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International Committee of the Fourth International

# Report on the International Situation

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**This report presents what in our eyes constitute some of the most important features of the international situation. It does not take up every question. It may be marked by a certain Europeocentrism, leading to a partial approach to certain questions. It will in addition be followed by a report on the problems of building the International and on what is at stake in the next world congress.**

[<https://www.internationalviewpoint.org/IMG/jpg/protests2.jpg>]

The international situation is marked by the financial and economic crisis which has struck the world economy since the end of the summer of 2007. The onset of this crisis constitutes a turning-point. It is an important turning-point because it represents a moment which covers several processes and which is part of the change of historical period that took place at the end of the 20th century and the beginning of the 21st, marked by capitalist globalization and its contradictions.

On the crisis, we have worked from the analyses of Francois Chesnais, Eric Toussaint and the Economics Working Group of the LCR.

1. It is a turning-point in the sense of the end of a cycle of the American economy which followed the upswing of 2003, marked by an explosion of domestic consumption and by massive debt, on the basis of very low interest rates and a lowering of financial costs, mechanisms which led to this "housing bubble". Thus there developed the system of "subprimes", of risky loans at fluctuating rates, granted to the most fragile households. This was, along with the financing of its deficits by foreign capital and the fall of the dollar, one of the principal mechanisms of the American model of growth from 2003 to 2008... But when in 2005 the Federal Reserve (FED, the Central Bank of the United States) increased interest rates, it threw the machine out of gear, causing insolvency and the collapse of millions of indebted households, which led to the bankruptcy of important credit institutions and made the banking system wobble. Because credit was the centre piece of this American economic growth. In fact, to maintain high and regular profits, dynamic demand is necessary. It could not come from wages, held down by the employers' attacks, nor from the internal markets of the sufficiently developed emergent countries, nor from the revenues distributed to the shareholders, whose mass is insufficient to support demand. So contemporary capitalism found this demand in the credit granted to households. This process reached its paroxysm in the USA

2. We are confronted not only with a financial and banking crisis but also with a crisis of the real economy. The crisis of the "subprimes" was propagated by the mechanisms that are proper to the globalized financial system on a world scale. It provoked a crisis of solvency and liquidity which has struck the entire international monetary system. This has led to massive injections of capital into the US economy - more than 168 billion dollars from the plan to re-inflate the economy adopted by Congress – to a fall in interest rates and on the other hand to new tensions due to the refusal of the European Central Bank (ECB) to lower its rates. But this policy is not sufficient to get the machine started again...

Because the forecasts of recession in the American economy are being little by little confirmed. The real estate sector in the US has collapsed. Other countries such as Spain, Ireland and Australia which used the same mechanisms of housing loans as the USA have also been struck by the crisis.

– In the United States, economic activity is decreasing.

– The forecasts for growth are around 1.5 to 2 per cent in the United States and in Europe.

## Report on the International Situation

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- In January 2007, the balance of job creation in the American economy was negative. In January 2007, the American economy lost 17 000 jobs.
- In real estate and industry there were respectively 27 000 and 28 000 jobs lost. The markets were counting on the creation of 70 000 jobs. In France, there were 300 000 jobs created in 2007, but more than 50 000 lost in industry.
- More than 3 million households will find themselves homeless.
- We are headed for restructuring which will cause tens of thousands of lay-offs. The International Labour Office (ILO) envisages that there will be more than 5 million more workers unemployed.

The cost of this financial crisis is, at this stage, the loss of tens of billions of dollars.

This crisis of the international financial system is causing a contraction of credit and thus a deceleration of economic activity. The purging that is required from the big banks - to sort out the "rotten debts" from the "good investments" - is contributing to slow down activity.

The administration and the American Federal Bank are faced with a frightening dilemma: either they re-launch the economy, by lowering interest rates, injecting liquidities, by aggravating deficits and debt, by amplifying inflationary pressures, and there is a risk of worsening the depreciation, even leading to a brutal fall of the dollar - and it is a real risk: in 5 years the dollar has lost 25 per cent of its value and its depreciation increases the risks of crisis - or else they try to reduce the imbalances, but by raising interest rates, or they reduce debt and that leads to a sharp drop in economic activity, and they find themselves in a recession...

