monopoly manifests itself in trusts, syndicates, etc., in the omnipotence of the giant banks, in the buying up of raw material sources, etc., in the concentration of banking capital, etc. Everything hinges on economic monopoly.”⁶

And in his famous book on imperialism Lenin re-emphasizes this: „Economically, the main thing in this process is the displacement of capitalist free competition by capitalist monopoly.”⁷

In short, Lenin emphasized that *monopolism* – i.e., the for-

mation of monopolies and their control over the economy as well as the political domination of powers in world politics and, subsequently, the oppression and exploitation of the working class and other nations – is the essence of imperialism.

As the Marxist definition of imperialism is a *dialectical* conception, the class character of states cannot be understood by viewing a country *in isolation*. The methodological basis of Marxism obligates us to analyze each thing, each phenomenon not in isolation but *in relation to others*. Abram Deborin, the leading Marxist philosopher in the USSR in the 1920s before the Stalinist clampdown, formulated this issue very well. “Nothing in the world exists in and of itself but everything exists in relation to the rest of the totality.”⁸

Thus, a given state must be viewed not only as a separate unit, but first and foremost *in its relation to other states and nations*. Similarly, by the way, classes can only be understood in relation to one other. This is self-evident since states, by definition, could not exist in isolation but only because other states exist too. The same, again, in the case of classes: There is no bourgeoisie without a working class. There are no big landowners without rural workers and peasants. Likewise, there are no imperialist states without colonies and semi-colonies. And there is no single Great Power but several Great Powers which are in rivalry to each other.

Furthermore, a Marxist dialectical understanding of imperialist states requires to analyze them in their “*rich totality of many determinations and relations*.”⁹ It is a widespread error to view imperialist powers in an schematic way and to assume that there would exist only a *single* model of an imperialist state. Usually, people take the U.S. as *the* model of an imperialist state. However, as we have elaborated in other works in detail, such an approach completely ignores the *unevenness* in the developments of societies in general and of imperialist states in particular.¹⁰ Such ignorance constitutes a gross mistake since, as Lenin emphasized, “*uneven economic and political development is an absolute law of capitalism*.”¹¹

Hence, the economic, political and military development of imperialist states is not uniform but can rather, and indeed does, differ in each case. Russia, for example, is on a military level a much stronger Great Power than on an economic level. In Japan and Germany, we see exactly the opposite case. Add to this the obvious fact that there are larger and smaller imperialist states (ranging from the U.S. and China to Swiss, Austria and Belgium).

Such unevenness naturally results in the fact that those imperialist states which are not the most dominating (like the U.S. and China today) have to look for alliances with other powers in which they have to make compromises or even have to subordinate themselves to a certain degree to the leading power. The development of Germany and Japan after their defeat in World War II and their consequential subordination to U.S. imperialism are vivid examples for this. Likewise, smaller imperialist states in Europe have to subordinate to a certain degree to the leading powers in Europe, Germany and France. Australia also takes a rather subordinated position in relation to the U.S. And South Korea is, as we will see, another example.

Marxists therefore have to view imperialist states in their *totality* and not pick only one or the other feature of their development. Otherwise they are doomed to misjudge the

class character of given states and, as a result, end up in political confusion and failure to take the right side of the barricade in the class struggle.

Finally, it is a basic requirement of dialectic to recognize *motion* as an essential if not *the most essential feature of being*. Friedrich Engels, the closest collaborator of Karl Marx, explained in his famous *Anti-Dühring* book: „*Motion is the mode of existence of matter. Never anywhere has there been matter without motion, nor can there be. Motion in cosmic space, mechanical motion of smaller masses on the various celestial bodies, the vibration of molecules as heat or as electrical or magnetic currents, chemical disintegration and combination, organic life – at each given moment each individual atom of matter in the world is in one or other of these forms of motion, or in several forms at once. All rest, all equilibrium, is only relative, only has meaning in relation to one or other definite form of motion. (...) Matter without motion is just as inconceivable as motion without matter. Motion is therefore as uncreatable and indestructible as matter itself.*“¹²

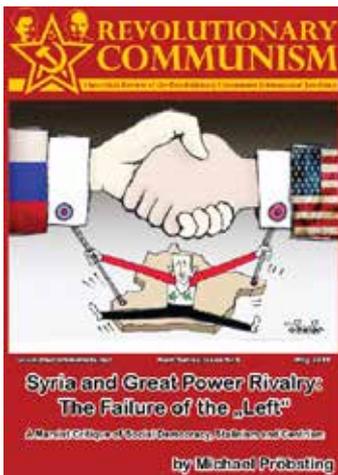
It can not be otherwise because all matter – in nature and in the society – is characterized by inner as well as external contradictions. It constitutes a unity of contradictions and the development of these contradictions is the driving force of its motion as Lenin emphasized: „*The unity (coincidence, identity, equal action) of opposites is conditional, temporary, transitory, relative. The struggle of mutually exclusive opposites is absolute, just as development and motion are absolute.*“¹³

This, seemingly purely abstract, issue is highly relevant for the analyses of the class character of states. Stalinist thinking is fundamentally mechanistic, lacking any dialectical mindset. A is A and will remain A, full stop! It lacks the ability to think in contradictions and changes. In contrast, authentic Marxists are obligated to recognize the

contradictions and the resulting motions in all features of life. They must base their analysis on the method of dialectic “*which reflects the rhythm and the motion of reality itself.*“¹⁴

Only such a dialectical approach will enable Marxists to recognize the development in the system of relations between classes and states. It is only via such a dialectical approach that Marxists can observe the changes in these relations and, hence, take into account the possible transformation of the class character of this or that state. Such transformations, which in itself are the result of a process of quantitative changes transforming at some point into quality, have taken place repeatedly in the history of humanity. The transformation of the Byzantine Empire from an antique slave holder into a feudal state in the 7th and 8th century is just one of numerous examples in the history of humanity. Or, to give more actual examples, one can point to the collapse of Stalinism resulting in the restoration of capitalism in Russia and other countries, to the collapse of Portugal’s colonial possessions in the 1970s and its transformation from an imperialist into a semi-colonial country, or, more recently, China’s and Russia’s emergence as new imperialist Great Powers. In summary, those who are not able of thinking in contradictions and motions are incapable to recognize the developments as they take place in the class society!

We conclude for now by summarizing our understanding of the characteristics of an imperialist state as we have formulated it in the following short definition: *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.*



Publications of the RCIT

Syria and Great Power Rivalry: The Failure of the „Left“

By Michael Pröbsting, April 2018

*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*

Introduction * The liberation struggle of the Syrian people against Assad retains its just character * Against all imperialist aggressors! * Old and new Great Powers * The Ex-Stalinist turned social democrats: “God save the United Nations” * The Stalinists (and some caricatures in Trotskyist camouflage): social-imperialist servants of Assad and Putin * The Morenoite LIT, UIT and FLTI: the heart on the right place but not their brains * CWI and FT: failure to understand the imperialist nature of China and Russia * CWI / SWP(UK) / FT: refusing to support the Syrian Revolution * Conclusion * Footnotes

A RCIT Pamphlet, 24 pages, A4 Format

II. AN OVERVIEW OF SOUTH KOREAN MONOPOLY CAPITAL

3. Historical Background: Extraordinary Conditions Allow for Rapid Industrialization

South Korea's transformation into an imperialist state is an extraordinary development because – in contrast to other imperialist states like Japan, the U.S. or various Western European states – it had a different class character throughout the whole 20th century. In this period, South Korea was rather a colony (until 1945) respectively a semi-colony in the second half of the century. Nevertheless, the specific features of this development constituted important factors which allowed for the formation of a national monopoly capital and, hence, the transformation into an imperialist state.

We have published an extensive study in 1996 which analyzed the development of the so-called “Asian Tigers” and, in particular, of South Korea's capitalism since World War II. In that study we demonstrated that specific circumstances resulted in the process of the formation of a monopoly capital which began to dominate the domestic market and to export capital.¹⁵

At this point we will limit ourselves to briefly summarize the results of this study. South Korea has always been a “front state” in the global confrontation between the imperialist states and the Stalinist camp – first in the devastating *Korean War* in 1950-53 and then in the subsequent *Cold War*. This resulted in South Korea's de facto occupation by the U.S. and the control of its political and economic development by Washington. The specific conditions of this Cold War forced U.S. imperialism to push for a rapid industrialization of the country. Such a policy included a substantial agrarian reform which resulted in the redistribution of some 40% of the land. Hence, the number of peasants owning their land increased from 50% to 94% due to this reform.¹⁶ This created a broad peasant class which became a stable political base for the bourgeois bonapartist regime.

Throughout the whole period until 1987, South Korea was ruled by military dictatorships. Such a repressive state apparatus ensured the conditions for the brutal super-exploitation of the working class. Related to this was a permanent flow of financial and economic support of U.S. imperialism. For example, between 1945 and 1978, the USA handed over economic aid worth US\$ 6,000 million to South Korea, that is the equivalent of all aid to the whole of Africa in the same period!

All these factors ensured the conditions for a process of rapid capital accumulation. In Table 1 we can see that South Korea experienced dramatic growth rates of its fixed capital stock for several decades – far above that of most other countries.

Furthermore, the state intervened in the economic development and encouraged the formation of powerful conglomerates known as *chaebols*. The word chaebol is a combination of the Korean words *chae* (財), which means wealth, and *bol* (閥) which means clan. Such a state-led concentration process of capital aided the creation of a

modern industry orientated to the world market.

By the time, these chaebols developed more and more into a powerful monopoly capital exercising absolute hegemony within the national economy and a decisive influence over the politics of the bourgeois regime. Whereas the production of the ten biggest chaebols accounted for only 15.1% of the Gross National Product in 1974, by 1983 their share was already 65.2%.¹⁸ Likewise, Korean chaebols started to export capital and in 1992 South Korea became a net capital exporter.

Hence, in this study published in 1996, we asked the question “are South Korea and Taiwan imperialist states?” We answered this question in the negative in the case of Taiwan and characterized it as an “advanced semi-colony”.

In South Korea, we said at that time, things were differently. We wrote: “South Korea is already one step ahead (compared with Taiwan, Ed.). As we did demonstrate, the high degree of monopolization allows it a relatively strong position on the world market. We characterize South Korea as a very advanced semi-colony which is in transition into an imperialist state. Why is South Korea not imperialist yet? This is because capital export has become an essential feature relatively late and is still not very large. We believe that the next years will show if the chaebols can overcome two essential problems. First it is crucial to reduce the massive indebtedness. (...) Secondly there will be a global recession in the next years (...) It will be decisive if the chaebols succeed to resist this pressure and if they manage to expand their influence in South-East Asia and China. This will decide if South Korea becomes an imperialist state or if it falls back into an advanced but dependent semi-colony.”¹⁹

As it is well known, South Korea – as well as the whole region – was massively affected by the so-called *Asian Financial Crisis* in 1997/98. However, South Korea's monopoly capital succeeded to restructure and consolidate in the aftermath of this crisis.

In summary, South Korea's character as a front state in the Cold War resulted in the combination of a number of factors which created extraordinary advantageous conditions for the emergence of a national monopoly capital. The most important among them were the continuous existence of pro-U.S. military dictatorships ensuring the massive super-exploitation of the working class, a substantial agrarian reform, massive political support and financial and economic aid from the imperialist states and state-capitalist regulations. Eventually South Korea emerged as an imperialist state in the 2000s.

Table 1. Capital Accumulation: Growth Rates of Fixed Capital Stock, 1960-2000 (in %, p.a.) ¹⁷

	<i>Industrial Countries</i>	<i>South Korea</i>	<i>China</i>	<i>India</i>	<i>Brazil</i>
1960s	+5.0%	+8.9%	+1.9%	+4.5%	+5.8%
1970s	+4.2%	+14.6%	+7.2%	+4.1%	+9.6%
1980s	+3.1%	+11.2%	+8.4%	+4.9%	+4.1%
1990s	+3.3%	+9.6%	+10.9%	+6.2%	+2.2%

Table 2. South Korea's Gross Value Added by Kind of Economic Activity, 2016 ²³

<i>Agriculture</i>	<i>Industry</i>	<i>Services</i>
2.2%	38.6%	59.2%

Table 3. South Korea's Employment by Economic Activity, 2018 ²⁴

<i>Agriculture</i>	<i>Industry</i>	<i>Services</i>
4.8%	24.6%	70.6%

Table 4. Korea's Top Export Products, 2017 ²⁶

	<i>Percentage of total exports of goods by product</i>
Semiconductors	17.1
Ships	7.4
Cars	7.3
Petroleum products	6.1
Flat displays and sensors	4.8
Car parts	4.0
Wireless communication equipment	3.9
Synthetic resin	3.6
Flat-rolled steel products	3.2
Computers	1.6

China's transformation into an imperialist power

**A study of the economic, political and military aspects
of China as a Great Power**

By Michael Pröbsting (International Secretary of the RCIT)

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4. South Korea as a Highly Industrialized, Modern Capitalist Country

It is because of this combination of several developments that South Korea was able to rise and to become a highly industrialized, modern capitalist country. This becomes evident from a number of indicators.

South Korea, a country with a population of 51 million, has become one of the top economies in the world behind the leading states like the U.S. and China. Today, South Korea's economy is the fourth-largest in Asia and the 12th largest in the world.²⁰ Its Per Capita Gross Domestic Product is already higher than that of Spain.²¹ The rapid advance of South Korea's economy is reflected in the fact that its per capita income increased from 6% of the OECD average in 1970 to 89% in 2017!²²

The composition of South Korea's economy by sectors resembles that of various Western European countries. Its share of agriculture (2.2%) is smaller than that of Spain (2.8%). Given the massive industrialization of South Korea (and the parallel deindustrialization of most old imperialist countries in Western Europe and the U.S.), the share of its industry in national output (38.6%) is higher than that of Japan (28%) – not to speak about the parasitic imperialist states in Western Europe and the U.S. – and is only matched by China (40.0%). (See Table 2)

We see a similar picture when we look at the employment of the labor force in South Korea. The share of labor force employed in agriculture has rapidly declined in the past decades and is now only 4.8%. (See Table 4) This share is only slightly higher than in other imperialist countries like Spain (4.1%) or Austria (4.2%).

Reflecting the strong position of Korean monopolies, the country has become the world's sixth-largest exporter in merchandise trade. Its share in world merchandise trade (3.1%) is already larger than that of France, Britain or Italy. If one excludes the trade within the European Union, South Korea is already number 5 – only behind China, the U.S., the EU and Japan.²⁵

South Korea's exports account for about half of its GDP

and are dominated by high-value commodities mostly from the manufacturing and high-technology sector like ships, cars, refined petroleum, liquid crystal display panels, industrial machinery and telephones. (See Table 4)

Another indicator of the modernization of South Korea is the high share of its population using the Internet. According to the latest figures of the United Nations, 95.1% of all individuals are using the Internet by 2019, a figure even higher than Japan!²⁷

While these figures in itself do not prove that South Korea has become an imperialist nation (see for this the next chapters), they constitute already strong indicators of the massive catching-up process which has taken place in the past decades.

5. South Korean Monopoly Capital: Domination of Domestic Market

As we stated above, the creation of monopolies is an essential, if not the most important, feature of imperialism. South Korean capitalism is characterized by the domination of a handful of monopolies – the so-called *chaebols*. These corporations are family-owned businesses that have numerous subsidiaries across diverse industries.

