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REGIONAL ISSUES

BRICS – NEW SHAREHOLDERS IN THE GLOBAL CAPITALIST SYSTEM

“THERE IS NO INDICATION THAT THE BRICS ARE SERIOUSLY CONTEMPLATING CHALLENGING THIS CENTRAL ROLE OF THE UNITED STATES (GLOBAL CONSUMER OF LAST RESORT, WORLD CENTRAL BANKER, GLOBAL MILITARY BALANCER AND GUARANTOR, AMONG OTHERS), WHETHER AS A BLOC OR SEPARATELY. CERTAINLY THE ARRIVAL OF MORE ACTORS ITSELF CANNOT BE USED AS EVIDENCE THAT THESE NEW ACTORS ARE ATTEMPTING TO FUNDAMENTALLY CHALLENGE THE NATURE OF GLOBAL CAPITALISM.” – ASSESSES SEAN STARRS, RECOGNIZED RESEARCHER OF THE US' GLOBAL ECONOMIC POWER FROM CITY UNIVERSITY OF HONG KONG, INTERVIEWED BY RAFAL WISNIEWSKI FROM THE R/EVOLUTIONS EDITORIAL TEAM.

INTERVIEW WITH **SEAN STARRS**
BY RAFAŁ WIŚNIEWSKI

One central conclusion ties together most of your published research – American national power has not declined in the last two decades, it has rather globalized. You have meticulously compiled data which show that American Transnational Corporations (TNCs) still dominate the global capitalist system and that US citizens have a disproportionate share of the global wealth. Does this mean that the idea of BRICS as a block of rapidly rising economic powers who exert an ever growing economic and political influence on the international system is misconceived? What are the real consequences of these countries' rise for the global balance of economic power?

Yes, I think it is misconceived, if we assume that the BRICS' "ever-growing economic and political influence on the international system" is or will be at the expense of, or somehow decrease, the central role of American power in this system. Perhaps it might be useful to draw upon the experience of the earlier wave of "American declinism" in the 1970s and 1980s. Many thought that the post-war economic revival and rapid growth of Western Europe and Japan would challenge American hegemony. Commentators back then drew upon much the same kinds of evidence – especially the declining share of American national accounts relative to these others – as they do today relative to the BRICS. And the US share of world GDP did decline from the 1960s because economic activity was indeed expanding outside American borders at a faster rate than within the United States. But when the share of Western Europe's GDP relative to the world continued to surpass that of the US's throughout the 1990s, nobody any longer used this as evidence to suggest that Western Europe was now the world's number one economic superpower. In fact, in the 1990s everyone characterized the United States as the world's only superpower, despite what is now the European Union having a larger share of world GDP at that time.[1]

This implies that it is possible that even if the combined GDPs of the BRICS surpass the American GDP sometime in the next decade or so, it does not necessarily follow that they have surpassed the United States in economic power. As I argue elsewhere,[2] to understand national economic power in the era of globalization, we have to move beyond national accounts (including GDP) and look at the transnational corporations themselves (which directly or indirectly account for much of the economic activity measured by national accounts), in order to encompass their transnational operations,

1 See Figure 1, Starrs 2013b: 821.
2 Starrs 2013b, 2014.

especially the globalization of their production networks. When we do this, we will see that, due to the nature of globalization and the global dominance of American corporations, national accounts under-estimate American economic power and over-estimate the economic power of the BRICS.

> IN 2013 CHINA'S GDP WAS 1.4 TIMES LARGER THAN THE REST OF THE BRICS COMBINED

Moreover, in the case of both the European Union and the BRICS, these are not singular geopolitical-economic actors in world order. Therefore, it is inappropriate to combine their constituent states' GDPs and compare them to the single state of the United States. The interests of the constituent nation states of either the EU or the BRICS take precedence over the bloc as a whole, and these national interests are too often conflicting for the respective bloc to be considered a coherent actor vis-à-vis the United States. Geopolitically, the 2003 US-led invasion of Iraq offers an example of the divisions in the EU that can lead to incoherence and the ability of the US to "divide and rule," or at least prevent a united challenge against US foreign policy. Then-US Defense Secretary Donald Rumsfeld could gloat about what he characterized as "Old Europe versus New Europe" – in other words corresponding to those states that protested against the US and those that supported the US-led invasion, respectively. And while the EU is certainly represented in certain IGOs such as the WTO as a single actor, and the EU Commission via its competition policy can challenge some of America's greatest titans, such as General Electric, Microsoft, and most recently Google, the EU is still too nationally divided into separate and competing economic interests to have the coherence of a single national actor, especially vis-à-vis the United States. Indeed, the very break-up of the EU was seen as a real possibility during the 2011-2012 Eurozone crisis, especially in relation to the as-yet unresolved conflict between Germany and Greece over what to do with the latter's debt.