3. At the origin of this crisis, there is what Chesnais calls a "very long phase of unbroken accumulation", i.e. an uninterrupted accumulation of capital - without war or revolution - since 1950. This is the longest phase of this type in the history of capitalism. The origin of this financialisation is consubstantial with capitalism, i.e. with the accumulation of profits which are not reinvested in the direct production of value and surplus value. These profits are valorised outside the processes of production and only through transactions on the financial markets. There are also two other sectors related to financial transactions which experience the same type of valorisation: private pension funds and flows of money linked to the oil rent.

Because in the capitalist system the production of goods is unceasingly limited by the capacity of absorption of the markets. If the production of goods and services is not profitable enough, then one invests elsewhere: for every dollar or euro invested in the production of goods, how much more capital seeks to valorise itself on the stock exchanges, the speculative funds, property speculations, gold, financial and monetary transactions... This is the logic of the capitalist accumulation of profit and of the private ownership of capital and the means of production.

There is also the turning-point of the end of the 1970s, with the liberal counter-reform and the Washington Consensus, which led to what we call "capitalist globalization", that is to say, a society, marked by "the domination of capital, well beyond just the economic sphere", a market society through an explosion of the "commoditisation" and "financialisation" of the economy. This globalization was only able to take on the dimensions it did through the reintegration into the capitalist world market, by a process of restoration of capitalism, of giants like Russia, the Eastern European countries and China. That strongly stimulated the growth of world capitalism, but of a capitalism wracked by the contradictions linked to this explosion of financial capital.

But this growth has also resulted from a certain type of accumulation over about thirty years, in particular by the fall

for more than twenty years of the share of wages in the economy, of that part of the production of wealth which is allocated to the workers. As a result this surplus value, which increases more quickly than the national revenue, is monopolized by a thin layer of possessors of wealth who are engaged in a frantic search for more and more profitable investments. This leads to an enormous superabundance of liquidities and financial capital, which becomes autonomous from the real economy and which has its own logic... This functions up to the point where the imbalance is too great, and then there is a crisis: that is what is happening in the United States, where there has been, throughout the 2000 decade, a contradiction between the slowest growth of the real economy since the Second World War (even though there was some growth) and the strongest expansion of the financial economy. This is the limit of the American model of growth, which today is weakening and even becoming exhausted.

### **New world relationships of forces**

4. But it is also a turning-point in the sense that it illustrates new world relationships of forces, new relationships between the United States, Europe and the new countries like China, India, Brazil, Russia, Indonesia, South Africa, Malaysia.

The crises of the 1990s touched almost only the so-called developing countries: the Mexican crisis of 1994-95, the Asian crisis of 1997-1998, the Russian crisis of 1998, the Brazilian crisis of 1999, the Argentinean crisis of 2001-2002... This time the crisis has exploded not on the periphery but in the centre.

The crisis in the financial system of the North is such that we are witnessing capital flight towards stock exchanges in countries like India, China and Brazil. The countries of the North are forced to accept the rescue of their financial institutions by the "sovereign wealth funds" of the South.

These movements of capital also express in a financial form the changes in the real economy:

– Changes in the distribution of world GDP: over the last ten years, according to all estimates, the share of Chinese GDP in world GDP has doubled, going from 6 per cent to 12 per cent. Certainly, the statistics on China are not reliable: in December 2007, the World Bank recognized that China's GDP in purchasing power parity (rendering equivalent what we can buy with the same given sum of money) was overvalued. In 2005 GDP should not have been 8,819 billion dollars but 5,333 billion. That has a major consequence on the calculation of the number of poor families, making a difference of several tens of millions, but these differences between this or that figure do not call into question the general tendency of the development of the Chinese economy, a tendency which is modifying the equilibriums and the relationships of forces in the world economy.

– The rise in rates of growth, the increase in the production of goods and services, the changes in the world division of labour are obvious. China, "workshop" or "factory" of the world, has benefited from a whole movement of delocalization and relocalization of a part of the world's productive apparatus, in particular American, and from massive subcontracting. This reorganization has produced, at the same time, a strengthening of Chinese capitalism. It is now the third or fourth world power. It is already the third world exporting power, after Germany and the United States. It is the second power in production of information technologies. Although its share of consumption remains weak, there is an impressive increase in productive investment in fixed capital, in particular in infrastructures and in the key sectors of the economy, leading even to risks of "overheating", with an increase of more than 25 per cent.