The following figures demonstrate clearly the commanding position of the *chaebols* in South Korea's economy. According to *Korea's Fair Trade Commission*, there are now 45 conglomerates that fit the traditional definition of a chaebol. The top 10 alone own more than 27% of all business assets in South Korea. The most important chaebols are LG, Hyundai, SK, Lotte and Samsung. These top five chaebols alone represent 54% of the South Korean stock market's value.²⁸

According to a report titled "*Changes in Concentration of Economic Power on Chaebols and Implications*" by the *Economic Reform Research Institute*, the ratio of assets of the 30 largest conglomerates to Korea's GDP was 100.3% in 2016.²⁹ A Korean university professor published a study which arrives at the conclusion that Samsung's assets – South Korea's single largest chaebols – alone are the equivalent

The Rise of Russia as an Imperialist Great Power

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*** Lenin's Theory of Imperialism and Russia's Rise as a Great Power**

Two Pamphlets by Michael Pröbsting (International Secretary of the RCIT)

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of 42% of the GDP.³⁰ And another study claims that the sales/revenue of the Samsung Group alone accounts for approximately 20% of Korea's GDP.³¹

According to the Seoul-based corporate evaluation website *CEO Score*, Korea's 10 largest corporations reported combined sales of \$677.8 billion in 2017, tantamount to 44.2% of Korea's GDP. This is a larger share of the leading monopolies than in other imperialist countries. For example, the top line of Japan's top companies was equivalent to 24.6% of the country's GDP and in the U.S., the ratio was 11.8%.³²

Another figure reflecting the dominating role of the largest chaebols within Korea's conglomerates is the following: according to the *OECD Economic Survey of Korea 2018* the shares of the top four business groups as a share of the top 30 groups rose from 2011 to 2017. By the later year, Samsung, Hyundai, SK Group and LG together had a share of 52.7% (+3.6%) of the assets and 69.4% (+7.1%) of the profits of the top 30 chaebols!³³

As mentioned above, the most important five chaebols are *Samsung, Hyundai, SK Group, LG* and *Lotte*. Samsung – a global leader in the telecommunication and chipmaker sector – is the 12-largest corporation in the world, according to *Forbes*. Samsung Electronics, the largest Samsung affiliate, employs more than 320,000 people globally (more than Apple's 123,000 and Google's 88,000 combined). It has such a dominating position that Koreans often refer to their country as the "*Republic of Samsung*".

Hyundai's Motor Group is the third-largest carmaker in the world and Hyundai Heavy Industries has become the

world's largest shipbuilding company. The SK Group operates also in various sectors. Its semiconductor company, SK Hynix, is the world's second-largest maker of memory chips.³⁴

As already mentioned, the chaebols are owned by families. While each chaebol consists of a vast network of formally independent firms, they are united under the single common administrative and financial control of one family via a complex cross-shareholding structure. Usually, there is a single *chongsu*, a kind of general manager who makes the final corporate decisions for the entire syndicate.³⁵

Samsung, for example, is controlled by the Lee family. Formally, the Lee's family owns just 1.67% of the overall group shares. However, they ensure a commanding position via cross-shareholding methods.³⁶ A similar situation exists in other chaebols. "*According to the Korea Fair Trade Commission, owner families of the 35 largest Korean business groups (Chaebols) have an average 4.4% of ownership. However, these owner families exercise approximately 50% of the control rights in an average of 43.6% of the companies affiliated with their business groups.*"³⁷

The latest issue of the *OECD Economic Survey of Korea* reports that inside ownership, i.e. the share held by the controlling family and affiliated companies, has risen in the past decade. While such inside ownership was between 40-50% from the late 1980s to 2005, it oscillates between 50-60% since then. In other words, the leading families of Korean monopoly capital were able to *increase* their domination in the last two and half decades!³⁸

Books of the RCIT

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

In *Anti-Imperialism in the Age of Great Power Rivalry* Michael Pröbsting analyses the accelerating rivalry between the imperialist Great Powers – the U.S., China, EU, Russia, and Japan. He shows that the diplomatic rows, sanctions, trade wars, and military tensions between these Great Powers are not accidental or caused by a mad man in the White House. They are rather rooted in the fundamental contradictions of the capitalist system. This rivalry is a key feature of the current historic period and could, ultimately, result in major wars between these Great Powers.

Anti-Imperialism in the Age of Great Power Rivalry demonstrates the validity of the Marxist analysis of modern imperialism. Using comprehensive material (including 61 Tables and Figures), Michael Pröbsting elaborates that a correct understanding of the rise of China and Russia as new Great Powers is crucial for assessing the character of the current inter-imperialist rivalry.

In *Anti-Imperialism in the Age of Great Power Rivalry* Michael Pröbsting critically discusses the analysis of modern imperialism by a number of left-wing parties (left social democrats, Stalinists, Trotskyists and others). He demon-

strates that most of these organizations fail to understand the nature of the Great Power rivalry and, consequently, are not able to take an internationalist and revolutionary stance.

The author elaborates the approach of leading Marxist figures like Lenin, Trotsky and Luxemburg to the problems of Great Power rivalry and imperialist aggression against oppressed peoples. He outlines a Marxist program for the current period which is essential for anyone who wants to change the world and bring about a socialist future.

The book contains an introduction and 29 chapters plus an appendix (412 pages) and includes 61 figures and tables. The author of the book is Michael Pröbsting who serves as the International Secretary of the RCIT.

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



By Michael Pröbsting

Published by the Revolutionary Communist International of Teachers

A recently published report characterizes the dominance of the chaebols by the owner-families as follows: *“In all the chaebols, and basically this is also the main characteristic of this type of conglomerate, all the most important positions inside the group are occupied by family members and are not designated for meritocracy. Power is usually passed on to the eldest male son or the chosen heir”*³⁹

Furthermore, the chaebols are also traditionally closely linked to the state apparatus. In fact, their success would not have been possible without decades of government support in the form of subsidies, loans, and tax incentives. It is certainly no exaggeration to say that South Korea is a prime example for the methods of state-monopoly capitalism, as Lenin called the stage of capitalist development where imperialist monopolies coalesce with the imperialist state apparatus.

6. South Korean Monopoly Capital: Global Players on the World Market

South Korea’s chaebols do not only dominate the domestic market, they also play a prominent role on the world market. As we mentioned already in the previous chapter, Samsung, Hyundai and others are globally leading corporations in their sectors. This is pretty evident from the ranking lists of the global top corporations.

According to the *Fortune Global 500* list, South Korea is

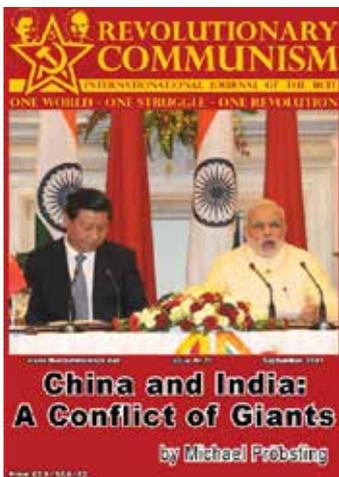
ranked as No. 7 with a share of 3.2% and with only one corporation less than Britain. (See Table 5)

In the *Forbes Global 2000* of 2017 list, South Korea is even listed as No. 5 with more corporations (64) than France and Germany! (See Table 6)

We see a similar picture when we look at the global ranking lists of the world’s millionaires and billionaires. According to the latest world wealth report of *Capgemini*, South Korea had 243,000 so-called *high-net-worth individuals* (one of the obscene categories of the monopoly bourgeoisie to characterize itself!), making it the 13th-largest country.⁴² Another annual report, published by *Credit Suisse*, arrives at a similar conclusion. It gives the number of South Korea’s US-Dollar millionaires with 741,000 and ranks the country as No. 14 in the world.⁴³

Finally, we reproduce the results from the latest issue of the *Hurun Global Rich List*. In contrast to the reports just mentioned, the *Hurun Research Institute* is not based in Western imperialist countries but in the new imperialist Great Power of the East – China. According to this report, South Korea is ranked as No. 13 among the global list of billionaires – with only two super-rich individuals less than Japan.⁴⁴

In summary, the figures from this and the previous chapter demonstrate unambiguously that South Korea is dominated by Korean-owned monopolies which also play a leading role in the capitalist world market.



PUBLICATIONS OF THE RCIT

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?

A Pamphlet by Michael Pröbsting (International Secretary of the RCIT)

A RCIT Pamphlet, 36 pages, A4 Format

Introductory Remarks * I. Recent Developments * II. The Struggle for Domination of Bhutan * III. The Background: Accelerating Rivalry between China and India in a Period of Capitalist Decay * China’s Belt and Road Initiative * India’s OCOR as an Alternative to OBOR? * India’s Increasing Ties with US and Japanese Imperialism * How are the chances in a military confrontation between India and China? * IV. China as an Emerging Great Imperialist Power * China’s Monopolies * Super-Exploitation of the Working Class * China’s Capital Export * China as a Military Power * V. India: A Peculiar Semi-Colony in the Role of a Regional Power * A Brief Historical Review * The Characteristics of India’s Semi-Colonial Economy * India’s Economic Elites: Many ... and at the same time Few * The Parasitic Nature of the Indian Bourgeoisie * India as a Regional Power and an Oppressor State * Brief Remarks on an Historic Analogy: The Ottoman Empire * VI. Revolutionary Tactics in the China-India Conflict * Appendix: Imperialist vs. Semi-Colonial State: Some Theoretical Considerations * 1. What are the Respective Characteristics of an Imperialist vs. a Semi-Colonial State? * 2. Is a Transition from Being One Type of State to Another Possible? * 3. Is the Category of “Sub-Imperialism” Useful? * Footnotes

Table 5. List of Top 10 Countries with most Global 500 Companies, 2019 ⁴⁰

Rank	Country	Companies	Share (in %)
1	United States	121	24.2%
2	China	119	23.8%
3	Japan	52	10.4%
4	France	31	6.2%
5	Germany	29	5.8%
6	United Kingdom	17	3.4%
7	South Korea	16	3.2%
8	Switzerland	14	2.8%
9	Canada	13	2.6%
10	Netherlands	12	2.4%

Table 6. National Composition of the World's 2000 Largest Corporations, 2003 and 2017 (Forbes Global 2000 List) ⁴¹

	2003		2017	
	Number	Share	Number	Share
USA	776	38.8%	565	28.2%
China	13	0.6%	263	13.1%
Japan	331	16.5%	229	11.4%
United Kingdom	132	6.6%	91	4.5%
South Korea	55	2.7%	64	3.2%
France	67	3.3%	59	2.9%
Canada	50	2.5%	58	2.9%
India	20	1.0%	58	2.9%
Germany	64	3.2%	51	2.5%

Books of the RCIT

Michael Pröbsting: Marxism and the United Front Tactic Today

The Struggle for Proletarian Hegemony in the Liberation Movement and the United Front Tactic Today.

The RCIT is proud to announce the publication of a new English-language book – MARXISM AND THE UNITED FRONT TACTIC TODAY. The book's subtitle is: The Struggle for Proletarian Hegemony in the Liberation Movement and the United Front Tactic Today. On the Application of the Marxist United Front Tactic in Semi-Colonial and Imperialist Countries in the Present Period. It contains eight chapters plus an appendix (172 pages) and includes 9 tables and 5 figures. The author of the book is Michael Pröbsting who serves as the International Secretary of the RCIT.

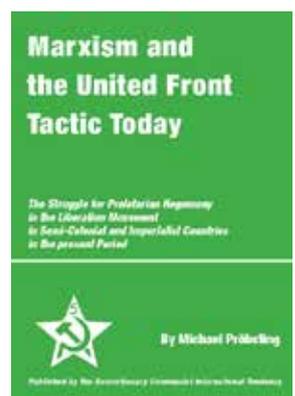
The following paragraphs are the back cover text of the book which give an overview of its content.

The united front tactic is a crucial instrument for revolutionaries under today's circumstances in which the mass organizations of the working class and the oppressed are dominated by social democratic, Stalinist and petty-bourgeois-populist forces.

The purpose of this document is both to summarize the main ideas of the Marxist united front tactic while at the same time explaining its development and modification which have become necessary due to political changes which have transpired in the

working class liberation movement since the tactic's original formulation.

In this book we initially summarize the main characteristics of the united front tactic and elaborate the approach of the Marxist classics to this issue. We then outline important social developments in the working class and the popular masses as well as in their political formations in recent decades. From there we will discuss how the united front tactic should be applied in light of a number of new developments (the rise of petty-bourgeois populist parties, the decline of the classic reformist parties, the role of national minorities and migrants in imperialist countries, etc.). The eight chapters of the book are accompanied by nine tables and five figures.



7. South Korean Monopoly Capital: The Role of Capital Export

As we explained above, an essential feature of an imperialist state is not only the formation of monopolies and their domination of the economy but also the export of capital. Indeed, we can observe such a development in the case of South Korea. In the period when the country still had rather the character of a semi-colony South Korea was primarily the destination of foreign investments than the other way round. However, with the emergence of Korean monopoly capital this process was turned on its head. While foreign capital continued to move into the country – as it is the case with nearly all capitalist countries around the world – Korean corporations started to undertake foreign investment in other countries.

The figures from the latest edition of UNCTAD's *World Investment Report* demonstrate this process very clearly. Between 2013 and 2018 the annual outflows of Foreign Direct Investment (FDI) were always 2-3 as large as the inflows. (See Table 7)

When we look to at the figures of the accumulated stock of foreign direct investment, the qualitative transformation of South Korea from a semi-colonial into an imperialist state since the 2000s becomes evident: While the FDI inward stock was more than double as large than the FDI outward stock in the year 2000 (\$43.7bn - \$21.5bn), this relationship has been turned upside down by 2018 (\$231.4bn - \$387.6bn). (See Table 8)

The Korean chaebols started in the 2000s the built large factories (cars, steel, oil, electronics, etc.) in China, in Eastern Europe, in South-East Asia and in India.⁴⁷ A large proportion of Korean outward FDI is concentrated in manufacturing. Such investment is undertaken by chaebols in order to better access local markets as well as – in the case of investments in semi-colonial countries – in order to exploit cheap labor forces and thereby to extract extra-profits.

In the last decade the U.S. and China have been largest destinations for Korean FDI.⁴⁸ While investment in the U.S. was mainly motivated by the Korean car, steel and electronic producers to better access this huge market, things were initially different in the case of China. As a study demonstrates, *“the main motive for [South Korean, Ed.] FDI in China has changed from taking advantage of cheap labour to the development of the Chinese consumer markets after China joined the World Trade Organisation in 2001. This data shows that there has been a shift in motive from achieving a cost advantage to market seeking. Before China joined the WTO, the proportion of investment in China for cheap labour was 27.22%. However, this figure dropped to 21.13% after 2000s. On the other hand, investments targeting a proportion of the local market*

*seeking have significantly increased from 5.43% to 40.57%. In particular, the proportion of investment with the purpose of targeting local consumers was 52.89% of the entire investment in the aftermath of the global financial crisis in 2007/2008. However, the proportion of investment motivated by cheap labour was reduced to 18.1% after the financial crisis.”*⁴⁹

We note in passing that this shift also reflects the transformation of China itself – from a rather underdeveloped capitalist country in the period after the capitalist restoration in the early 1990s to an imperialist Great Power by the late 2000s.⁵⁰

In the past two decades, semi-colonial countries have become increasingly important destination of Korean Outward FDI. *“South Korean investment flows initially found their way to more-advanced countries, the major share of these investments in the United States. However, from the early 1990s onward, there was a dramatic increase in investment in less-advanced countries.”*⁵¹ A particular focus of this development has been the shift of major foreign investments of Korean corporations towards South-East Asia. (See Table 9)

A particularly important destination of Korean foreign investment is Vietnam. In the last years it has become Korea's fourth-largest investment destination. *“With Vietnam's opening up to FDI via the Doi Moi initiative and the Korean Government's active promotion of OFDI, Korea's FDI in Vietnam has surged over the last 23 years to USD 11 billion in its accumulated amount as of the end of 2014.”*⁵³ While Vietnam has been already the most important country for Korean FDI in South-East Asia from early on, this process accelerated when the two parties concluded the Korea-Vietnam Free Trade Agreement in May 2015.