As for the BRICS, it is easy to find divergent interests, goals, and sources of tension that preclude the formation of a coherent bloc capable of challenging American hegemony. No matter how many natural gas deals China and Russia sign, they are both governed by authoritarian ethno-centric nationalisms that are not conducive to the sort of shared interests and cooperation found between the US

and the UK, or even the US and Japan (the latter of which also has a strong ethno-centric nationalist tradition, but is nevertheless liberal democratic and hence unlikely to return to its exclusivist territorial expansionism of the first half of the twentieth century). In any case, the present reality is that Russia's economy is much too integrated with Europe, and China's is much too integrated with Northeast Asia (not to mention the US), for there to be any serious integration between Russia and China that would supplant their primary economic dependencies.

India and China are geopolitical rivals in South Asia and the Indian Ocean, and still occasionally have border clashes in the Himalayas. During the Cold War, India was adept at playing the Soviet Union and the US off of each other, and will likely continue to do this with a diminutive Russia and China added to the mix. And while China has replaced the US as Brazil's number one trading partner, this alone does not mean that they are now best friends forever. Chinese support for Brazil's candidacy for a permanent seat on the UN Security Council, for example, has not been forthcoming, and Brazil does not defend China's territorial claims against Japan's de facto control of the Senkaku Islands. In any case, what was seen as a source of strength only a few years ago – increasing trade dependence on China as a way to diversify away, and perhaps even decouple, from the US – is now a source of weakness due to Chinese growth slowing since 2013, as Brazil (and even Australia) is currently discovering. Mexico, because of its dependence on exporting to the US, and the latter's renewed dynamism, has now the most robust growth in Latin America.

Also, even if certain large commodity exporters were redirecting their trade away from the US and towards China, these exporters were still indirectly dependent on Western consumers, since China is still dependent on Western consumers. China's domestic infrastructure investment and property explosion can only last so long, and pick up only part of the slack from declining exports to the West. Either way, the "commodities supercycle" is over.[3] Brazil's export dependence on China is proving to be a liability, and President Rousseff is recently trying to make amends with Washington after the spat over Edward Snowden's revelations in 2013. And on top of all of this, since 2013 the growth rates of the BRICs are no longer "rapidly rising"; they are in fact declining. In 2014 the United States had a faster growth rate than either Brazil or Russia, despite having a vastly more developed political economy.

As for South Africa's inclusion in the BRICS Summit, this is more an indication of South Africa's diplomatic adroitness (coupled perhaps

3 Starrs 2014.

with the BRIC desire to appear geographically inclusive and to avoid charges of European-style neo-colonialism) than any South African economic power – a minnow compared to China, whose GDP in 2013 is more than twenty-five times larger than South Africa's. In fact, in 2013 China's GDP was 1.4 times larger than the rest of the BRICS combined.

This leads to another point. When we are talking about the rise of the BRICS as a potential challenge to the American-centered world order, we are really only talking about China. This doesn't mean, however, that the rise of the BRICS is meaningless. Far from it. First of all, the rise of the BRICS – or at least the BRICs, without South Africa – means precisely what Jim O'Neill, Chief Economist of Goldman Sachs when he coined the term in 2001, meant it to mean: that there are now four very large political economies that provide attractive investment and business opportunities for Western capital. Again, this is most true for China, and foreign capital and investors have certainly taken notice. So when an investment banker sitting in Wall Street looks for attractive investment opportunities outside the United States, he or she must now not only scour Western Europe and Japan, but also the BRICs, and other emerging markets. This is certainly different from the early 1950s, when a Wall Street investment banker would predominantly only focus on the United States (the more adventurous ones might also take a peek at Canada), or in the 1970s when a Wall Street banker would only investigate opportunities in North America, Western Europe, and Japan (albeit the latter was largely closed). But again, this increasingly expanding universe of business opportunities since the 1950s does not at all necessarily imply that American economic power has therefore declined. Indeed, as I argue above,[4] due to the nature of globalization, the capitalist rise of the BRICs actually means that in certain respects American economic power in the world is now greater than it ever was, because it now reaches virtually the entire planet (whereas in the 1950s of course, vast swathes of the Eurasian landmass were under the sway of a non-capitalist model that was closed to American penetration).