– It is the first recipient country of direct investment of foreign capital (foreign direct investment, FDI). And there is a question that needs to be studied and clarified: what is the share, in foreign investment in China, of capital from the Chinese diaspora of Hong Kong, Taiwan, of Sino-American capital..., which, by amalgamating with indigenous capital

can give considerable strength to Chinese capital as a whole. The growth rates of China and India are between 8 and 9 per cent, whereas those of United States and Europe are between 1.5 and 2 per cent. China's exports of manufactured goods have accumulated an impressive quantity of reserves of foreign currency: in December 2007 they were worth more than 1,400 billion dollars. It has a market of between 250 and 300 million inhabitants.

The economic weight in GDP of the group consisting of China, India, Russia and Brazil is potentially equivalent to that of the United States - I say potentially because it is the weight of "four national economies" and not of one single economy with one single state. The reserves accumulated by the Asian countries and the oil countries are considerable. At the end of 2007, the developing countries together held more than 4,600 billion dollars of exchange reserves, while the industrialized countries held less than a third of that. The commercial surpluses and these reserves of foreign currency of the Asian countries were placed in Treasury bills, in shares, in private bonds in the United States. It is they which in fact finance America's deficits.

5. Now, of course, we should not underestimate the dependence of these new giants of the world economy on the American economy. It continues to play the role of locomotive of the world economy. It represents more than 25 per cent of world GDP, not forgetting Europe, which with its 27 countries, represents around 25 to 30 per cent. The American market remains one of the principal markets for Chinese production. More than 35 per cent of China's GDP is dependent on its exports, even though some experts explain that the sensitivity of the Chinese economy to exports is decreasing. The Chinese internal market does not have sufficient capacities to absorb Chinese production. A serious recession on the other side of the Atlantic would inevitably have consequences on world economic activity and on China, even if they were limited. But what weighs more heavily on China are enormous levels of social inequality, brutal tensions between the countryside and the cities, poverty which has certainly been reduced but which is still very important, affecting several hundred million people. The statistics on poverty tend to underestimate it.

But there is a new configuration of the world economy which leads us to pose the problems of analysis of the world economic crisis in a way that integrates the emergent powers.

Two alternative hypotheses

A large part of the answers on the way out of the current crisis lies in the relations between Asia, the United States and Europe....

– Either the current financial crisis reveals a process of over-accumulation and overproduction in all the Asian economies - China, Japan, Korea, Taiwan, India... which would mark a general deceleration of world demand that could then lead to a general crisis of the type of 1929... The limits of the Chinese internal market, a rise in inflation to around 6 to 7 per cent, the increase in social inequality, the explosion of pockets of poverty, in particular in the countryside, the problems of the food crisis and the dictatorship of the Chinese Communist Party (CCP) which prevents a certain flexibility of structures, weigh rather on the side of the explosion of the crisis... but there is also the other hypothesis:

– Or the contraction of external demand is compensated for by an increase in internal demand and by new capacities for absorption of Chinese production by the internal market, and then there would be new possibilities for re-launching the economic machine. The only remedy for Chinese overproduction would be a reorientation of economic activity from export-based growth to more internally-centred growth... If this were the case, the combination of the "anti-crisis" mechanisms in the United States and Europe and the new Asian capacities could contain the crisis...

â€œ It is necessary in any case to study and study again what is happening in China, especially since we lack internal knowledge, and since the traditions and the implantation of our international current are especially

concentrated in a series of European and Latin-American countries. Work on Asia must become a priority.

### **Deteriorated relationships of forces for the working class**

6. The economy-world is changing its axis. But these economic processes express changes in the panorama of world politics, changes in the relationships of forces.

a) This new phase of capitalist globalisation is situated within the long period in which the relationship forces globally deteriorated from the point of view of the working class. The liberal steamroller that started at the end of the 1970s, combined with the reintegration of Russia, the countries of Eastern Europe and China into the world market, gave new capacities for initiative to the ruling classes. The liberal counter-reforms, the deregulation of social relations, combined with the introduction of new technologies, transformed through flexibility and precarious work the forms of capitalist exploitation. There was a considerable increase in workers being placed in direct competition with each other in the framework of a process of constitution of a world labour-force market.