This went hand in hand with increasing Korean exports to Vietnam. As we can see in Table 10, Vietnam has become the third-largest destination of Korean exports, only behind the China and the U.S..

Another example is the increasing role of South Korean monopoly capital in Africa where it is able to exploit cheap labor forces and thereby to extract imperialist extra-profits.⁵⁵

In summary, we have seen that the transformation of South Korea's economy resulted in the formation of a national monopoly capital which not only dominates the domestic market but which is also a global player on the world market. Furthermore, we have demonstrated that South Korea's monopoly capital has successfully penetrated the economies of advanced capitalist countries like the U.S. and Western Europe, those of emerging capitalist countries like China as well as semi-colonial countries like those in South-East Asia. In short, the formation of a powerful monopoly capital competing on all markets has resulted in South Korea's transformation into an imperialist state in the course of the 2000s.

Comunismo Revolucionario

Spanish-language Journal of the RCIT

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Table 7. South Korea's FDI Flows, 2013–2018 (Millions of US dollars) ⁴⁵

<i>FDI inflows</i>						<i>FDI outflows</i>					
2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018
12,767	9,274	4,104	12,104	17,913	14,479	28,318	27,999	23,687	29,890	34,069	38,917

Table 8. South Korea's FDI stock, 2000, 2010 and 2018 (Millions of US dollars) ⁴⁶

<i>FDI inward stock</i>			<i>FDI outward stock</i>		
2000	2010	2018	2000	2010	2018
43,738	135,500	231,409	21,497	144,032	387,591

Table 9. Korea's Outward FDI in South-East Asia, net flows (Millions of US dollars) ⁵²

<i>Year</i>	<i>Cambodia, Laos, Myanmar, Vietnam</i>	<i>Indonesia, Malaysia, Philippines Singapore, and Thailand</i>
2001	62	-302
2002	99	69
2003	177	372
2004	176	646
2005	168	338
2006	632	658
2007	1505	940
2008	1094	437
2009	782	1007
2010	1384	2321
2011	891	1661
2001-2011	6970	8147

Table 10. Korea's Top Export Markets ⁵⁴

<i>Country</i>	<i>Percentage of total exports of goods by country</i>			
	2014	2015	2016	2017
China	25.4	26.0	25.1	24.8
United States	12.3	13.3	13.4	12.0
Vietnam	3.9	5.3	6.6	8.3
Hong Kong, China	4.8	5.8	6.6	6.8
Japan	5.6	4.9	4.9	4.7
Australia	1.8	2.1	1.5	3.5
India	2.2	2.3	2.3	2.6
Taiwan	2.6	2.3	2.5	2.6
Singapore	4.1	2.8	2.5	2.0
Mexico	1.9	2.1	2.0	1.9

III. ON SOME POLITICAL ISSUES RESULTING FROM SOUTH KOREA'S IMPERIALIST TRANSFORMATION

8. The Emergence of a Labor Aristocracy and Inequality within the South Korean Working Class

The fall of the military dictatorship in 1987 and the collapse of the Stalinist rule in the USSR and Eastern Europe in 1989-91 created new conditions for South Korean capitalism. The crucial period of 1987 and the years after saw a series of important class battles with many heroic strikes and occupations. While the working class – particularly in the large enterprises with a high share of trade union members – won a number of economic gains, South Korea's transformation into an imperialist country provided the monopoly bourgeoisie with huge extra profits which eventually allowed it to pacify the upsurge of class struggle.

More concretely, we have seen the creation of a privileged layer which Marxists characterize as the *labor aristocracy*. Let us briefly outline this concept. The RCIT has repeatedly pointed out that the working class is not a homogenous unit but, rather, consists of multiple layers. In contrast to the broad mass of the proletariat – the lower and middle strata – there also exists a top, more privileged layer. Marxists call this uppermost part of the working class the labor aristocracy. This is a layer that consists, primarily, of sections of the better compensated, skilled workers. This section of the proletariat is, in effect, bribed by the bourgeoisie with a better standard of living. In the imperialist countries, this layer constitutes a much larger proportion of the working class than it does among the semi-colonial proletariat.⁵⁶

The financial resources to corrupt the labor aristocracy in the imperialist countries, and thereby undermine working class solidarity, are derived precisely from the extra profits that the monopoly capitalists readily obtain by super-exploiting the working class in the semi-colonial countries as well as those that have migrated to the imperialist metropolises. Monopoly capital uses a portion of these extra profits to enlist the support of sectors of the working class in the metropolitan centers, for it is at home that the capitalists need stability first and foremost.⁵⁷

The labor bureaucracy – along with its direct constituency, the labor aristocracy – play a dominant role in both the trade unions and the reformist parties in the imperialist countries. This explains why these forces play such a conservative and pacifying role and operate as a brake on the class struggle.

The development of the creation of a labor aristocracy which is bribed by capital and the resulting consequences for the reformist bureaucratization of the workers movement are not unique phenomena in South Korea. It is rather a global tendency which exists already since the beginning of the epoch of imperialism. This has been already emphasized by the revolutionary workers movement many decades ago. Such stated the program of the Bol-

shevik Party, adopted at its Eight Congress in 1919: *"This [opportunist and social-chauvinist] trend was created by the fact that in the progressive capitalist countries the bourgeoisie by robbing the colonial and weak nations were able, out of the surplus profits obtained by this robbery to place the upper strata of the proletariat in their countries in a privileged position, to bribe them, to secure for them in peace time tolerable, petty-bourgeois conditions of life, and to take into its service the leaders of that stratum."*⁵⁸

Similarly the Communist International emphasized the importance of imperialist extra-profits in one of its main resolutions of its Second Congress in 1920: *"One of the chief causes hampering the revolutionary working-class movement in the developed capitalist countries is the fact that because of their colonial possessions and the super-profits gained by finance capital, etc., the capitalists of these countries have been able to create a relatively larger and more stable labour aristocracy, a section which comprises a small minority of the working class."*⁵⁹

While the rise of profits strengthened the Korean monopoly bourgeoisie and allowed it to bribe a small upper layer of labor aristocrats, it resulted at the same time in the substantial increase of the numbers of workers belonging to the lower strata of the proletariat. This development becomes evident from a number of figures.

We find empirical evidence for this division within the working class in a recently published study of the ILO. In South Korea the lower 3/5 (60%) of the workers earn a combined share of only 27.2% of the total labor income in 2017. This is less than the income of the top decile (10%) alone, which earns 30.48%! As we can see in Table 11, such a degree of inequality is even worse than that of major imperialist countries like Japan and Germany!

A closer look to the development of wage inequality demonstrates the qualitative changes within the South Korean working class as a result of social transformation process. Historically, income inequality within the South Korean proletariat was relatively low. According to a study of the OECD, the ratio of the income of the top 20% of the income distribution to the bottom 20% was much below the international average over the period 1965-89.⁶¹

With the upsurge of the class struggle in the second half of the 1980s and the 1990s, wage inequality even declined. According to figures of the OECD, wage dispersion in South Korea – in sharp contrast to international developments – was reduced by more than 1/5 between 1984 and 1994. However, this trend has massively reversed since then.⁶²

However, as a result of the defeats of the proletariat in these battles and the emergence of South Korean imperialism, this development has drastically reversed since then. The capitalist class was able to increase the rate of surplus value, or to put it in the words of a group of bourgeois IMF economists, *"the growth rate of labor income has been declining relative to profits since the mid-1990s, resulting in a steady decline in labor income share."*⁶³ According to a study prepared for a G20 meeting in 2015, South Korea's adjusted

labor share declined between 1991 and 2012 by 10%! ⁶⁴

Combined with this development was the massive increase of the wage dispersion within the South Korean working class, i.e. the increasing inequality within the proletariat. Another study of IMF economists reports: "*During the period of 1990–1997, labor income growth was high at over 10 percent and relatively even across income levels. However, it fell sharply and became uneven across income groups during the past two decades. Indeed, workers in the bottom 10 percent of the income distribution have experienced virtually no growth in their incomes, while workers in the top 10 percent of the income distribution experienced growth of about 6 per cent per annum*" ⁶⁵ The same development is reflected in Table 12. As a result, wage dispersion in South Korea has become the second highest in the OECD. ⁶⁶

An important factor for this development is the creation of a substantial sector of non-regular workers (i.e. fixed-term, part-time and dispatched workers). These non-regular workers account for one-third of employees and "*earn one-third less than regular workers on an hourly basis, even though the skills of temporary workers match those of permanent primeage workers on average.*" ⁶⁸ The income gap is further widened as non-regular workers have less access to social

insurance and company-based benefits. (See also Table 13)

It is particularly female worker who are affected by such wage inequality. In 2016, the median female wage was 37% below the male median. Korea's gender wage gap is the largest in the OECD area. ⁷⁰ An important cause of this situation is the fact that women represent a disproportional high share of non-regular workers. 41.1% of female employees were non-regular in 2016 compared to only 26.4% for men. ⁷¹

Wage inequality exists not only between regular and non-regular workers but also between full-time workers. Almost a quarter of full-time workers in 2013 earned less than two-thirds of the median wage, the second-highest share in the OECD. ⁷²

The strengthening of the South Korean monopoly bourgeoisie as a result of the country's imperialist transformation was a major reason why it was able to defeat the workers vanguard not by re-imposing a military dictatorship but via *democratic-counterrevolutionary means*. This means that they succeeded to defeat the workers movement without abolishing the limited bourgeois democracy which emerged after 1987.

Table 11. South Korea, Japan, Germany and United States: Share of Labor Income, 2017 (%) ⁶⁰

	<i>Share of Labor Income, Deciles</i>									
	1	2	3	4	5	6	7	8	9	10
South Korea	1,05	2,38	3,71	5,12	6,54	8,42	10,63	13,65	18,04	30,48
Japan	1,10	2,53	3,94	5,42	6,89	8,79	11,09	14,13	18,47	27,64
Germany	1,10	2,77	4,81	6,55	8,30	9,83	11,36	13,27	16,09	25,92
United States	1,41	3,04	4,28	5,46	6,70	8,12	9,78	12,14	15,95	33,12

Table 12. Wage Inequality: Ratio of Income between the Top 10% and the Bottom 10% of Wage Earners in South Korea, 1980-2008 ⁶⁷

1980	1990	2000	2008
4.1	3.2	3.7	4.7

Table 13. Non-Regular Workers: Share in Employment and Wages, 2016 ⁶⁹

Employed persons by status

<i>Wage workers</i>	<i>Non-regular workers</i>	
<i>Thousand</i>	<i>Thousand</i>	<i>%</i>
19,627	6,444	32.8

Hourly wages of non-regular workers relative to regular workers (regular workers = 100)

<i>Regular workers</i>	<i>Non-regular workers</i>
100.0	65.4

9. The Political Role of South Korean Imperialism and its Limited Independence

As already indicated above, emerging South Korean imperialism is marked by specific characteristics of its history. Hence, while it is in a strong economic position, its political role remains overshadowed by the dominant influence of U.S. imperialism since 1945. The U.S. has built numerous military bases in South Korea (albeit many have been closed by now). Currently about 28,500 U.S. soldiers as well as hundreds of tanks and air forces are stationed in South Korea. Recently, Washington deployed the so-called THAAD Missile Battery in the country. In short, Seoul faces a strong political dominance by Washington.

Various organizations of the so-called “*National Liberation*” current refer to this prevailing political and military influence of U.S. imperialism as a factor which would make it impossible to characterize South Korea as “imperialist”. However, as we already emphasized in the past, such a situation is not an exceptional phenomenon for an imperialist state. A similar constellation exists in Japan since its defeat and occupation at the end of World War II. The presence of about 50,000 U.S. troops as well as military bases in Okinawa and the enforced “pacifist” character of Japan’s constitution still reflect the limited political and military autonomy of Japanese imperialism. A similar situation existed in Western Germany until 1990.

As we mentioned above, capitalist (including imperialist) countries do not have an identical economic, political and military formation. They are rather developed in an uneven way. In the case of South Korea, we have a bourgeoisie which has developed as a powerful capitalist class in the economic field but which has remained until now rather in a political and military subordinated position to a stronger imperialist Great Power. This, however, does not deny its imperialist character.

In fact, it is a feature of the Stalinist nature of the Japanese Communist Party that it has denied since 1945 until today that Japan is an imperialist state. As we have shown somewhere else, they justified such outrageous denial by referring to the dominating political and military role of the U.S.⁷³ In consequence, such denial can only result in social-imperialist capitulation to the domestic monopoly bourgeoisie under the disguise of “anti-imperialism”.

Furthermore, even South Korea’s political position is undergoing significant changes. Seoul’s trade war with Japan, which started in 2019, reflects an increasingly independent political role of South Korean imperialism. This

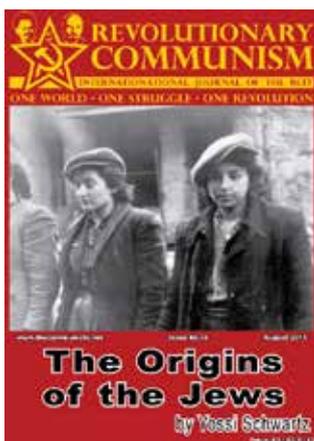
trade war is definitely not in the interest of Washington as it involves two key allies in Asia. However, due to the decaying domination of U.S. imperialism both South Korea as well as Japan are gaining increasing political independence. There can be no doubt that the trade war against Japan on the initiative of Seoul is a powerful demonstration that South Korean imperialism is not only rising as an economic but also as a political power.

South Korea’s ruling class skillfully exploits the legitimate outrage of its citizens because of the traumatic history of the country’s occupation by Japanese imperialism from 1910 to 1945. Japan’s barbaric regime of forced labor and sex slavery has left deep marks in the memory of the Korean people. However, South Korea bourgeoisie utilizes these sentiments in order to wipe up anti-Japanese chauvinism. They exploit such a campaign in order to gain a larger share at the domestic market by pushing out their Japanese rivals (via the popular “*Boycott Japan*” movement). Likewise, the bourgeoisie utilizes such sentiments in order to increase South Korea’s role as an *independent* political power.

Another important political issue is the relationship of South Korea to its neighbor in the north and in particular the question of the reunification of the Korean Peninsula. As it is well-known, the Korean War in 1950-53 resulted in the division of the peninsula in two states – one allied with US imperialism, the other with the USSR and China. This split continues to exist until this day. For a long time, U.S. imperialism has waged economic aggression and military threats against North Korea.⁷⁴ In recent times there have been some negotiations between the two sides but it is unclear if this will result in any agreement.⁷⁵

Obviously there are various massive political obstacles for the reunification of the Korean Peninsula – from the traditional hostility between the political regimes of the two states to the objections of Great Powers like the U.S. and Japan. However the example of Germany has not lost its impact on the South Korean monopoly bourgeoisie since the German reunification in 1990 was an important step to strengthen this imperialist state.