Second, in terms of global governance, the rise of the BRICs does mean that there are now not only more actors involved, but that these new actors are beyond the Triad. Whereas the G8 was sufficient in the 1990s, we now also have the G20 (albeit the G7 still meets, now without Russia again). Whereas the IMF and World Bank were the dominant intergovernmental organizations concerned with global finance, we now also have the (much smaller) BRICS Bank (albeit all BRICS continue to contribute to the IMF and the World Bank).

4 Starrs 2013b, 2014.

Whereas before we had the Asian Development Bank, we will soon also have the Asian Infrastructure Investment Bank (but again, China, not to mention the other AIIB members, will still contribute to the Asian Development Bank).

From the perspective of offering an alternative to the American-centered system, the Asian Infrastructure Investment Bank (AIIB) is probably the most significant so far, and has certainly received more attention than the BRICS Bank (not bad for an IGO that hasn't even been established yet! The AIIB is planned to be formally established by the end of 2015). After twenty-one countries signed the Memorandum of Understanding in October 2014, it was unclear how significant the AIIB would be, especially since the United States at the time successfully lobbied key Asian allies such as Japan, South Korea, and Australia to not join. But after the United Kingdom shocked everyone including the US (and apparently even China) and applied to join the AIIB in March 2015, the floodgates were open as Germany, France, Italy, Australia, South Korea, and others soon followed, totaling fifty-seven applicant countries by the end of April. This marks possibly the first major rift in the Triad in relation to the rise of China – or to put it more bluntly, the first time key American allies such as Britain and South Korea have disobeyed American orders concerning Asian geopolitics, instead apparently siding with China. Naturally, many commentators see this as stark evidence of the decline of American hegemony in the face of the rise of China.

Ho-Fung Hung, however, argues (convincingly in my opinion) that China's initiative in creating the AIIB is actually a sign of Chinese retreat.[5] For over a decade China has been offering vast sums of loans on a bilateral basis (over $650 billion in 2001-2011), especially to Africa. But these loans are invariably attached to the condition of awarding the infrastructure projects to Chinese state-owned enterprises, which even bring their own Chinese labor force (which has led to the development of Chinatowns in various Sub-Saharan African cities). More and more African leaders, from South Africa to Zambia, from Angola to Nigeria, are characterizing these Chinese bilateral loans as neo-colonialism. Considering the history of Mao's support for

5 Hung Ho-Fung 2009, 2015.

anti-colonial struggles in Africa in the 1950s and 1960s, this label stings. It is partially in this context that China is now reversing its insistence on bilateral relations and is creating multilateral financial institutions to improve its image and gain greater acceptance and legitimacy. This is especially important in Asia as China's increasing aggressiveness since 2012 in asserting its territorial claims in the East and South China Seas has backfired and soured relations with its various neighbors (albeit reportedly since Presidents Obama and Xi Jinping met at the APEC Summit in November 2014, China has since softened its assertiveness in the region in terms of military incursions).

And as G. Bin Zhao, the China consultant for the European Bank for Reconstruction and Development, points out, China needs the AIIB to be rated triple-A in order to access cheap and easier financing.[6] China's own sovereign credit rating is AA-, so the inclusion of Germany, Switzerland, and the UK, among others, will help to shore up the AIIB's credit rating, but this will also be dragged down by members such as Iran, Kazakhstan, Kyrgyz Republic, Myanmar, Nepal, and Uzbekistan. Also, the AIIB has not been formally established yet so it is still unclear what the voting mechanism and governance procedures will be, but what is probably safe to assume is that with the five largest European states now having joined (Germany, France, the UK, Italy, and Spain) in addition to other important advanced industrial countries such as the Netherlands, Sweden, and Switzerland, China will be very unlikely able to dominate proceedings, not least to demand that AIIB projects be predominantly awarded to Chinese state-owned enterprises. Obviously unlike Chinese bilateral loans, Chinese SOEs will now have to compete over infrastructure contracts against some of the world's top consulting, construction, engineering, and heavy machinery firms based in Europe. All of this dilutes and limits whatever potential influence China may gain from the AIIB.