b) Moreover, with the change in the world economy, there are also new relationships of forces between capital and labour. From the point of view of the total relationship of social forces, this reorientation of the world is taking place in countries where the independent workers' movement, in its trade-union or political form, is structurally weak. In the USA trade unions exist, but there have never been mass workers' parties. The destruction caused by Stalinism crushed what might have remained or emerged as forms of an independent workers' movement in Russia and in Eastern Europe. In China and in India, there is the entry of tens of millions of human beings into the wage-labour economy, but so far without political or trade-union representation. The dictatorship of the CCP has so far prevented the development of independent workers' organizations, even though there are more and more conflicts and social explosions in China, indicating the existence of embryonic forms of associations or trade unions. In India, the situation is more complex because there are in many states organizations that originated as pro-Soviet or pro-Chinese Communist parties...

The existence and the development of independent social organizations in Asia, in particular in China and India, will be decisive for world socio-political relationships of forces. The partial political revivals in a series of Eastern European countries - including trade-union renewal, bitterly-fought strikes conducted by a new generation of workers and the rebirth of a political Left, in particular in Poland and Russia, as well as the trade-union battles in Slovenia - must be followed attentively.

c) But in spite of these working-class retreats and the changes that have taken place, globalized capitalism is not succeeding in stabilizing the world situation. There is not a new world order:

– First of all, for reasons related to internal contradictions of capitalist globalization, in particular the limits of the mode of capitalist financial accumulation, the risks of war...

– Secondly, by chronic social resistances, including elementary class struggles, explosions or riots against the high cost of living, movements for control of natural resources, democratic rebellions.

– Finally, political crises. Crises of bourgeois leaderships combined with crises of political representation, on the right and on the left, and even open crises of political institutions. The rejection of Bush, the impotence of the Grand Coalition in Germany, the carnival in Italy and the escapades of Sarkozy are examples of such phenomena, and this is happening in the imperialist centres.

### **The United States bogged down**

7. These new configurations have consequences in the field of international politics, where the interests of a weakened American bourgeoisie and those of European powers which want to maintain their rank in this new world competition, make them converge in new systems of alliances, in particular faced with China and Russia. That does not exclude, far from it, the aggressive search for new market shares for each bourgeoisie, and the development of protectionist tensions in the world economy, but the political ties between the United States and the European Union are tending to be reinforced. The new relations between the France of Sarkozy and the United States of Bush are a good example of this inflection or change. Chirac was against the war in Iraq. Sarkozy is for it. He is even in the front rank in the confrontation with Iran. But more generally the envisaged return of France into NATO and the integration of the European military force within this alliance show clearly the type of reorganization that is in progress.

The United States is on the eve of new elections (at the end of 2008), which can lead to inflections or modifications of American policy. The big question of American and international politics will be to find out whether or not there will be withdrawal of American troops from Iraq.

Most probably, there will be continuation of the occupation, for fundamental reasons. Over the last long period, American imperialism has confirmed its policy of strategic politico-military redeployment. As Ernest Mandel pointed out, already more than twenty years ago, it is confronted with a contradiction, with an asymmetry between the declining tendency of the economy and the American dollar, and the hegemony of its politico-military apparatus, backed up by a central place of armaments in its economy. These profound tendencies relativise the nuances or differences between Clinton, Obama, and even McCain, even though the way in which the American election campaign is unfolding expresses in a certain fashion the erosion of the American political system. But when it comes to the fundamental interests and the policy of the ruling classes in the United States, it is a question of compensating for a certain economic weakening by an aggressive military policy, of occupation in Iraq and Afghanistan, of confrontation with Iran, and to a lesser degree with Russia and China. This orientation also comprises a policy of "recolonisation" of certain countries, aiming to maintain or even to extend control over natural resources or strategic raw materials like oil.

But military superiority does not automatically mean military victory. The expression "new Vietnam" is habitually used by the American media to describe the situation of the American army in the region. The Bush administration is really bogged down, politically and militarily. The United States is not winning the war, neither in Iraq nor in Afghanistan. Israel did not win the war against the Lebanese and the Hezbollah. They cannot repeat an "Iraqi scenario" in Iran. The tensions between Russia, which is rearming, and the United States also influence world relations. Finally, whole zones of conflicts are appearing, as in Pakistan, in Afghanistan or in certain areas of Africa, zones which are "out of control" That creates factors of uncertainty and unknown elements of the international situation, with unprecedented risks of war. From the military point of view, even though the USA remains the "number one", after a unipolar world order we are seeing the emergence of elements of a multipolar relationship of forces.