Furthermore, the beginning of the process of capitalist restoration in North Korea means that a new bourgeoisie is emerging in this country. Such a class of capitalists could have an interest in joining a powerful imperialist state. Naturally, the new North Korean bourgeoisie would constitute the junior partner of the Southern imperialists since Pyongyang represents rather an impoverished semi-colony.⁷⁶



Publications of the RCIT

The Origins of the Jews

By Yossi Schwartz, July 2015

Chapter I: What are the origins of the Jews?

Chapter II: The Rise of Anti-Semitism

Chapter III: Anti-Semitism and Zionism

Chapter IV: The Russian Revolution:

Bolshevism, the Bund, and Stalinism

IV. ON SOME OBJECTIONS

10. The Stalinist Myth of South Korea Being Still a Neo-Colony of U.S. Imperialism

Let us now deal with the position of the Stalinist “*National Liberation*” current which strongly rejects our analysis of South Korea’s imperialist transformation. Partly they base their claim by referring to the ongoing political strong influence of American imperialism. However, as we already stated above, such an argument totally ignores the formation of South Korean monopoly capital and its strong position on the world market. It implicitly rejects the whole conception of imperialism as it was elaborated by Lenin since it ignores the centrality of monopoly capital.

In consequence, such an argument drags its supporters into the very dangerous logic as they would be forced to deny the imperialist character not only of South Korea but also of Japan, Germany and various other, smaller, imperialist states which are politically subordinated to imperialist Great Powers (within NATO or within the European Union). In other words, such a position leads straight into the camp of social-imperialism – siding with Japan or Germany against the U.S. under the disguise of “anti-imperialism”!

Another argument in defense of the position of the Stalinist “*National Liberation*” current is the claim that the chaebols effectively do not represent *South Korean* monopoly capital but are rather subordinated *agents of U.S. or Japanese imperialism*. While this position is often put forward without much evidence, there are some academics who try to substantiate this position with facts. Chang Kyung-Sup, for example, claims in a new book on South Korea’s economy that the process of liberalization led to a massive influx of foreign (imperialist) capital resulting in their domination of South Korea’s economy.

“It was not surprising because large shares of major South Korean corporations and banks had already been sold off to foreign investors at IMF-set bargain sale terms (in an environment of plummeting nominal prices of stocks, depreciating exchange rates, and shock-therapy high interest rates). As new major stakeholders of numerous South Korean manufacturing firms and banks, global financial institutions and investors have been favorably inclined to the reinstated proactive industrial policy of the South Korean state, which is financially buttressed by tax money to be collected from ordinary South Korean citizens. For the same reason, they have not limited praise for the neoliberal side of the government’s policy that would ensure sustained increases in corporate profits at the expense of suppressed labor

*incomes.”*⁷⁷

He also provides some figures on foreign ownership shares in the top 30 Korean chaebols from the year 2006 which should substantiate his claim.

Jitendra Uttam, an Indian university professor, makes similar claims in a book which he published in 2014. He characterizes the state of Korea’s economy as “*foreign capital domination under liberal finance*” and laments the departure of the state-capitalist policy in the periods of the military dictatorships. “*Grappling with the hegemony of the neo-liberal paradigm, Korea’s domestic elite surrendered their policy autonomy to the dominant global knowledge system. (...) The post-crisis liberal financial regime that became operational in Korea could not adequately promote corporate investment and underperformed as a financial intermediary; rather, it ended up facilitating foreign control of the Korean financial system.*”⁷⁸

He also provides the following figures in order to substantiate his claim: “*Due to financial regime change, foreigners’ share in the Korean stock market dramatically rose from 14.6 percent in late 1997 to 21.9 percent in 1999, 36.6 percent in 2001 and some 43 percent in 2004 – although, in the face of emerging global contradictions, it fell to less than 30 percent in 2008. Indeed, foreign capital has become the market mover in Korea. The share of foreign capital in the banking industry rose from 16.4 percent in 1997 to 50.2 percent in 2003 and 57.8 percent in September 2007. At the end of 2008, the share of foreign ownership was higher than 50 percent in six out of seven commercial banks, with Woori Bank, owned by Korean government, being the sole exception.*”⁷⁹

Both authors are basically mistaken in their conclusions. First, they misunderstand the nature of foreign capital in South Korea’s economy. Of course, it is true that during the 1990s the South Korean state – under pressure of the world market – restructured the chaebols and their relationship to the financial market. It also opened the domestic market for foreign capital and, at the same time, supported Korean monopoly capitalists to increase their exports and investments in markets abroad. As a result, the share of foreign capital has increased in South Korea’s chaebols, banks and stock market. However, an increasing share of foreign capital is a *general feature of globalization* which has been taking place in all imperialist, indeed in all capitalist, countries around the world.

The following figures demonstrate this very clearly. Inward Foreign Direct Investment (FDI) as a share of Gross Fixed Capital Formation (GFCF)⁸⁰ was 2.6% in South Korea in 2016. Its Inward FDI stock as a share of GDP was

Table 14. Inward Foreign Direct Investment in South Korea, Germany, Spain, United Kingdom and France, 2016⁸²

	FDI Inwards (in % of GFCF)	FDI Stock (in % of GDP)
South Korea	2.6%	13.1%
Germany	1.4%	22.2%
Spain	7.6%	45.2%
United Kingdom	57.9%	45.5
France	5.4%	28.3%

13.1%.⁸¹ When we compare these figures with other advanced imperialist countries, we see that the position of foreign capital in these countries is by far not smaller than in South Korea. (See Table 14)

In order to better prepare themselves for the accelerated rivalry with other corporations on the world market in the period of Globalization, most chaebols created alliances with foreign capitalists. This is a process which has been taken place in many imperialist countries. The international alliances of Renault-Nissan-Mitsubishi or Fiat-Chrysler are only two out of many examples.

The decisive question is if foreign capital indeed dominates the economy resp. the chaebols or not. As we have demonstrated above with various figures, the chaebols – the heart of South Korea’s economy – have been and remain by and large dominated by the owner families. We remind readers to the OECD study mentioned above which showed that through inside ownership, i.e. the share held by the controlling family and affiliated companies, the dominating Korean monopoly capitalists were able to increase their control of the chaebols despite the existence of foreign shareholders. According to that study, inside ownership was between 40-50% from the late 1980s to 2005 and has increased to 50-60% since then.

As a matter of fact, Western corporations and institutions regularly lament about the “lack of transparency” of South Korea’s corporations! There is no OECD report without demanding structural changes in South Korea chaebols structure. To give an example: *“Barriers to trade and investment help to explain why the stock of FDI as a share of GDP in Korea was the third lowest in the OECD area, at 13% in 2014. In addition to explicit barriers, the low stock of FDI reflects the business environment and other domestic restrictions, making regulatory reform key to attracting more FDI.”*⁸³ Two years later, another OECD report lamented again: *“The groups are controlled by their founding family, even though their ownership share has fallen to an average of only 2% in the four largest groups. The families maintain control through shareholding among the groups’ affiliates, allowing them to override the interests of the affiliated firms’ shareholders, in the context of weak corporate governance. Outside directors are mandatory, but dissenting votes at board meetings are rare. The lack of transparency contributes to the low price-earnings ratio for Korean firms – the so-called ‘Korea discount’.”*⁸⁴

So while some “Marxist” academics claim that South Korea’s economy is supposedly dominated by foreign imperialist capital, the representatives of Western imperialism

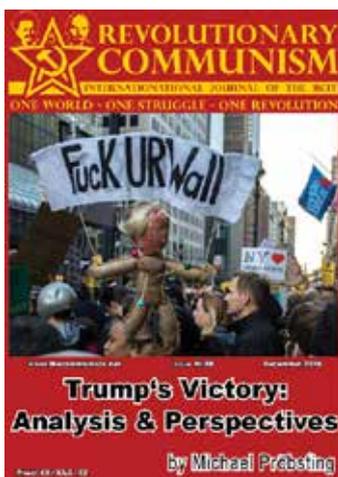
themselves consider the country’s economy as dominated by a small group of chaebol families!

In fact, as the Korean academic Hyeng-Joon Park demonstrates, it is not the foreign capitalists but the Korean owner-families which have gained mostly in the past two decades. According to this author, *“the aggregate dividend payments of all listed companies have increased from 3.8 trillion KRW in 2001 to 14 trillion KRW in 2007. Due to the 2008 global financial crisis, dividend payments temporarily dropped to 8.7 trillion KRW. But they have bounced back pretty quickly: in 2010 and 2011 respectively, companies listed on the Korean stock market managed to pay more than 13 trillion KRW in dividends to their shareholders. Dividend payments to foreign investors have a growth trend similar to that of total dividend payments, having increased from 1.2 trillion KRW in 2001 to 5.6 trillion KRW in 2007. Again, the chaebol families benefited from the rapid increase in dividend payments more than anyone else. According to Chaebol.Com, their dividend income rose from 24 billion KRW in 2001 to 158 billion KRW in 2007, and further to 172 billion KRW in 2011, a more than seven-fold increase.”*⁸⁵

These figures reflect that opening the market to foreign capital and joining the process of globalization did not result ultimately in a process of subordination of Korean monopoly capital but rather its strengthening. Hence, it is no accident that *“Korea’s ruling capitalists do not oppose but actively pursue the liberalization of capital movements.”*⁸⁶

Furthermore, Chang Kyung-Sup and Jitendra Uttam grossly overestimate the role of foreign capital. A study published by the Korean academics Taeyoon Sung and Doyeon Kim shows that in the period between 1996 and 2015, foreign investor ownership of chaebol-listed manufacturers increased from 9% to 15% while foreign investor ownership of non-chaebol-listed manufacturers basically stagnated at about 5%.⁸⁷ So while it is true that foreign ownership shares of chaebols did increase, the domestic families remain in a clear commanding position.

In summary, the period of liberalization and globalization since the 1990s has opened the Korean market to foreign capital and, at the same time, resulted in a massive increase of foreign investments by Korean capitalists. It has also resulted in the creation of alliances between Korean and foreign monopolies. In balance, this process has resulted not in keeping South Korea as a semi-colony country subordinated to imperialist Great Powers like the U.S. This process rather resulted in the strengthening of the position of Korean capitalists and the transformation of the country into an imperialist power.



PUBLICATIONS OF THE RCIT

The Meaning, Consequences and Lessons of Trump’s Victory

By Michael Pröbsting, November 2016

Introduction * I. The Election Outcome * II. Where is the Trump Administration Heading? * III. Global Consequences: The Beginning of a New Era * IV. Lessons and Perspectives for the Struggle * V. Summary Theses * Footnotes

A RCIT Pamphlet, 40 pages, A4 Format

11. The Mistaken Conception of Sub-Imperialism

Another mistaken class characterization of South Korea is advocated by the South Korean organization “*All Together*” which published the paper “*Workers’ Solidarity*”. *All Together* is affiliated with the *British Socialist Workers Party* and its international current called the *International Socialist Tendency*. The SWP was founded by the late Tony Cliff and its leading theoretician today is the British university professor Alex Callinicos. As we have elaborated somewhere else in detail, Callinicos and the IST follow a pseudo-Marxist, centrist method and reject the Leninist theory of imperialism.⁸⁸

A key element of its new definition of imperialism is its advocacy of the theory of sub-imperialism. This theory was initially developed by the Brazilian socialist Ruy Mauro Marini in the 1960s. Rejecting Lenin’s division of the world in oppressor and oppressed nations, imperialist and (semi-)colonial countries, this theory claims that a third category of countries (“sub-imperialist”) has emerged. As we have already elaborated a more comprehensive critique of this theory somewhere else we limit ourselves here only to a few notes.⁸⁹

The fundamental methodological flaw of the theory of sub-imperialism is its *failure to put the relationship of exploitation and oppression in the centre of its analysis*. It rather replaces this central question – central for Marxists – with a descriptive, eclectic method which characterizes the countries rather a “less developed”, “medium developed” or “more developed”. Or it introduces a qualitative differentiation between bigger and smaller exploiters and blurs the basic identity between these two.

The bankruptcy of this theory becomes particularly evident when it comes to its concrete application in the world as it is today. Many advocates of this theory wrongly char-

acterize China and Russia as such “sub-imperialist” states and thus deny that they are imperialist Great Powers, on par with their rivals in the U.S., Western Europe or Japan. Hence, this theory opens the door to misdirect socialists into siding with the “sub-imperialist” camp (i.e. China and Russia) – a consequence which is equal to social-patriotic capitulation to an imperialist power.

Callinicos and the IST are a splendid example of the dangerous consequences of such vulgarization of Marxism. Callinicos characterized in 1991 the following countries as “sub-imperialist”: “*Israel, Iran, Iraq, Egypt, Syria and Turkey (...) India, Vietnam, South Africa, Nigeria, Brazil and Argentina.*”⁹⁰ One can easily imagine that he could continue adding to this hodge-podge list, nearly three decades later. As mentioned above, South Korea has been added to this list. We note in passing that this nonsensical conception of “sub-imperialism” has been used by the Cliffite SWP/IST to refuse support for a supposed “sub-imperialist” country when it faced aggression by an imperialist Great Power. This was, for example, the case in 1982 when Britain attacked Argentina in the Malvinas War.⁹¹ The IST used their version of sub-imperialism to justify their neutral position when the actual duty of anti-imperialist Marxists was to side with Argentina and advocate the defeat of the British. However Callinicos and the IST argued the opposite: “*It was neither an anti-colonial struggle nor a struggle between oppressed and oppressor nations. The contending parties were an emergent capitalist country with regional and continental imperialist features, and a longstanding imperialist power which, though in marked decline, is still a powerful force. There was not a progressive and a reactionary camp.*”⁹²

In short, the theory of sub-imperialism is a useless and dangerous theory. In contrast to the dialectical and class-orientated conception of Marxism, it is rather an approach that adheres to the Anglo-Saxon defects of “*crawling empiricism*” (Deborin).

RCIT Publications on Kashmir & India

- * **“Azadi Kashmir”: Marxists and the independence of Kashmir**
- * **The Kashmir Question and the Indian Left Today**
- * **India: A Prison House of Nations and Lower Castes**
- * **India: A Peculiar Semi-Colony in the Role of a Regional Power**

Written by Michael Pröbsting
(International Secretary of the RCIT)

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V. ANTI-IMPERIALIST PROGRAM AND REVOLUTIONARY TACTICS

12. The Program of Revolutionary Defeatism

We will conclude this document by elaborating the programmatic and tactical consequences of our analysis of South Korea as an imperialist state. As it well known the Marxist program of anti-imperialist struggle within imperialist countries has become known as *Defeatism*, or to be more precise, as *Revolutionary Defeatism*. This program means, to summarize it in a simple formula, to reject any kind of support for each and every imperialist state, to support all liberation struggles against any of them and to utilize all difficulties and crises in order to advance the class struggle to defeat the imperialist ruling class in all countries. Since the RCIT has already published a number of books and pamphlets on this issue, we limit ourselves at this point to a brief summary.⁹³

In our *Theses on Revolutionary Defeatism in Imperialist States* we have defined this program in the following: In cases of *conflicts between imperialist states*, Marxists 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 powers in East and West!* Socialists totally reject any chauvinist propaganda of the ruling class. Instead of supporting their "own" ruling class, they propagate irreconcilable class struggle (following the famous phrase of Karl Liebknecht in World War I "*The main enemy is at home*").