So while the context in which these American allies have disobeyed American orders to not join the AIIB is perhaps the most embarrassing diplomatic flop for the United States in East Asia since the withdrawal of troops from Vietnam in 1973, the AIIB will unlikely present a challenge to the broader American-centered world order. Trillions of dollars will be invested in Asian infrastructure in future decades, and some of this will be financed by the World Bank, some by the Asian Development Bank, some by the BRICS Bank, and some by the Asian Infrastructure Investment Bank. But they all complement each other, and there is certainly enough demand in infrastructure development for all these IFIs to co-exist and even cooperate. The AIIB and Asian Development Bank have already announced that

6 G. Bin Zhao 2015.

they will cooperate managerially and financially on projects. And by the end of April 2015, even President Obama had to admit that the AIIB could be useful for Asian development, and not necessarily a threat to the existing (American-centered) order.

"TRILLIONS OF DOLLARS WILL BE INVESTED IN ASIAN INFRASTRUCTURE IN FUTURE DECADES, AND SOME OF THIS WILL BE FINANCED BY THE WORLD BANK, SOME BY THE ASIAN DEVELOPMENT BANK, SOME BY THE BRICS BANK, AND SOME BY THE ASIAN INFRASTRUCTURE INVESTMENT BANK

In any case, while these international financial institutions (IFIs) are significant, we mustn't forget that financing from IFIs (including the IMF and World Bank) pales in comparison to financing by foreign capital, whether FDI or from Wall Street. And as I have shown in my data compilation,[7] Wall Street has actually increased its dominance since 2008. This dominance feeds back into the central position that the US state plays in global finance. In mid 2015, one of the biggest uncertainties is how each emerging market (including China) will suffer from the US Federal Reserve increasing its interest rates possibly later in the year, thereby ending the era of easy money that has provided liquidity around the world since late 2008 (incidentally, thereby acting as the World Central Bank, a role that no other central bank can approach). Even the mere suggestion in May 2013 by Federal Reserve Chairperson Ben Bernanke of tapering quantitative easing in the future sparked what came to be known as the "taper tantrum," in which there was capital flight from emerging markets back to the West of $64 billion between June and August just in mutual funds.[8] Overall, the Institute of International Finance has estimated that in 2013 there were net outflows from emerging market equities totaling almost $400 billion.[9] Moreover, the World Bank has estimated that quantitative easing and US interest rates account for roughly "60% of the increase in capital flows into developing countries between 2009 and 2013."[10]

Both the BRICS' large foreign exchange reserves from their (now slowing) export sectors and these new BRICS-driven financial institutions can help to cushion the effects of the whims of Western capital, but this is merely a defensive reaction and it is clear that

7 Starrs 2013b, 2014.
8 Atkins 2014.
9 Plender 2014.
10 Atkins 2014.

Western capital – and the US Federal Reserve and US Treasury – are the ones with the real economic power. Certainly there is no foreseeable scenario on the horizon for the Chinese central bank to have this kind of power, for its interest rates to affect the flow of trillions of dollars around the world. This will be the case for at least as long as Wall Street continues to dominate global finance, among other factors.

Nevertheless, it is indeed a new development that major actors in what was once known as the Third World are now – out of their own initiative and *not* under American leadership – establishing intergovernmental organizations (IGOs) that help to promote capitalist development. But this is the key point. These still-in-the-process-of-being-established IGOs will serve to further their constituents' integration and development *into* and *within* global capitalism. Lest we have forgotten, in the not-too-distant past Russia and China were trying to establish a non-capitalist international system that was explicitly *opposed* to global capitalism (and to a lesser extent India, via the Non-Aligned Movement and the New International Economic Order). China gave up this project in the late 1970s, and Russia a decade later. Global capitalism is now so deeply entrenched that even the most stridently anti-capitalist powers of the twentieth century are now actively contributing to the maintenance and further development of global capitalism (in different and uneven ways).

> “ THE UNITED STATES WILL CONTINUE TO BE THE BAKER OF GLOBAL CAPITALISM FOR THE FORESEEABLE FUTURE

And as Leo Panitch and Sam Gindin have chronicled in their monumental *The Making of Global Capitalism: The Political Economy of American Empire* (2012), we cannot understand the nature of global capitalism without understanding the central role of the United States as its author and guarantor. There is no indication that the BRICS are seriously contemplating challenging this central role of the United States (global consumer of last resort, world central banker, global military balancer and guarantor, among others), whether as a bloc or separately. Certainly the arrival of more actors itself cannot be used as evidence that these new actors are attempting to fundamentally challenge the nature of global capitalism.