8. It is also within this framework that it is necessary to take into account new social and political phenomena which do not take the form of class contradictions or polarizations and which are marking or will mark the evolution of the world situation. I will not go into them in detail, but they have important consequences:

a) The ecological crisis and the consequences of global warming are beginning and are likely to cause, in the long term, new catastrophes - ecological, social, and human. We have just held in these walls a seminar to develop our ideas on the question of the climate...

b) The existence of organizations, currents, clans or religious groups, which it is necessary, of course, to analyze in their specificities, but there is a general tendency. There can be progressive religious currents, but the majority of these currents are globally reactionary. That is what is involved in the situations in Pakistan and in Afghanistan. It should be noted that the increase in religious phenomena is also affecting the countries of the centre: the calling into question of secularism by Sarkozy, the rise of the evangelists in the United States...

c) It is also necessary to take account of the tendencies towards the break-up of a series of states in Africa, but also of the unfolding and the consequences of other crises, like that of the Balkans.

### Consequences in Latin America

9. The way the US has become bogged down in Iraq has international consequences, and in particular in Latin America. It is not a question of underestimating the pressure that "the empire" still exerts on a continent that it continues to regard as its back-yard, as the attacks of Colombia against Venezuela and Ecuador have recently reminded us. In the same way it is necessary to integrate into our analysis the possible consequences of an international economic crisis on the Latin-American continent, with a deterioration of Latin America's position, in particular in relation to agro-exports and certain raw materials. Such a deterioration in its position would reinforce the pressure of the North. It is even necessary to point out, in the current economic situation, the capacity for initiative of the pro-American Right on the continent, in particular with its vanguard: the Colombian regime of Uribe. The "Plan Colombia" is there, all the more so as the defeat of Chavez in the referendum of December 2 has again given US imperialism some capacities for initiative, as the attempt to freeze the assets of PVDSA shows: but there are also the military bases in Paraguay.

Support is still given to the "golpist" (putschist) Right in Bolivia and the "liberal-authoritarian" Right in Peru and Mexico. The Free Trade Area of Americas (FTAA; in Spanish, ALCA) is a failure, but bilateral treaties between the United States and a series of countries of South America have been concluded. But, in spite of these manoeuvres and the inflection in the Latin-American situation over the last few weeks, to the advantage of the United States, Colombia, and the forces of the most reactionary Right, we must underline the weakening of the capacities for intervention of American imperialism on the continent. On the military level, it is difficult for it to intervene in Iraq and Afghanistan and to prepare interventions in Latin America, and although the United States is maintaining the pressure on South America, it is undeniable that there is a new relationship of forces between American imperialism and a series of countries of the Latin-American continent, and not the least important ones. This relationship of forces favours two groups of countries.

The first group is made up of Brazil, Argentina, Uruguay and Paraguay. Benefiting from a phase of economic development and from the ability of the governments in power - Lula in Brazil, Kirchner in Argentina, Tabaré Vázquez in Uruguay - to channel, control and integrate their mass movements or, more exactly, whole layers of their leaderships, in particular those of the Workers' Party (PT) and the United Trade Union Confederation (CUT) in Brazil and the political and trade-union wings of Peronism in Argentina (even though Lula is further to the right than Kirchner), the ruling classes of these countries have conquered new room for manoeuvre to negotiate with and impose a series of economic objectives on American imperialism. They are pursuing, on their own account and in their own manner, neo-liberal policies, accompanying them by an aspect of "social assistance". They have reinforced a certain insertion in the world market, in particular by their policies of agro-exporting and their specific relations to the international financial system. This group of countries, headed by Brazil and Argentina, today occupy a central position.

The second group, which is today imposing a new experience of partial rupture with American imperialism, is led by Venezuela, followed by Bolivia and Ecuador, all of them supported by Cuba. These countries, each one with its specificity, are trying today to loosen the stranglehold of the debt, to take back ownership and control of their natural resources, to ensure social programmes for food, health and education, to restore their national sovereignty against American and European (particularly Spanish) pressure. Underneath these political and institutional changes, there is a dynamic of the social movements and mass movements which continue to act across the continent. Of course there are inequalities. The situation in Brazil expresses a drop in the level of social mobilization. Argentina continues to have a high level of struggle, with strong trade-unions and associations, but their political expression is extremely weak. The election results of the three electoral blocs of the Trotskyist far left came to less than 2 per cent. It is in the processes of the Bolivarian, Ecuadorian and Bolivian mobilizations that the social movements are maintaining a



certain degree of self-activity. In a number of countries these movements are linked to the advance of radical or revolutionary nationalist currents.