This strategy implies in the case of war, as formulated by Lenin and the Bolshevik Party in 1914, that revolutionaries strive for the "*transformation of the imperialist war into civil war*", i.e. the advance of the proletariats' struggle for power under the conditions of war. In the same spirit, we advocate the *transformation of the Trade Wars into domestic political class struggle against the ruling elite*. Such a program is the only way to *unite* the international working class on an *internationalist* basis and to *break any "patriotic" unity of workers with "their" imperialist bourgeoisie* as well as their lackeys inside the workers movement. The program of revolutionary defeatism is not a program which starts to be relevant only once a war breaks out (if one begins fighting for it only by then, it will be too late) but one which has to be implemented already from now on.

More concretely, the RCIT urges socialists to deploy the following tactics in conflicts between imperialist states:

i) Socialists resolutely oppose all forms of imperialist chauvinism which is wiping up hatred of one people against the other. Such jingoism is aimed at poisoning the consciousness of the working people. Hence, they must launch a determined campaign against any form of political or ideological support for any imperialist bourgeoisie – be it their own or a foreign one.

ii) It is the duty of socialists to oppose all kind of sanctions and measures of trade wars against imperialist rivals.

iii) Likewise, they have to struggle against all forms of militarism, armament and wars between imperialist rivals.

iv) Where working class organizations have representatives in parliamentary bodies, they are obligated to vote against all such chauvinist measures. However, the crucial area of class struggle is not the parliament but workplaces, neighborhoods, schools, universities and barracks. It is here where socialists have to distribute their propaganda and to agitate for class struggle actions (e.g. demonstrations, strikes up to general strikes, uprisings, etc. – according to conditions and relation of forces).

v) It is of utmost importance for revolutionaries to advocate cross-border joint statements and activities of socialists, trade unions as well as other workers and popular mass organizations of the respective imperialist countries involved in the conflict. Such measures can be a strong signal of concrete internationalist working class solidarity!

This has been the program as it was developed by Lenin and as it was defended since then by the early Communist International as well as Trotsky's Fourth International. The core idea of Lenin's approach was that revolutionaries must advance the struggle against the imperialist wars through the methods of the class struggle and utilize the crisis caused by the war – or any other conflict – for the revolutionary overthrow of one owns bourgeoisie. Hence the unequivocal stance for the defeat of one's own government in the war: "*During a reactionary war a revolutionary class cannot but desire the defeat of its government. This is axiomatic, and disputed only by conscious partisans or helpless satellites of the social-chauvinists.*"⁹⁴ This approach was combined with the struggle for the socialist revolution. Hence the central slogan of the Bolsheviks was the "civil war": "*The conversion of the present imperialist war into a civil war is the only correct proletarian slogan.*"⁹⁵

As stated above, the program of revolutionary defeatism is not limited to times of war. It is a fundamental program to fight against one's own imperialist bourgeoisie – in times of war as well as of peace. As it is known, Friedrich Engels and Lenin were big admirers of the Prussian military theorist Carl von Clausewitz of the early 19th century, who summarized the essence of any military conflict by the famous words: "*War is a mere continuation of policy by other means.*"⁹⁶

To put it in the words of Lenin: „*With reference to wars, the main thesis of dialectics, which has been so shamelessly distorted by Plekhanov to please the bourgeoisie, is that "war is simply the continuation of politics by other [i.e., violent] means". Such is the formula of Clausewitz, one of the greatest writers on the history of war, whose thinking was stimulated by Hegel. And it was always the standpoint of Marx and Engels, who regarded any war as the continuation of the politics of the powers concerned – and the various classes within these countries – in a definite period.*"⁹⁷

From this follows that Marxists approach issues of wars not with a different method than other features of the struggles between classes. Hence, the working class policy

is directed towards defending its independence from the ruling class (respectively its different factions) of all imperialist powers in times of peace *as well as* in times of war. And it is fighting in order to weaken the capitalists and eventually to overthrow them in times of peace *as well as* in times of war.

Lenin pointed to the fundamentally same principles of the class struggle in times of peace as well as during wars: *“War is a continuation of policy by other means. All wars are inseparable from the political systems that engender them. The policy which a given state, a given class within that state, pursued for a long time before the war is inevitably continued by that same class during the war, the form of action alone being changed.”*⁹⁸

Let us now look what such a program of revolutionary defeatism means for South Korea today.

13. Anti-Imperialist Tasks in South Korea Today

What does such a program of revolutionary defeatism mean for South Korea today? It means, first and foremost, that revolutionaries must no longer view South Korea as a semi-colonial country oppressed by other imperialist powers. This was the case in the past but this is no longer true since more than a decade. Hence, while in the past Korean revolutionaries were obligated to defend their country in conflicts with foreign imperialist powers like the U.S. or Japan, this is no longer valid.

Today, South Korean revolutionaries have to say that their *“main enemy is at home”*. It is completely impermissible for Marxists in South Korea to support the struggle for

the country’s “national liberation”. In an imperialist country like South Korea, “national liberation” means nothing but social-patriotic support for the domestic imperialist monopoly bourgeoisie!

Concretely, this means that South Korean revolutionaries have to oppose the chauvinist trade war of the government against Japan. Hence, they should reject sanctions as well as the popular consumer boycott campaign. Naturally, it is equally necessary to oppose any Japanese sanctions directed against South Korea. Socialists need to explain that such reactionary campaigns only serve the interests of the ruling class which attempts to manipulate and subordinate the popular masses. Instead, revolutionaries should call for international unity of the workers of South Korea, Japan and globally. Socialists need to explain, as mentioned above, that the trade war only serves the interests of the South Korean bourgeoisie which utilizes popular sentiments in order to wipe up anti-Japanese chauvinism. They use such a campaign in order to gain a larger share at the domestic market by pushing out their Japanese rivals. Likewise, the bourgeoisie desires to increase South Korea’s role as a *political independent* imperialist power.⁹⁹

Naturally, this does not mean that revolutionaries should ignore the legitimate concerns of Korean citizens (and their families) who survived the Japan’s barbaric regime of forced labor and sex slavery imposed during World War II. Contrary, they must support their demands for compensation by Japanese corporations resp. the Japanese state. However, it is crucial that revolutionaries explain in a popular and agitational way that the struggle for the legitimate demands of the Korean victims of Japan’s war crimes must result in *compensation for these families* but *not in more profit for the chaebols*. They must explain that the

Books of the RCIT

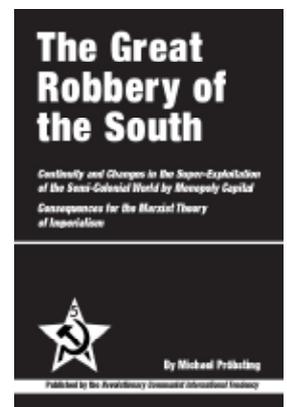
Michael Pröbsting: The Great Robbery of the South Continuity and Changes in the Super-Exploitation of the Semi-Colonial World by Monopoly Capital. Consequences for the Marxist Theory of Imperialism

The RCIT is proud to announce the publication of a book called *THE GREAT ROBBERY OF THE SOUTH*. The book’s subtitle is: *Continuity and Changes in the Super-Exploitation of the Semi-Colonial World by Monopoly Capital. Consequences for the Marxist Theory of Imperialism*. The book is in English-language. It has 15 chapters, 448 pages and includes 139 Tables and Figures. The author of the book is *Michael Pröbsting* who is the International Secretary of the RCIT.

In *The Great Robbery of the South* Michael Pröbsting analyses the super-exploitation and oppression of the semi-colonial world (often referred to as the “Third World”) by the imperialist powers and monopolies. He shows that the relationship between the small minority of rich capitalist countries and the huge majority of mankind living in the semi-colonial world forms one of the most important elements of the imperialist world system we are living in. The Great Robbery of the South shows that the past decades have been a complete confirmation of the validity of Lenin’s theory of imperialism and its programmatic conclusions. *The Great Robbery of the South* demonstrates the important changes in the relationship between the imperialist and the semi-colonial countries. Using comprehensive material (including 139 Tables and Figures), Michael Pröbsting elaborates that never before

has such a big share of the world capitalist value been produced in the South. Never before have the imperialist monopolies been so dependent on the super-exploitation of the semi-colonial world. Never before has migrant labor from the semi-colonial world played such a significant role for the capitalist value production in the imperialist countries. Never before has the huge majority of the world working class lived in the South – outside of the old imperialist metropolises.

In *The Great Robbery of the South* Michael Pröbsting argues that a correct understanding of the nature of imperialism as well as of the program of permanent revolution which includes the tactics of consistent anti-imperialism is essential for anyone who wants to change the world and bring about a socialist future. Order your copy NOW! \$20 / £13 / €15 plus p+p (21\$ for US and international, £9 for UK, €10 for Europe)



boycott campaigns do not serve the interests of the Korean citizens but only the interests of Samsung, LG and Lotte which can gain a larger market share at the cost of their Japanese rivals via such campaigns! If the South Korean state would have been seriously interested in getting compensation for its citizens why is it acting only now – nearly 75 years after these tragic events took place? The reason for this cynical procedure is obvious: in the decades after World War II, South Korea and Japan were closely bound together as politically subordinated allies of U.S. imperialism in the Cold War. In the past as well as today, the legitimate interests of the Korean citizens have been subordinated to the political goals of the ruling class!

In short, the tasks of South Korean revolutionaries in the current conflict with Japan can be summarized in the following slogans: *Down with the imperialist trade war between Japan and South Korea! No to chauvinism and boycott campaigns! For internationalist unity of the South Korean and Japanese workers! Class War instead of Trade War!*

Likewise, revolutionaries should oppose both sides – South Korean as well as Japanese imperialism – in their conflict over control of the Dokdo/Takeshima islands. Again, the claims of the ruling class serve only to enhance the status of their state as an imperialist power.

The struggle against South Korean imperialism does not negate the ongoing necessity to fight against U.S. imperialism which retains a central political and military position in that country. This is particularly relevant for the struggle against the U.S. military bases and the 28,500 US soldiers stationed there. Another issue is the deployment of the THAAD missile defense system in South Korea which serves as a threat against China. Revolutionaries must demand: *Dissolution of the U.S. military bases in South Korea and withdrawal of all U.S. troops! No deployment of the THAAD missile defense system!*

Furthermore, a crucial task of revolutionaries is the *defense of North Korea* against the ongoing aggression of the U.S. as well as other imperialist powers. Hence, revolutionaries *oppose the sanctions* against North Korea and call for the *military defeat of its enemies* in case of a war. Naturally, such defense must go hand in hand with resolute opposition against the bureaucratic, state-capitalist dictatorship in Pyongyang. Such tactics are part of the strategy for the *revolutionary unification of Korea* and the struggle for the overthrow of the South Korean bourgeoisie as well as of the North Korea Stalinist-capitalist ruling class.

Finally, the struggle against the South Korean monopoly bourgeoisie requires the liberation of the working class from the poisonous influence of reformist and trade union leaders. These leaders stand for a social-patriotic program as one can see very clearly in their enthusiastic support for the anti-Japanese chauvinist campaign. Marxists have repeatedly emphasized that the ruling class has not successfully sustained its dominance because of its inner strength, but because of the support it receives from the labor bureaucracy. James P. Cannon, the historic leader of American Communism and Trotskyism from the 1920s to the 1950s, once stated: *“The strength of capitalism is not in itself and its own institutions; it survives only because it has bases of support in the organizations of the workers. As we see it now, in the light of what we have learned from the Russian Revolution and its aftermath, nineteenth of the struggle for socialism is the struggle against bourgeois influence in the workers’ organiza-*

*tions, including the party.”*¹⁰⁰

Hence, it has been always the view of Marxists that these reformist and centrist forces are *obstacles* for the liberation struggle of the international working class. Hence, the struggle to win the workers vanguard for a consistent anti-imperialist program can not advance without the energetic struggle against the influence of social-imperialist and social-pacifist forces. The Bolsheviks’ statement, expressed in their program in 1919, remains completely valid: *“These conditions cannot be achieved unless a determined rupture is made on matters of principle, and a ruthless struggle is waged against the bourgeois distortion of socialism which has gained the upper hand among the leadership of the official Social-Democratic and Socialist Parties. Such a distortion is, on the one hand, the opportunist and social-chauvinist trend which professes to be socialist in words, yet is chauvinist in practice, and covers up the defence of the rapacious interests of the fatherland, both in general and especially during the imperialist war of 1914-1918. (...) On the other hand, the “centrist” movement is also a bourgeois distortion of socialism. That movement is also found in all capitalist countries. It vacillates between the social-chauvinists and the Communists, advocates union with the former, and strives to revive the bankrupt Second International.”*¹⁰¹

South Korean revolutionaries should denounce the Stalinist *“National Liberation”* current as *social-patriotic agents of South Korean imperialism within the labor movement*. These Stalinists serve the interests of the monopoly bourgeoisie under the disguise of *“anti-imperialism”*. In this, they basically share the treacherous work of many Stalinist parties in other imperialist countries. Ironically, NL-social imperialism has its Stalinist counterpart in Japan – the historic arch-enemy of Korea. As we have mentioned above the Japanese Communist Party has denied since 1945 until today that Japan is an imperialist state. The JCP claims that Japan is no imperialist country because of the dominating political and military role of the U.S. We see, the Japanese apply basically the same method like the NL-social patriots for South Korea: they excuse their support for the imperialist *“motherland”* by pointing to their political subordination to the U.S.! Without doubt, the Korean workers vanguard must be liberated from such social-chauvinist influence! *Down with NL-social patriotism! Long live the international and internationalist unity of the working class!*

The struggle against South Korean imperialism is an inseparable part of the global struggle against all imperialist powers in East and West. It is part of the international struggle for socialist revolution. This struggle can only be conducted by uniting all authentic revolutionaries in a single organization – in South Korea as well as internationally. This is why the RCIT calls all authentic Marxists to join us in the struggle to build a *Revolutionary World Party* – a party that consistently fights for the global overthrow of imperialism and the foundation of a socialist society without oppression and exploitation. Building such a world party requires, among others, the intransigent struggle against all social-imperialists adapting to their own monopoly bourgeoisie or any other. Such a world party needs a program based on the struggle against *all* imperialist powers – both in East and West – and which supports *all* liberation struggles of the workers and oppressed peoples against any Great Power or its reactionary lackey.¹⁰²

Appendix: A Historic Analogy: Marxist Tactics in Germany in 1891 and 1914

We finish this document by pointing to an instructive historical analogy. We are aware that many honest progressive activists in South Korea are reluctant to recognize the imperialist nature of “their” state given the country’s long-time history as an oppressed nation – oppressed first by Japanese and later by U.S. imperialism.

However, it might be helpful for them to recall the challenges which Marxists in Germany faced more than a century ago. As it is known Marx and Engels argued for siding with Germany in several possible or actual wars in the second half of the 19th century. Friedrich Engels called even as late as in 1891 for the defense of Germany against a possible aggression by Russia and France.¹⁰³ Later these statements were misused by the revisionist majority of German social democracy at the beginning of World War I in order to legitimize their treacherous social-patriotic and social-pacifist policy.