To return to the example of the previous revival and growth of Western Europe and Japan in the 1960s and 1970s, yes, there are now more actors, and yes, as their relative economic weight expands they will try to increase their voice in the global governance of the system, and yes, there will likely be both more competition and more opportunities for American capital, but all of this does not imply that these new actors will try to establish an alternative order that challenges the role of the United States in global capitalism. Whether or not certain states within Western Europe (such as France in the 1960s or West Germany in the 1970s), or Japan in the 1980s, occasionally expressed a desire to challenge, or at least temper, certain aspects of American hegemony, they did not – and still do not – have the capacity to replace the central role of the United States in global capitalism.

Merely one example: to be the ultimate source of dynamism in and hence driver of global capitalism, a political economy must be its most important advanced industrial consumer, which not only requires a large and wealthy integrated and relatively liberal consumer market but also the capacity to run persistent trade and payments deficits with the rest of the world. In this regard, not to mention financially and militarily, the export-driven BRICS, for the foreseeable future, have much less capacity than the EU – let alone the US.

Therefore, it is not enough to have a large share of world GDP, as this larger relative share does not necessarily translate into greater power in world order. The share of the BRICs' national accounts is rising just as Western Europe and Japan arose before, but when we peer into the nature of the rise of the BRICs, their rise is even less impressive than the previous rise of Western Europe and Japan. In the latter, their rise encompassed the revival, development, and growth of indigenous capital eventually able to compete with American capital, at least in certain sectors such as automobiles, chemicals, commodities, and so on. Yet Western Europe and Japan still cannot leverage this greater economic competitiveness to challenge American hegemony in the system as a whole. The BRICS have even less capacity. This is not to deny, however, that the BRICS now have greater capacity to compete for a greater share of the capitalist pie than ever before, and notably also over who gets to sit at the table with nice cutlery or eat the crumbs from the floor with their bare hands – but they do not challenge the one that bakes the pie. The United States will continue to be the baker of global capitalism for the foreseeable future. And as every baker knows, they get first dibs on everything that comes out of the oven.

What are the main factors which allowed the United States to maintain its position of leading economic power? Which peculiarities of the American political and economic system make this country so successful in nurturing global TNCs and can they be replicated elsewhere (for example in the BRICS countries)?

There are some factors that are well known, and others that are less talked about. American culture is unusually conducive to creativity and innovation. Of course, culture is not fixed and should not be reified or mystified, and it is often difficult to disentangle what is the result of the "organic" historical development of a people in a particular place and what is an elite identity construct nurtured from above to facilitate power. Nevertheless, I have lived in Canada, Denmark, Japan, New Zealand, the US, and now China (and have traveled to 46 countries), and I firmly believe that there is something different about the United States. The rugged individualism and frontier mentality of exploring the unknown, the general distrust of authority, the eternal optimism and hope, the relative freedom (especially if you are a white male), the embracing of change and dynamism and risk, the relative openness of the society - these are all conducive to creativity and innovation. And some of these cultural norms filter into the legal and regulatory framework. For example, it is much easier to declare bankruptcy in the US and to start over (again and again), than it is in Europe or Japan – not only does this reflect a "can-do" optimism, but this instills greater risk-taking, leading to more dynamism. Also, while there are many problems with class, hierarchy, homophobia, racism, religious intolerance, sexism, and xenophobia in the United States, generally speaking, relative to most of Europe and certainly Japan, the United States is more open and less conservative (at least on the two coasts and the major cities), and a poor immigrant in the United States has a greater chance of improving his/hers living standards than probably in any other country in the world. This openness continues to attract the world's top talent, helped by images of success and the "American Dream" from Hollywood and American media. Silicon Valley is full of ethnic Indian, Chinese, and other immigrants (such as from Eastern Europe), and faculty at the top American universities is also very international. Immigrants are less likely to try their luck in nation-states that cultivate an illiberal ethno-centric nationalism, such as China, Japan, Russia, and so on. Put another way, there are very few countries in the world that are open enough to elect a foreign-born muscle-builder and action star with a thick accent as leader of one of the most important sub-national governments in the land (Arnold Schwarzenegger as Governor of California, 2003-2011). All of this is conducive to creativity and innovation.