### **Venezuela, a key country**

From this point of view, many things depend on what happens in Venezuela. The revolutionary process remains open, but Chavez is at a crossroads: either he goes forward, links up again with the most combative sectors, satisfies the fundamental popular demands, and the Bolivarian revolutionary process will start again and deepen; or else he gives in to the pressures of a whole sector of the state bureaucracy and the employers, including from within the Bolivarian process, seeking to channel, moderate and block this same process... and he will lose the support of important sectors of his social and political base. The interventions of certain trade-union leaders of the UNT or of Marea Socialista (Socialist Tide) alert us on the current course of the government. But there too, everything is in movement...

The crisis is accelerating in Bolivia, where the adoption of the new constitution defended by Evo Morales and the large majority of the population, workers, peasants, Indians, is not recognized by the Right and the "rich white classes" concentrated in Santa Cruz and in the provinces of the West, of which four regions have just proclaimed their autonomy. Revolutionaries are on the side of the Movement towards Socialism (MAS) of Evo Morales, for the application of this constitution and the satisfaction of the vital needs of the poorest sectors of the population in Bolivia.

But the key country is Venezuela. If there were a defeat of the Bolivarian process, that would have immediate repercussions in Bolivia and Ecuador, not to mention Cuba. The withdrawal of Fidel Castro opens a new political situation. There is always the risk of direct or indirect intervention, which leads us to remember more than ever our solidarity with Cuba against imperialism. But, as Fidel said, the risk is that the revolution is consumed from the interior, and there is now a debate opening up: what relationship should there be with the market, should they follow or not the Chinese road, what revolutionary democratic spaces can there be... in short, a whole series of questions which we must follow.

### **Social resistance in Europe**

10. Europe, in spite of its more reduced place in the world, a weakening in terms of economic competition and a political paralysis, remains one of the major terrains of the central confrontation for the defence of rights and social gains. These policies have, in particular, a series of consequences in capitalist Europe, where the principal European bourgeoisies, in order to ensure their place in world competition, are frontally attacking the "European social model", in fact, the systems of social security, the social rights of workers, public services. This policy is concentrated in the new "European treaty" which takes over the broad outline of the project of European Constitution that was rejected in 2005 by the peoples of France and the Netherlands. It is being reinforced by the integration into the European Union of the countries of Eastern Europe.

This integration has led to the dismantling of a series of social rights and has consequently pushed downwards all the living and working conditions of the popular classes of these countries. In France the ideologists of the Sarkozy government have openly declared: it is necessary to destroy the programme of the National Council of the Resistance (CNR) of 1945 and all the social conquests which have been obtained since then. Sarkozy declares that he "wants to reform more than Margaret Thatcher"... but he has neither the relationship of forces nor the political instruments to apply his programme.

The crisis of bourgeois leadership and political representation weighs on the political life of a number of countries. The ruling classes continue to score a series of points, in particular by applying their counter-reform of pensions and of special pension systems for some sectors of workers, by pushing down wages and calling into question social rights, but they have not yet beaten the workers' movement. There is social resistance in countries like France, Italy and Germany. There has not been a major defeat of the workers' movement in Europe of the "British miners" type in the 1980s, important struggles and major confrontations are still in front of us...

### **... and its weaknesses**

But three remarks should be made:

- The struggles are defensive. They do not succeed in blocking, far less reversing the course of the counter-reforms. They manifest themselves as explosions or partial struggles. They can destabilize the regimes in place... but that does not stop the process of counter-reform.
  
- These struggles are unequal across Europe, depending on the country. The level of class struggle remains quite high in France – people in Europe speak about "the French exception" - and also in Italy, where at the end of the 1990s and the beginning of the 2000 decade, there was a combination of days of general strike by the trade-union movement and strong global justice and antiwar movements. Recently, there was an important strike of rail workers in Germany, even though it was a strike which did not receive solidarity from the other trade unions and from a large part of the trade-union left. In Spain and in Portugal the level of social struggle remains very low. In the countries of the North of Europe, in spite of rather strong attacks, the situation is under the control of the governments and the leaderships of the trade-union movement; the level of struggles is rather low.
  