Indeed, Engels statements from the early 1890s caused some confusion among Marxists. However, Lenin and the Bolsheviks emphasized that the German social democrats’ misuse of Engels’ quotes was complete unjustified. In “*Socialism and War*”, a key work of the Bolsheviks during World War I, Lenin and Zinoviev stated: “*The Russian social-chauvinists (headed by Plekhanov) make references to Marx’s tactics in the war of 1870; the German (of the type of Lensch, David and Co.)—to Engels’s statement in 1891 that, in the event of war against Russia and France combined, it would be the duty of the German socialists to defend their fatherland. (...) All these references are outrageous distortions of the views of Marx and Engels, in the interest of the bourgeoisie and the opportunists.*”¹⁰⁴

They explained that this was a distortion because the character of global situation and, thereby, the class char-

acter of Germany and of other powers had fundamentally changed in the years between 1891 and 1914. G. Zinoviev, Lenin’s closest collaborator during the war years, explained in his book “*The War and the Crisis in Socialism*” that it was essential for Marxists to understand that the historical period had changed during these years and, hence, the revolutionary tactic had to change too: “*At that time [in 1893, Ed.] Tsarism was the main enemy. At that time the whole International could unite under the slogan ‘Against Tsarism’! By 1907, 1912, 1914 this was no longer possible. Now the slogan of the International had to be not only ‘Against Tsarism’ but in particular ‘Against Imperialism’.*”¹⁰⁵

Lenin also emphasized this point repeatedly. In a letter to Inessa Armand, another leading Bolshevik, he stated: “*To identify, even to compare the international situations of 1891 and 1914, is the height of unhistoricalness.*”¹⁰⁶

Basically, many German social democrats refused to understand that the situation had fundamentally changed within the period of these two decades. While their country was not imperialist in 1891, it had become such a power by 1907 and 1914. Therefore, while it was legitimate to defend their country in the early 1890s, this was no longer the case in the early 20th century. In fact, what was revolutionary in 1891 became counter-revolutionary in 1907 and 1914!

The South Korean revolutionaries face a similar task. During the 20th century it was not only legitimate but even obligatory for revolutionaries to defend their motherland against the imperialist aggressors. But today, such defense would be paramount to supporting the South Korean monopoly bourgeoisie and its imperialist state. In other words, what was still legitimate in 1990 became counter-revolutionary by 2010. Lenin emphasized in 1917 that Marxists must not become “*prisoners of old formulas*”. This statement is more than relevant today!



RCIT AFRICA PROGRAM

Manifesto for the Revolutionary Liberation of Black Africa

Adopted at the 2nd World Congress of the RCIT in November 2017

Introduction * Foreign Exploiters – Out of Africa! * The Wealth to Those Who Create It! Economic Freedom Now! * Down with the Capitalist Dictatorships and Corrupt Pseudo-Democracies! * Organize the Workers and Oppressed for the Mass Struggle! * For a Government of Workers and Poor Peasants! For a Socialist Revolution! * For Pan-African Unity! For the United Socialist States of Africa! * For a United Front of Struggle! Overcome the Crisis of Leadership – Build a Revolutionary Party Nationally and Internationally! * Appendix

A RCIT Pamphlet, 24 pages, A5 Format

FOOTNOTES

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Books of the RCIT

Yossi Schwartz: Palestine and Zionism

The History of Oppression of the Palestinian People.

A Critical Account of the Myths of Zionism

In *Palestine and Zionism* Yossi Schwartz provides a critical analysis of numerous Zionist myths about the Jews as well as about the Palestinians. He demonstrates that the Zionist claim that Palestine is the historic homeland of the Jews lacks any serious basis.

Palestine and Zionism shows that the history of Zionism in the 20th century is a history of colonialism in the service of the Great Powers and directed against the native population – the Arabs. In *Palestine and Zionism* Yossi Schwartz deals with key events – the “Nakba” in 1948, the wars in 1956, 1967 and 1973, more recent events like the Lebanon War, etc. – which were decisive for the expulsion of most Palestinians from their homeland.

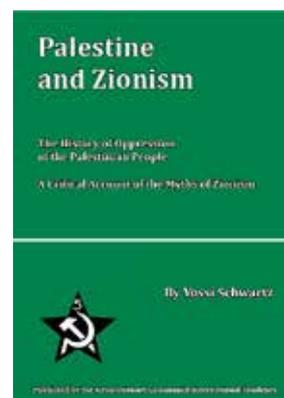
Yossi Schwartz also shows that the Palestinian people have heroically resisted against the occupation resulting in two Intifadas as well as the successful defense of Gaza against the Israeli aggression in three wars (2008/09, 2012, 2014). The author also analysis the shameful betrayal by the PLO leadership by signing the Oslo Agreement in 1993.

In *Palestine and Zionism* Yossi Schwartz defends the right of national self-determination for the Palestinian people and

outlines a socialist perspective. He emphasizes that the only solution is the right of millions of Palestinian refugees to return to their homeland and to replace the Zionist entity with one democratic state from the river to the sea – a *Free Red Palestine* with equal civil rights to the Arabs and the Israeli Jews.

The book contains an introduction and 7 chapters (112 pages) and includes 7 Tables and 3 Maps. The author of the book is Yossi Schwartz, a leading member of the Revolutionary Communist International Tendency and its section in Israel / Occupied Palestine..

You can find the contents and download the book for free at <https://www.thecommunists.net/theory/palestine-and-zionism/>



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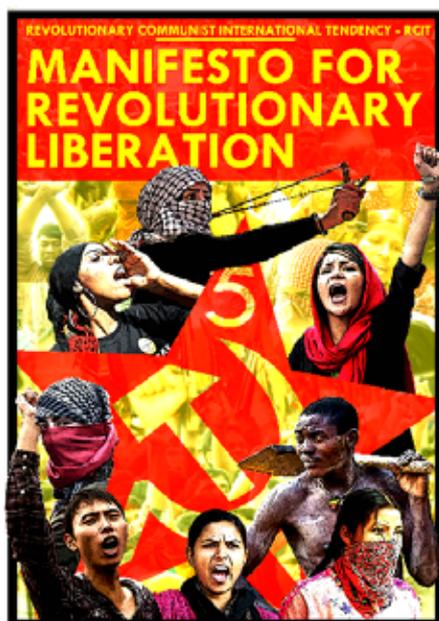
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PROGRAM OF THE RCIT

Manifesto for Revolutionary Liberation

Adopted at the 1st World Congress of the RCIT in October 2016

Introduction * I. Decaying Capitalism * II. Today's Worldwide Historic Revolutionary Period * III. The Reactionary Offensive of the Ruling Class * IV. A Program for Socialist Revolution to Halt Humanity's Collapse into Barbarism * V. The Crisis of Leadership and the Construction of a Revolutionary World Party * VI. Work in Mass Organizations and the United Front Tactic * VII. The Semi-Colonial South * VIII. The Emerging Imperialist Great Powers of the East: China and Russia * IX. The Old Imperialist Great Powers: The EU, North America and Japan * X. Conclusion

A RCIT Pamphlet, 36 pages, A5 Format

Capitalist Development in South Korea and Taiwan

Some Notes and Answers to Arguments by Our Critics

By Michael Pröbsting, International Secretary of the Revolutionary Communist International Tendency (RCIT), 1996

Note by the Editor: *The following document is a shortened translation of a German-language survey which comrade Michael Pröbsting wrote in 1996. It was first published in the German-language journal of the LRCI "Revolutionärer Marxismus" No.20. It was translated and published in Trotskyist International No.21 (the English-language journal of the LRCI).*

Comrade Pröbsting – a member of the international leadership of the LRCI/LFI – was bureaucratically expelled from this organization in April 2011 together with other comrades a few weeks after they formed a faction in opposition against the increasing centrist degeneration of the LFI. Immediately after their expulsion the expelled comrades built a new organization and founded together with sister organizations in Pakistan, Sri Lanka and the USA the Revolutionary Communist International Tendency (RCIT) in April 2012.

We republish this document because, while it was written nearly two decades ago, its fundamental analyzes of the economic development of important South-East Asian capitalist countries remains relevant. In fact, our analysis of South Korea's potential to become an emerging imperialist country has been proven correct.

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The "Tiger Economies" of Asia are presented as proof of capitalism's ability to develop the Third World. After the collapse of the Soviet Union, their high growth rates have been called the "second shock for Marxism". Michael Pröbsting examines the unique circumstances which allowed rapid growth in South Korea and Taiwan, and explains the limits of this model of development.

The economic development of Taiwan and South Korea since the end of the Second World War can only be understood as the result of a completely unique combination of factors. These include their historic relationship to Japanese imperialism, their internal social structure and their subsequent roles during the Cold War. Although individually comparable features are to be found elsewhere in the world, it was their particular combination and sequencing which underpinned the high growth rates of the last four decades.

However, if it was the Cold War which created the conditions for sustained growth then the collapse of the Soviet Union raises a major question about the future prospects of the Tigers.¹ Has their growth been enough to enable them to survive in the increasingly competitive world market? The signs are that the belief that the answer to this is yes will prove as illusory as the idea that the rest of the Third World could simply emulate them.

Two factors were crucial for the rapid industrialisation of South Korea and Taiwan: the legacy of Japanese colonialism and the land reform at the end of the 1940s and the beginning of the 1950s.

Early this century, South Korea and Taiwan were both colonies of Japan. Just as the search for profit has forced

capital to increase the size of the proletariat, to educate and train it, so too imperialism, in some circumstances is obliged to unevenly develop the economies of its colonies and semi-colonies.

The extremely brutal subordination of these two countries by Japanese colonialism had a decisive impact on their social and economic structures. In keeping with the policy of "agricultural Taiwan, industrial Japan" they were shaped entirely according to Japan's needs. Initially, this meant concentrating on restructuring the two colonies into efficient sources of agricultural produce. Thus, 95% of Taiwan's sugar production and 52% of Korea's rice went to Japan.² Economic integration reached such a high intensity that between 1911 and 1940, 85% of Taiwan's exports went to Japan and 74% of imports came from there.³

This policy forced many peasants to move into production for the market. The consequences for the peasants were often dire. Many slid into dependence on leaseholdings and many others had to look for work in the towns. The consumption of rice between 1912 and 1936 was halved. The methods were certainly brutal but succeeded in integrating agriculture into the capitalist market.

Rule by the Japanese resulted in a massive weakening of the indigenous rural aristocracy, because the Japanese appropriated a large part of the land to themselves. In Korea, for example, in 1942, they possessed 80% of the forests and 25% of cultivated land.⁴ Also, to fulfil the aim of increasing agricultural productivity extensive investment in the rural infrastructure was necessary. This explains how, at the beginning of the 1950s, 33% of all households in Taiwan already had electricity.⁵

The concentrated war effort in the 1930s led to a second phase, the building of industry in Korea and Taiwan, primarily in food processing, oil refining, machinery and shipbuilding. By the outbreak of war, industry was already providing 18% of Taiwan's GDP and 43% of Korea's. Here, Japanese capital was even more dominant than in agriculture. In 1938, domestically owned capital accounted for a mere 11% of total industrial capital, and by 1943 this had sunk to just 3%. A few Japanese plants, 1.2% of all factories, produced 60% of all industrial output.⁶

The result of all this was that, after 1945, South Korea and Taiwan found themselves with a productive agricultural system and a relatively developed industry which belonged to no one after the flight of the Japanese and so could be easily taken over by the state bureaucracy. In addition, industrialisation created a reasonably well trained labour force. Taiwan, for example, already had a relatively high literacy rate of 60% in the 1950s.⁷

The second precondition for the rapid industrialisation of South Korea and Taiwan was the land reform which took place in both states at the end of the 1940s and the beginning of the 1950s. In the semi colonies land reforms which give the greater part of the land to at least a section of the peasantry are rare.

Normally, the traditional landlords form an alliance with

the rising bourgeoisie and imperialism to retain the ownership of land in a few hands. This led, and leads, to the impoverishment of the peasantry, inadequate usage of cultivable land and, consequently, low agricultural productivity. In turn, this results in the minimal development of the domestic market and a consequent dependence on trade with the imperialist countries.

In South Korea and Taiwan after the Second World War a number of exceptional circumstances prevailed and land reform followed a different pattern. An important part of the landlord class simply disappeared because of the collapse of Japanese colonial rule. At the same time, the revolutionary wave of workers' and peasants' struggles in Korea and the civil war in Taiwan created massive pressure for land reform. This pressure was increased by US imperialism which saw the solution of the explosive agrarian question as a means of combating the "communist threat". The agrarian reform carried out between 1949 and 1953 had far reaching consequences. It created a broad peasant class which became a stable political base for the bourgeois bonapartist regime. In Taiwan, the proportion of landowners in the rural population grew from 38% (1952) to 67% (1965).⁸

It had a similar significance in South Korea. The leasing system was dissolved by law in 1949. The big landowners, however, were not expropriated; rather, they were given bonds with which to obtain shares in industrial undertakings. Some 40% of the land was redistributed in this way. By 1974, 94% of all households owned their land.⁹

The USA, while backing the military regimes in both countries, promoted capitalist agriculture in various ways. They poured huge funds into agriculture. According to Hamilton, 59% of net agrarian capital accumulation in Taiwan was financed by US money.¹⁰ In addition, from the 1950s the USA forced the "four tigers" to diversify away from agriculture towards manufacturing exports while simultaneously importing American agricultural produce through the so-called PL 480 programme. The systematic import of US rice undermined South Korean production and the self-sufficiency rate in rice production went down from 93%(1962) to 69% (1973).¹¹ South Korea became the third biggest importer of US produce.¹²

However, bourgeois land reform had decisive consequences for the development of capitalism. Taiwan experienced a massive increase in agricultural labour productivity which grew at an annual rate of 3.7% between 1955 and 1964.¹³ Agricultural production doubled in Taiwan between 1951 and 1963. The resulting capital accumulation in the agrarian sector led to a high savings rate which was then channelled into the industrial sector.

Land reform also had another very important effect. In many semi-colonial countries, in which no substantial land reform has taken place, traditional social relations tie down a great deal of labour power. By contrast, in South Korea and Taiwan, the changes in property relations, together with increased productivity and the re-orientation away from rice cultivation, created a reserve army of labour which could be exploited on low wages in industry and the service sector. In this way a further essential precondition for the dynamic development of East Asian capital was created: a supply of human capital, labour power as a commodity.

The pro-capitalist land reform proved to be advantageous

for the bourgeoisie because it ameliorated the explosive conflicts in the countryside, created a broad petit bourgeois and conservative peasant class, freed up an industrial reserve army and stimulated investment. All of these developments were beneficial for capitalist development.

Exploitation of the Working Class

Although the capitalist boom in Taiwan and South Korea resulted from the unique combination of several factors for Marxists one of them is pre-eminent: the exploitation of the working class. The decades long exploitation of a continually growing proletariat must be recognised as the motor of the capitalist economic miracle. Even bourgeois economists accept this. In a study for the World Bank, the neo-liberal economist, Ranis, wrote:

"Korea, just like Taiwan, could count on cheap unskilled but hardworking and educated workforces, an important component of any competitive, export-oriented development dynamic."¹⁴

Another World bank economist pointed, in diplomatic terms, to the connection between the bonapartist dictatorship and the exploitation of the working class:

"The governments of these countries generally take a less accommodating stand against the demands of organised workers for a minimum wage than governments in other developing countries"¹⁵

The foundations of the decades of exploitation were laid in the bloody counter-revolutions at the end of the 1940s through which the ruling classes of South Korea and Taiwan consolidated their rule. While in South Korea dual power existed (soviet-type bodies, militant general strikes) Taiwan was marked by the confusion of the Chinese civil war and the hostility of many Taiwanese to the invading army of Chiang Kai-shek's Guomindang (GMD).

With US backing, the South Korean bourgeoisie launched a military offensive against the radicalised trade union movement and inflicted a historic defeat on the working class. From then until the middle of the 1980s it was impossible for the Korean working class to create trade unions independent of the state, to say nothing of strike activity in defence of basic rights. The founder and boss of the Samsung "chaebol", gave a typically forthright capitalist view when he said:

"I would rather lie under the earth than see a trade union tolerated in Samsung."¹⁶

Happily, this wish was soon granted him.

In 1948, the establishment of the GMD regime in Taiwan was accompanied by a bloody massacre in which 30,000 people died. From the beginning, every independent movement of the working class was crushed before it could grow. An independent trade union movement did not develop until the end of the 1980s.

Not much imagination is needed to picture what all this meant in terms of working conditions, wages, working hours and so on. For example, in the early 1980s, the South Korean industrial workers had a 54 hour week, one of the longest in the world.¹⁷ They also worked in unbelievably bad conditions. In 1990, 2,336 people died in accidents at work and 132,893 were seriously injured.¹⁸

These conditions help explain the enormous gulf between the rises in agricultural productivity and those in wages. Between 1957 and 1972, in Taiwan, productivity grew

25-fold, wages only by a factor of nine. The corresponding figures for South Korea were 8.5 for productivity and 2.5 for wages. 19 Elsewhere Ranis shows that industrial wages grew only slightly faster than agricultural wages.²⁰ In contrast industrial productivity grew much faster than in agriculture. The huge difference between productivity growth and the growth of wages points to the high rate of surplus value which was the real driving force of the process of capital accumulation.

The consequence of all these factors was that the concerted policy of land reform and industrialisation led directly to a dramatic growth of the working class. This increase in labour power allowed wages to be held down and, therefore, the uninterrupted rise in the production of surplus value and, with that, capital accumulation.

The basis of the economic miracles of these countries, then, was the decades long atomisation of the working classes. Of course the proletariat has been subjected to such conditions in other countries too, such as in Latin America, but not for an unbroken period stretching over four decades. While this specifically intensive exploitation of the working class is not enough to explain the whole of the economic boom it is the heart of the explanation.

Backing from Uncle Sam

The intensity and scale of the oppression of the workers cannot be understood without taking into account the support of US imperialism. The outbreak of the Cold War turned South Korea and Taiwan into front line bastions against the degenerate workers' states of China and North Korea. Because of this the USA supported them on a scale far greater than any other state, with the exception of Israel.

Between 1945 and 1978, the USA handed over economic aid worth US\$ 6,000 million to South Korea, that is the equivalent of all aid to the whole of Africa in the same period! In the 1950s, 80% of all South Korea's imports were financed with US help.²¹ In the same way, the NIC's were granted privileged access to the US domestic market, the biggest in the world. In the 1950s and early 1960s, US aid provided half the budgetary income of South Korea.

This had a direct influence on the process of capital accumulation. Between 1951 and 1965, the USA financed 34% of Taiwan's gross investment and 59% of net agricultural capital accumulation.²² By the mid 1960s, more than half of South Korea's capital formation came from American sources!²³ Added to that there was massive military financial help. Taiwan received US\$1.5 billion in this form between 1961 and 1965. One economist concluded that, through US aid, Taiwan's growth rate was doubled, its gross national product per capita was quadrupled and the time needed to reach the living standards of 1964 was reduced by some 30 years.²⁴

The USA did not only give financial help. It was also deeply involved in political and economic decision making. The land reform was an important example of this. Other strategically important decisions influenced by the US included the transfer of production away from low value-added products to petrochemicals, specialist machinery and computers.²⁵

In Taiwan special commissions were established in which important decisions were jointly worked out. US involve-

ment was far from altruistic. When necessary, Washington was prepared to blackmail the government. In 1960 it threatened to withdraw every form of support from Taiwan unless it accepted a 19 point programme which would liberalise markets, commerce, currency exchange, denationalisation and tax policy.²⁶

While the national bourgeoisie of these countries have their own specific interests, which from time to time conflict with those of their imperialist guardian, these were downplayed throughout the Cold War. In this way, the USA furthered its primary political-military interests at the same time as South Korea and Taiwan enjoyed accelerated economic growth. Because of the special importance of these countries to US imperialism it accepted, even encouraged, a greater strengthening and self-reliance on the part of these bourgeoisies.

So long as the Cold War determined the world situation, the NICs and the USA were bound together in a political-strategic alliance. Naturally, the USA did not overlook its own economic interests, as the enforced import of American agricultural produce showed, but this was not the primary motive, as can be seen from the relatively low level of imperialist foreign investment in South Korea and Taiwan.

This long term, strategic support by US imperialism distinguishes South Korea and Taiwan from practically all other semi-colonial countries. There are other strong links with semi-colonial regimes, for example in Latin America, but these never required the same scale of support over such a long time. Israel is an exception to this, but the sharp political-military conflict in the Middle East prevented the Zionist bourgeoisie from integrating itself into the regional markets on anything like the same scale as was possible for Taiwan and South Korea.

The State and Monopoly Capitalism

South Korea and Taiwan are relatively developed examples of the characteristic form of capitalism in the imperialist epoch, state monopoly capitalism. In general, the role of the state in these countries has been substantial in both the political and economic spheres.

The first and central task of the state was the transformation of agrarian and commercial capital into industrial and then finance capital. Before 1945, Korean and Taiwanese capital was limited to agriculture and commerce. After the defeat of Japan industry was largely taken over by the state in both Taiwan and Korea.

In the former, the state took primary responsibility for further development while in Korea it was gradually handed over to private hands after the division of the country in the Korean War. The state-organised land reforms obliged capital to orient investment more towards industry and, finally, the state also channelled US aid towards capital accumulation. On the whole, because of the lower concentration of capital in Taiwan, the state played a more important role there than in South Korea.

In both countries the state played a leading role in the process of the concentration of capital into massive monopolies, for example, the so-called chaebols in South Korea. In Taiwan state capital played a dominant role in industry, accounting for 55% of total industrial production in the early 1950s, but even then the GMD regime transferred

four big concerns to private hands.

Private capital was similarly encouraged in South Korea. According to one study, most of today's 50 biggest industrial groups were established in the period 1945-61.²⁷ Such conglomerates dominate the national economy, especially in South Korea. The 10 biggest chaebols account for 65% of GNP and the 10 biggest exporters for 70% of all exports.²⁸ State capitalist property played a bigger role in Taiwan than in South Korea. After the expulsion of the Japanese, Taiwan put many of the abandoned enterprises under state control. As a result, 90% of business capital fell into state hands. In the years 1952-61, 51.3% of industrial production came from state owned firms.

However, in subsequent decades systematic privatisation has reversed the position and between 1982-87 private production was responsible for 83.8% of the total. In South Korea, by contrast, private capitalist ownership took the lead from the beginning (86-88%) and remained constant at this level throughout the 1960s and 1970s.²⁹

The importance of state capitalist economic policy can also be seen in investment. For example, between 1962 and 1973, an average of 30% of investment in South Korea was in the public sector. In Taiwan, the regime initiated a series of major projects in the 1970s which acted as a driving force throughout the economy.

Banking is perhaps the most important sector of state monopoly capitalism. After the military coup of 1961 in South Korea, the banks were nationalised. In 1970, 95% of all financial institutions were under state control. In Taiwan, the state owns practically all the banks.

As a result, the state was able to channel cheap credit to industry, thereby stimulating capital accumulation. Various economists believe that the building of the Korean export-oriented finished goods industry in the 1960s and the heavy and chemical industries in the 1970s was only possible on the basis of state credits. The dramatic growth in capital stock was also essentially financed from this credit. At least 50% of all internal credit in the 1970s came from the state and the figure was still running at 30% in the 1980s.³⁰

This represented a huge redistribution of wealth from the peasants and workers to the big capitalists. Because of the general lack of state welfare and health systems the workers and peasants were forced to insure privately. In addition, there were various mechanisms which made it difficult for the small saver to retrieve their money from the banks.

Because of the extremely low rates of interest on savings accounts and the high rates of inflation, savers actually lost money. In South Korea real interest rates were -5.3% (1962-66) -5.7% (1967-71), -6.2% (1972-76) and -3.5% (1977-79).³¹

Bourgeois economists, instructively, call this "financial repression" and it was a central component of state credit policy because it enabled the banks to lend to employers at favourable interest rates. Here, too, interest rates were negative, employers paid back less than the credit they initially took out!

The state played a functional role for capitalism in several ways. One was through institutionalised co-ordination between the state bureaucracy and big capital. This has been positively emphasised even by the neo-liberals of the World Bank:

"Japan, Korea, Malaysia and Singapore established forums, the so-called Advisory Bodies, to put groups from the private sector in a position where they could influence formulation and implementation of government policy in their interests."³²

The state provided further assistance by overseeing the creation of the institutions of indicative economic planning. In the South Korean Economic Planning Board (EPB) representatives of the state and big capital met on a monthly basis. All important national and international economic data were evaluated and strategies for capital were worked out.

The EPB played a central role in the development of strategies such as export-oriented industrialisation in the 1960s, the creation of heavy and chemical industries in the 1970s and the development of the high technology electronic and car industries at the end of that decade.

Similarly, South Korea pursued a tariff policy aimed at capital accumulation. Duties on imported capital goods were low while those for goods which competed with domestic production, such as textiles, chemicals, heavy industry were high. The special support given by imperialism meant that this had far fewer negative consequences than in other semi-colonies.

Research and Development (R&D) has been of central importance in both Taiwan and South Korea. They rank amongst the countries with the highest proportion of GNP devoted to R&D. This began with concerted efforts in the 1970s.

In 1975, South Korea's R&D effort represented 0.5% of GNP compared to Chile and Colombia's 0.1% each. By 1986, the proportion had reached 1.8% (Chile and Thailand 0.5%, Colombia 0.1%) and by the beginning of the 1990s both South Korea and Taiwan had reached 2.5%. The difference becomes particularly clear if spending in the production sector is considered. Here the proportion in South Korea in 1986 was 1.4% GNP, while in Thailand, Chile and Colombia, the proportion was precisely zero.³³ An important part of R&D spending comes from the state. In Taiwan, approximately 60% of industrial R&D was privately financed, the other 40% coming from the state.

Long Term, High Rate Growth

The historic defeat of the working class, the sustained support from imperialism and state directed economic strategy made possible a dynamic accumulation of capital. In South Korea, in the 1960s, capital stock grew by 15.2% per year and in the 1970s it reached 24.7%. This rapid, and long term, capital accumulation was an essential factor in the rise of South Korea and Taiwan from backward semi-colonies to being among the world's most important exporters of goods and, recently, even of capital, especially in the case of South Korea.

The Japanese economist, Kawai, showed in a comparative study that the rate of accumulation of private domestic gross capital formation in South Korea between 1970 and 1980 averaged 27.2% per year and 12.8% between 1980 and 1990. In Taiwan, the averages were 18.9% (1970-80) and 12.1% (1980-90). This compares to Latin America where scarcely one of the seven countries studied had a rate above 5%.³⁴

To what extent was this rapid capital accumulation depen-

dent on foreign imperialism? As we have already shown the massive and brutal exploitation of the working class allowed an extraordinary rate of surplus value extraction and consequently, accumulation. Nonetheless, imperialist support did play an important role on the economic level as well as the political. This was, in the first place, financial support which was used for capital formation.

Because of the specific political-military interests of imperialism in South Korea and Taiwan, this support for capital accumulation took an indirect form, one whose primary objective was the economic and political stability of the countries rather than direct pursuit of profit. As a result, foreign direct investment (FDI) was of less importance than in other semi-colonies closely tied to imperialism and was low in comparison to other forms of finance. In South Korea FDI accounted for just 1.2% of domestic gross capital formation between 1962 and 1979 while foreign loans were responsible for 18.9%. In total, FDI represented only 10% of total foreign capital, foreign loans made up the rest.³⁵

In his comparative study, Kawai pointed out that foreign capital as a whole was of relatively little importance in the total capital formation. Thus, the proportion of FDI in total private investment in South Korea was only 1.4% (1970-80) and 0.4% (1980-90). In Taiwan, the significance was similarly slight, but showed an increase in recent years (2.7%, 1980-90).

Naturally, this does not mean that FDI was not important. The South Korean regime (from 1970) and the Taiwanese (from 1965) strove to attract foreign capital into the Export Processing Zones or, later, Export Industrial Estates. By the middle of the 1970s, foreign firms were playing a central role in the exports of both countries: 31.4% of all South Korea's exports (1974) and 30% of Taiwan's (1975) were produced by foreign firms. At the same time, the relative strength of South Korean capital can be seen from the fact that four years later this figure had shrunk back to 18.3%.³⁶

The importance of these figures is that they show that FDI did not play an unusually big role in the rapid capital accumulation in South Korea and Taiwan and that it did not limit the development of relatively strong and independent bourgeoisies in the two countries.

Bonapartist Forms of Rule

The link between the political oppression of the working class and the state capitalist economic policy is the bonapartist regime that is characteristic of practically all the semi-colonial countries of South East Asia. Whether formally a civilian or military regime bonapartism implies a high degree of executive or presidential power at the expense of the elected parliaments, where such parliaments exist.

The fact that both South Korea and Taiwan were front-line states in the Cold War ensured that the state bureaucracies of these countries could give massive nourishment to their national capitalist class through extensive protectionist measures and yet still count on unconditional military backing and economic assistance from the USA.

As a result the semi-colonial bourgeoisie, whose own class basis was relatively weak, gained a greater degree of stability than others which had to base themselves either on

a section of the petty bourgeoisie or even on sections of the working class, or else had to subordinate themselves completely to the imperialists and, consequently, lost all freedom to manoeuvre

There were also quite specific initial conditions which strengthened the high degree of state capitalism in Korean capitalism and, to a lesser extent also Taiwanese. Because of the intensity of the class conflict and the war, the state bureaucracy gained central importance for the survival of capitalism. These factors led to a close, almost symbiotic, relationship between the bureaucracy and the bourgeoisie. Many officers became managers and capitalists. These close bonds between capital and the bureaucracy, especially the army, have been maintained.

In Taiwan, the Guomindang ruled without interruption after 1945. In South Korea, there were, it is true, two changes of government as a result of coups, in 1960/61 and 1979/80. However, the end of the dictatorship and the transition to bourgeois democracy as a result of the mass movement of students and workers in 1987 itself points to the relative stability of capitalist rule, since the changeover was carried through without any serious splits within the ruling class.

Results and Prospects

By the 1980s, successful capitalist industrialisation had allowed South Korea and Taiwan to make progress in advanced economic sectors and to get away from their status as exporters of cheap textiles. Both have become globally important producers and exporters in the electronic and computer sectors and, in the case of South Korea, even in shipbuilding and cars.

The future prospects for South Korea and Taiwan depend on whether they have, in the last period, accumulated enough reserves and strength within the world economy to be able to withstand the much greater instability of the "new world disorder". For Marxists, therefore, the question of whether they can continue to develop is tantamount to asking whether they have themselves become imperialist powers.

Such a transition is not impossible.³⁷ Whether a state can be characterised as imperialist is not simply a matter of economic statistics but a question of relationships with other existing capitalist states. Nor does the characterisation automatically imply overwhelming military or economic power. There are many "minor imperialisms", such as Austria or Sweden, which cannot begin to match the USA.