- In the countries where there is a certain level of struggle, it is necessary to underline a contradictory situation: there is a real imbalance between the level of struggle and the level of consciousness. There can be partial struggles and explosions but there is no organic growth of a wave of class struggles – with a global level of struggle, an increase in the membership of trade unions and workers' parties, and of class-struggle and revolutionary political currents - as there was at the end of the 1960s and in the 1970s in Europe, particularly in Southern Europe. Consequently, the struggles that exist have difficulty in finding political expression in class-struggle terms.

### **To accept or to refuse capitalist globalization – the two Lefts**

11. In the current international economic situation, the Left, the workers' movement, the social movements are confronted with two main trends in the face of capitalist globalisation: an orientation of adaptation to liberal capitalism and another - our - line of resistance, struggle, and anti-capitalist combat. We have, in France, a formula to describe this situation: "There are two Lefts", we say. Of course, there are in reality several varieties of "left", but we are really confronted with a fundamental choice: to accept or to refuse this capitalist globalization!

The big majority of the traditional leaderships of the workers' movement - social democracy, ex- or post-Stalinism, Greens - and in certain developing countries bourgeois nationalism, chose adaptation. This is the result of a whole process of integration into the institutions of state and the capitalist system. But this process of integration into present-day capitalist globalization leads to qualitative changes, to structural changes, in all these political formations, with increasingly strong bonds not only with political institutions but with capital. The choice of Strauss-Kahn (one of the principal leaders of the Socialist Party in France) to head the IMF is the proof of it! The demands of capitalist globalization are such that the room for manoeuvre to conclude social compromises between the ruling classes and reformist movements has been considerably reduced.

The big economic groups, the financial markets, the higher levels of the state are summoning the reformist leaderships to accept the framework dictated by the search for maximum profits, by an increased financialisation of the world economy. As a result social democracy has been transformed into social-liberalism. From a social democracy which, faced with the class struggle, traded its support for the capitalist order against social improvements, we moved to socialist parties which became "reformist parties without reforms", before becoming "parties of liberal counter-reforms".

In Europe, the European Union provides the framework of collaboration between Christian democracy and social democracy, in order to deploy counter-reforms on pensions, and the liquidation of systems of social security and public services. That does not exclude a finely balanced combination of programmes of assistance to the poorest layers - a system of minimum incomes, the programme of the "Family Grant" in Brazil... - and counter-reforms which tackle the hard core of working-class rights and social conquests.

But it is on the political level that these choices are most manifest: in the evolution of European social democracy towards a "third way" between Right and Left, in the call - now in Italy and in France - to transform the historical socialist parties into American-style democratic parties... This is also what we saw in Brazil, where the Workers' Party (PT) completed in only about fifteen years the trajectory of almost a century of historical social democracy: from a class party, the PT was transformed into a social-liberal party. This evolution does not exclude, once again, policies of social assistance which provide a social base for these parties.

This social-liberal evolution represents a general tendency. In a series of countries it is not a completed process. The ruling classes need, moreover, in a political system of alternating governments "to be able to choose between the Right and the Left". These social-liberal formations are thus not bourgeois parties like the others. Inflections "to the left" remain possible to save the enormous interests of the bureaucratic apparatuses. This is the case of the German SPD, but within limits which remain compatible with the current course of world capitalism. On another level, there remain differences between the Right and the Left, especially in the way they are perceived by popular sectors, but overall social democracy and its allies are experiencing, everywhere, this process of integration into capitalist globalization and a movement "towards the right".

A series of forces try to dissociate themselves from the social-liberal forces – for example, the Communist parties, certain ecologist formations and left reformist parties. They call themselves "anti-liberals". The problem is that their own integration into the institutions of state or their subordination in a system of alliances to nationalist-Peronist or social-liberal forces, leads the CPs and the Greens to remain at the level of anti-liberal proclamations while clearly participating in parliamentary or governmental coalitions with the centre-left or social democracy: this is the case of the French Communist Party (PCF), Die Linke in Germany or Rifondazione Comunista in Italy.

### **A Left for a break with capitalism**

12. At the other pole of the Left, there are the forces which refuse capitalist globalization, which resist and defend an anti-capitalist orientation.

Our project, our Left, is an anti-capitalist Left, a Left of revolutionary tradition, a Left of rupture with capitalism. It is within this framework that we think that we can have a new stage in the construction of new, broad anti-capitalist parties. "New period, new programme, new party" we said at the beginning and in the middle of the 1990s. We think that capitalist globalization and the contradictions that are proper to it, and its effects on the evolution of the workers' movement are evidence of this new period.

From a certain point of view, the current crisis of international capitalism gives flesh to this project. There are more

internal contradictions in the system, there are more spaces opened up by the evolution to the right of the traditional leaderships, there is recurrent social resistance in a series of countries, there is the development of new experiences of left reformist or anti-capitalist formations... In this new historical period, it is not only a question of posing the problem of building our own organizations, but of tackling again the perspectives for the reorganization and rebuilding of the workers' movement and of social movements, associations, trade unions.

The problems of the crisis of leadership are posed in their broadest dimension: consciousness, experiences of self-activity, construction, organization. It is necessary to reformulate through a series of struggles of resistance, a new project, new demands, new forms of organization, taking what is best in the old workers' movement but rejecting the worst. The axis of self-organization and self-emancipation in all its forms is decisive in these processes of rebuilding. But there is also posed the difficulty of building new anti-capitalist parties... Of course, that depends on the accumulation of revolutionary and anti-capitalist forces, and there is no world or continental line of building the party.

Nothing is mechanical, but on the basis of recent experiences, in particular in Brazil - and it is necessary to underline the high price that we paid in Brazil, but also what we learned from Brazil - in Italy and in France the main programmatic and political lines of these new parties are emerging.

### **New anti-capitalist parties: "a common understanding of events and tasks"**

13 We want to build anti-capitalist parties which oppose the current crisis of capitalism, not in order to reform it or to defend a capitalism with a human face or to tackle the excesses of liberalism so as to return to the capitalism of the post-war period, but to attack the logic of capitalist profit. We need a new programme against capitalist globalization. A programme of action or of anti-capitalist transition, which defends immediate demands (wages, jobs, services, land distribution, control over natural resources, feminism, the fundamental dimension of ecology...), democratic demands (problems of popular and national sovereignty in the countries dominated by imperialism, the indigenous question in Latin America) and transitional demands, which lead on to the need for another kind of distribution of wealth and a questioning of the capitalist ownership of the economy.

The implementation of these programmes requires governments in the service of the workers, based on the mobilization and the self-activity of the popular classes.

This battle - and it is a central battle today - implies the rejection of any participation or support for social-liberal governments which manage the affairs of state and the capitalist economy. It is what separates us from the projects of Die Linke, Rifondazione Comunista, the Communist Parties which are part of the European Left Party and the policy of the majority of the Socialist Democracy tendency (DS) in Brazil....

So the question of participation or not in this type of government has again become a cardinal question of the strategy for power in Europe and in the principal countries of Latin America.

But these parties which we want to build have as a reference, what Trotsky called "a common understanding of events and tasks", not all the programme, not all history, but strategic and programmatic references that are sufficiently solid to build in the medium and long term. We do not start from ideological or historical criteria to delimit these parties, but from key references linked to the class struggle, and to the best revolutionary traditions, in order to work out a programme of transition to socialism.

We want these parties to be pluralist, to be places of the convergence and coming together of all anti-capitalist currents and activists,. Revolutionary Marxists will constitute a current within these parties. But we must go further: while leaving open a series of strategic and programmatic questions, it is necessary to examine again the socialist

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and communist project, to take our full place in the debate on the socialism of the 21st century. Those are the new formulas which try to respond to the new historical period.

These are the references which constitute the basis of the anti-capitalist parties which are being built – such as the new anti-capitalist party (NPA) in France, Sinistra Critica in Italy, the Red-Green Alliance in Denmark, the Left Bloc in Portugal, the PSOL in Brazil and other experiences which will not fail to emerge over the coming years. It is also within this framework that we are preparing the conference on May 68-May 2008 in Paris.

– This is the written version of the report that he presented at the meeting of the International Committee of the Fourth International, as introduction to the debate on the international situation, on March 1, 2008.