However, in considering South Korea and Taiwan, even in comparison to these subordinate imperialisms, it must not be forgotten that Austria and Sweden did not have to carve out their position in a world already dominated by imperialism. They were, from the beginning, a part of the developing system of world wide exploitation from which their own economies benefited.

In assessing the contemporary character of South Korea and Taiwan, three aspects will be of particular importance: the creation of relatively autonomous monopolies; the fusion of banking and industrial capital into a nationally dominant finance capital; and the increasing importance of the export of capital, particularly with respect to the ability to dominate other countries or regions by such ex-

port.

In the 1970s and early 1980s a South Korean monopoly capital was created that today exercises absolute hegemony within the national economy and a decisive influence over the politics of the bourgeois regime. Whereas the production of the ten biggest chaebols accounted for only 15.1% of GNP in 1974, by 1983 their share was already 65.2%.

Both the neo-liberals and the “new growth” theorists are agreed that capital accumulation in Taiwan is noticeably less. This economy is more strongly marked by small and medium enterprises. This can be seen in an analysis of the internationally active concerns from the two countries. Of the ten biggest multinational corporations, measured by foreign assets, whose origins lie in the Third World, four come from South Korea, whereas the biggest from Taiwan comes in at number 14.³⁸

Capital exports are more important for Marxists than simple GDP growth rates because such exports show the relative strength and independence of any given capital. Both South Korea and Taiwan have only recently become significant exporters of capital. Up to the mid-1980s commodity exports were clearly dominant, corresponding to the classic picture of the semi-colony. But since then capital export began to increase.

In 1992, South Korea became a net capital exporter. However, the relative weight of Korean capital exports is not great in comparison to the whole economy: between 1990 and 1994 Korean FDI reached a value of 2% of GNP. In Taiwan, the same proportion, at 7.8%, was higher. All the same, the proportion of foreign owned investment to GNP in Taiwan also exceeded the South Korean value (Taiwan: 5.6%, South Korea: 3.3%).

The importance of capital exports was, therefore, less than in the USA (1990-94: 9.1% FDI/GNP) but was greater than in weak imperialist countries such as Austria (in 1990 1.05% but in 1993 only 0.77%). In 1993, the total value of South Korean FDI was over US\$1,000 million, that of Taiwan was US\$2,400 millions, Japan US\$13,700 millions and that of Austria US\$1,600 millions.³⁹

However, a more detailed inspection is necessary in the analysis of capital exports from South Korea and Taiwan. It is common in East and South East Asia for multinational concerns, above all from Japan and the USA, to establish production facilities and then to export capital from them into the region or even globally. Singapore is the best example of this. Its FDI has a value of 13.3% of GNP (1990-94), but as can be seen from the dominance of foreign capital (foreign FDI/GNP 91%), these exports mainly come from the imperialist plants.

It would be an exaggeration to explain the increase in South Korean and Taiwanese capital exports entirely by such imperialist investments. South Korean and Taiwanese firms did gain market share in the USA at the expense of Japan. Nevertheless, with the end of the Cold War, US imperialism was no longer willing to give preferential access to the two countries and withdrew the status of “Generalised System of Preferences” in 1989.

The strength, especially of South Korean capital, is shown by the fact that recently, despite harsher international competition, it was able to make significant investments in the computer sector in the USA, to establish a car plant in Britain and to purchase the Polish car industry. These

investments were not in relatively unimportant niches but in central sectors of the world economy. Not only that, despite a 9% revaluation of the Won and a 20% increase in wages, the chaebols in 1987 were able to increase production by 16% and net profits by 34%.⁴⁰

South Korea and Taiwan have also been able to make their presence felt as regional powers in South East Asia. At the end of the 1980s Taiwan replaced the USA as the second biggest foreign investor in the ASEAN countries and Japan as the biggest foreign investor in Malaysia. In Vietnam, Taiwanese capital also has first place. South Korean capital exports to ASEAN countries went mainly into processing industries (two thirds of accumulated FDI) in Indonesia, Malaysia, the Philippines, and Thailand. The German Asia expert Köllner went so far as to say that:

“The ASEAN states, together with China, have become an extended production line for South Korean firms”⁴¹

Such developments, however, are counterbalanced by some serious problems and countervailing tendencies. Although South Korea’s trade balance with the USA has long been positive, that with Japan was in the red for decades. Only in the years 1987-90 was the trend reversed. In the 1990s the deficit has grown bigger than ever, US\$4,800 million in 1990, \$9,700 million in 1991. Quite apart from the financial implications, this deficit highlights the technologically dependent position of South Korea.

A further problem related to the assessment of the importance of capital flows in and out of the Tiger economies is that much of the inflow is of credit and, consequently, a significant part of the outflows are not exports at all but interest payments to the imperialist creditors.

The importance of capital exports from the two countries has to be qualified on other counts too. Some firms are really just fronts for Japanese or American investors and of Korean and Taiwanese firms whose products, for the most part, are dependent on patents held by imperialist multinationals or are dependent on the importation of key technologies from the imperialist centres. Similarly, while world famous products may be made in Asia under license from US, Japanese or European corporations, the latter corporations retain control of marketing and distribution which allows them to siphon off the bulk of the profits.

Berhard and Ravenhill give the example that, although Taiwan was the leading producer of computer monitors in 1991, with 39% of the world market, the key component, responsible for 30-35% of the total value of the product, came from a Japanese firm.⁴² Similarly, they cite a study which showed that in 1987, 36% of the components of the Korean electronics industry came from Japan.

Apart from these considerations, a certain distinction has to be drawn between South Korea and Taiwan. In Taiwan, in the last 10 years, the proportion of foreign investments has greatly increased. One of the reasons for this is the big export outlets in South East Asia and the booming Chinese market. In this connection, Taiwanese capital is not in a good position to develop its own technologies and capital exports because of a lower degree of concentration. This means that dependence on foreign technology and capital exports is higher. For the same reason, South Korean multinationals are much stronger in the world market in comparison to Taiwan.

The question as to whether South Korea and Taiwan have

managed to overcome their semi-colonial status revolves around their ability to overcome their dependent relationship within the international framework at the economic, political and military levels.

We think that Taiwan remains a very advanced semi-colony, but certainly not an imperialism. Decisive in this is the low degree of development of monopoly capital which results in a greater dependence on imperialist "mother firms" for the export of capital. The higher mass of capital exports is certainly an important factor but it has to be seen in relation to the higher import of capital from the imperialist states.

Development in South Korea is more advanced than in Taiwan. As we have shown, the high degree of monopolisation has made possible a relatively important position in the world market. However, capital export has only become of central importance in the recent past and in total is still not very great. It remains to be seen whether this will change in the coming years. As regards the internal situation, the chaebols are going to have to deal with three central problems.

First, they face the urgent necessity of cutting their debts. As in Japan, the close merger between banks and industrial concerns has led to a mountain of debt. In the next few years, the government is going to have to deal with this. This will lead to firms collapsing, increased taxes for the working class and so on. This problem can be resolved but as the longlasting problems of Japan have shown, the obstacles are very big.

In particular, they will be made more difficult by increasing international competition and a tendency towards protectionism among the established powers. This will be made worse by the changed international political situation in which the grounds for the Tigers' earlier advantages have disappeared, only to be replaced by moves towards regional "bloc-building" by the imperialists. The same states are now unlikely to tolerate the emergence of new imperialist rivals. At the same time, a second rank of would-be tigers, Malaysia, Thailand and the Philippines, are undermining the competitiveness of production in South Korea and Taiwan.

Secondly, South Korea is on the threshold of joining the OECD, the rich club of around 30 top industrial nations. But the price of membership is opening up the closed capital markets in South Korea to foreign capital. This will lead to vulnerable monopolies being taken over, leading to many familiar names in Korean electronics and cars being effectively owned by the more efficient imperialist rivals in Europe, the US or Japan.

Finally, and above all, there looms the biggest challenge of all, the growth of the working class within South Korea itself. The huge economic progress of the last four decades has brought into being a new and militant working class, already tried and tested in the battles that have raged on the streets, in the factories and in the shipyards.

The coming international competition to the power of the chaebols will lead the Korean bosses to take on this class that has begun so recently to build up its trade union strength. The outcome of that battle will not only decide the character of South Korea but may well determine the future of Asia's "economic miracle".

Footnotes

- 1 The "four tigers" of S. E Asia are South Korea, Taiwan, Hong Kong and Singapore.
- 2 Ranis, G. "Another Look at the East Asian Miracle", World Bank Economic Review, 3/1995 p511
- 3 Hamilton, Clive, "Capitalist Industrialisation", in Journal of Contemporary Asia, 1/1983 p39
- 4 *ibid.* p.38
- 5 Ranis *op cit* p511
- 6 Hamilton *op cit* p40
- 7 see also Nolan p48
- 8 Hamilton *op cit* p50
- 9 Hung, Rudy "The Great U-Turn in Taiwan", Journal of Contemporary Asia, 2/1996
- 10 Hamilton *op cit.*p51
- 11 *ibid.*
- 12 Lutte Ouvrier, in International Communist Forum 16 London 1994 p13
- 13 Ranis *op cit* p513. Compared to 2.4% in South Korea
- 14 *ibid* p525
- 15 Page, John "Das ostasiatische Wirtschaftswunder", in Finanzierung &Entwicklung Maerz 1994 p3
- 16 Quoted in, Ogle, George, South Korea: Dissent Within the Economic Miracle, London 1990 pix
- 17 Deyo, Frederick, Beneath the Miracle, Berkeley 1993 p98
- 18 Douglass, Michael, in Journal of Contemporary Asia 1/1993 p155
- 19 Ranis, *op cit* p514
- 20 *ibid*
21. Lutte Ouvriere *op.cit* p5
- 22 Hamilton, *op.cit* p1
- 23 Amirahmadi, Hooshang, in Journal of Contemporary Asia 2/1989 p177
- 24 Hamilton *op.cit* p53
- 25 Xinyi, Xu, in Internationales Asienforum, 1-2/1996 p54
- 26 Hamilton *op.cit* p43
- 27 *ibid* p48
- 28 Amirahmadi *op.cit* p179
- 29 Ranis *op.cit* p511
- 30 See Vittas, D. and Cho, Y "Die Rolle der Kreditpolitik in Japan und Korea", in Finanzierung&Entwicklung, *op cit.*
- 31 Kwon, Jene, "The East Asia Challenge to Neoclassical Orthodoxy", in World Development 4/1994
- 32 *ibid* p5
- 33 Pietrobelli, Carlo, Development Policy Review, 4/1994 pp115-148
- 34 Kawai, Hiroki, "International Comparative Analysis of Economic Growth" in The Developing Economies, December 1994
- 35 Castley, R.J. "The Role of Japanese Investment in South Korea's Manufacturing Sector" in Development Policy Review, 1996, p69
- 36 Xinyi *op.cit* p58
- 37 Our international tendency concluded several years ago that South Africa, because of its unique circumstances both internally and internationally, had been able to establish itself as an imperialist power, albeit a minor one.
- 38 Far Eastern Economic Review, 31 October 1996
- 39 Schultz, S. Intereconomics November/December 1995 p296
- 40 Irwan, A. "Business Patronage, Class Struggle and the Manufacturing Sectors" in Journal of Contemporary Asia, 4/1989 p409
- 41 Koellner, P. "Suedkoreas Direktinvestition in der ASEAN", in Suedostasien Aktuell, Maerz 1996 p171
- 42 Berhard, M. and Ravenhill, J. Beyond Product Cycles and Flying Geese, in World Development 1/1994
- 43 For example, Amsden, Alice, in a review of "The East Asian Miracle" in World Development 4/1994.
- 44 Lutte Ouvriere *op cit* p7

What the RCIT Stands for

The *Revolutionary Communist International Tendency* (RCIT) is a fighting organisation for the liberation of the working class and all oppressed. It has national sections in various countries. The working class is the class of all those (and their families) who are forced to sell their labour power as wage earners to the capitalists. The RCIT stands on the theory and practice of the revolutionary workers' movement associated with the names of Marx, Engels, Lenin and Trotsky.

Capitalism endangers our lives and the future of humanity. Unemployment, war, environmental disasters, hunger, exploitation, are part of everyday life under capitalism as are the national oppression of migrants and nations and the oppression of women, young people and homosexuals. Therefore, we want to eliminate capitalism.

The liberation of the working class and all oppressed is possible only in a classless society without exploitation and oppression. Such a society can only be established internationally.

Therefore, the RCIT is fighting for a socialist revolution at home and around the world.

This revolution must be carried out and led by the working class, for she is the only class that has nothing to lose but their chains.

The revolution can not proceed peacefully because never before has a ruling class voluntarily surrendered their power. The road to liberation includes necessarily the armed rebellion and civil war against the capitalists.

The RCIT is fighting for the establishment of workers' and peasant republics, where the oppressed organize themselves in rank and file meetings in factories, neighbourhoods and schools – in councils. These councils elect and control the government and all other authorities and can always replace them.

Real socialism and communism has nothing to do with the so-called "real existing socialism" in the Soviet Union, China, Cuba or Eastern Europe. In these countries, a bureaucracy dominated and oppressed the proletariat.

The RCIT supports all efforts to improve the living conditions of workers and the oppressed. We combine this with a perspective of the overthrow of capitalism.

We work inside the trade unions and advocate class struggle, socialism and workers' democracy. But trade unions and social democracy are controlled by a bureaucracy. This bureaucracy is a layer which is connected with the state and capital via jobs and privileges. It is far from the interests and

living circumstances of the members. This bureaucracy's basis rests mainly on the top, privileged layers of the working class - the workers' aristocracy. The struggle for the liberation of the working class must be based on the broad mass of the proletariat rather than their upper strata.

The RCIT strives for unity in action with other organizations. However, we are aware that the policy of social democracy and the pseudo-revolutionary groups is dangerous and they ultimately represent an obstacle to the emancipation of the working class.

We fight for the expropriation of the big land owners as well as for the nationalisation of the land and its distribution to the poor and landless peasants. We fight for the independent organisation of the rural workers.

We support national liberation movements against oppression. We also support the anti-imperialist struggles of oppressed peoples against the great powers. Within these movements we advocate a revolutionary leadership as an alternative to nationalist or reformist forces.

In a war between imperialist states (e.g. U.S., China, EU, Russia, Japan) we take a revolutionary defeatist position, i.e. we don't support neither side and advocate the transformation of the war into a civil war against the ruling class. In a war between an imperialist power (or its stooge) and a semi-colonial country we stand for the defeat of the former and the victory of the oppressed country.

The struggle against national and social oppression (women, youth, sexual minorities etc.) must be led by the working class. We fight for revolutionary movements of the oppressed (women, youth, migrants etc.) based on the working class. We oppose the leadership of petty-bourgeois forces (feminism, nationalism, Islamism etc.) and strive to replace them by a revolutionary communist leadership.

Only with a revolutionary party fighting as its leadership can the working class win. The construction of such a party and the conduct of a successful revolution as it was demonstrated by the Bolsheviks under Lenin and Trotsky in Russia are a model for the revolutionary parties and revolutions also in the 21 Century.

For new, revolutionary workers' parties in all countries! For a 5th Workers International on a revolutionary program! Join the RCIT!

No future without socialism!

No socialism without a revolution!

No revolution without a revolutionary party!