But more importantly, we have to acknowledge the particular – and therefore non-replicable – historical development of the United States. From the mid-nineteenth century onwards, the United States embarked upon the first continentally integrated industrial development in the world. Building the railroads from the eastern seaboard to the vast farmlands of the Mid-West via Chicago was by far the largest industrial project up to that point. The Chicago Board of Trade was established in 1848 and in 1864 listed the world's first commodity futures contract, to help farmers protect their income against bad harvests. To bring farmers' produce from the Mid-West to the heavily populated east coast, as well as for export to Europe, the railroads were laid, giving rise to the "robber barons" such as Andrew Carnegie, J.P. Morgan, John D. Rockefeller, and Cornelius Vanderbilt. This era also saw the rise of the corporation as a specific institutional form, granted immortal personhood by the US Supreme Court in 1886. A couple decades later Henry Ford transformed mass production and urban/suburban design, and with the rise of advertising in the 1920s, the world's first and largest mass consumer market was spawned. US state policies in the 1930s (New Deal initiatives such as the creation of the Federal National Mortgage Association in 1938) and 1940s (such as the G.I Bill in 1944, granting low interest mortgages to returning veterans) established the world's largest home-owning population (otherwise known as the "middle class"), and concomitant explosion in the mass consumer market.

“ AMERICANS ACCOUNT FOR 40% OF THE WORLD'S MILLIONAIRES IN 2014 DESPITE AMERICAN GDP ACCOUNTING FOR "ONLY" 23% OF THE WORLD'S GDP.

All of these "firsts," and more (such as the rise of mergers and acquisitions and ideology of "shareholder value"), ensured that American corporations continued to pioneer the frontiers of organizational and technological advancement throughout much of the twentieth century. When a relatively small number of American corporations dominated their continent-sized home market, many used this historical experience and leverage to begin foreign direct investment abroad, especially in Europe from the 1960s onwards. With increasing worldwide liberalization of finance in the 1980s and 1990s, Wall Street then followed suit, increasing American investment and ownership abroad. By the twenty-first century, as I have shown in my research,[11] American corporations dominate the globe, especially at the technological frontier. Moreover, Wall Street owns vast chunks of global capital, whether based in Europe or Asia,

11 Starrs 2013b, 2014.

or in emerging markets – this means that American investors own and profit from not only corporations domiciled in the United States, but also newly arising corporations around the world, including in the BRICS. This is one reason why Americans account for 40% of the world's millionaires in 2014 despite American GDP accounting for "only" 23% of the world's GDP.

It is also worth noting that many of the top American corporations today in 2015 have origins in either the first industrialization wave in the latter half of the nineteenth century (AT&T, Berkshire Hathaway, Coca-Cola, ExxonMobil, General Electric, Goldman Sachs, J.P. Morgan Chase, Johnson & Johnson, Pfizer, Procter & Gamble, Wells Fargo, and so on), or in the first establishment of a mass consumer market in the first half of the twentieth century (Bank of America, Boeing, Caterpillar, CVS Caremark, Dow Chemical, Hewlett-Packard, IBM, General Motors, Ford, Walt Disney, and so on). The range and depth of this collective and individual historical experience being at the center of the development of global capitalism in the most important consumer market in the world has myriad advantages for these corporations, and at the very least we should not underestimate their capacity to effectively respond to whatever international competition may arise in the future (from the BRICS or elsewhere).

Furthermore, while it is well known that the United States has by far the largest military budget in the world (and we must not forget ancillary spending such as the Department of Energy and NASA), it is less discussed how this military spending acts as an industrial policy for advanced technology in the United States. The list of innovations that have been directly or indirectly (such as through research grants to MIT and Stanford University) funded by the Pentagon and then commercialized by American corporations is very long indeed – basically the foundation of the information-technology (IT) revolution in the latter half of the twentieth century, from the integrated circuit to the Internet, from satellite technology to containerization on ships. The Pentagon even helped to kick-start Japanese and South Korean post-1945 growth during the Korean and Vietnam Wars, respectively. Also less discussed is the power of the US state to defend and promote the interests of American corporations abroad, whether through military interventions or trade and other diplomatic negotiations, or imposing sanctions and tariffs. Of course, all capitalist states protect and promote "their" corporations, but it follows that the most powerful states will likely be able to do so more effectively.

An interesting case that requires more research is how American IT firms more or less repelled increasing Japanese competition in

the 1980s and 1990s, arguably the only serious challenge posed to American advanced technology over the past seven decades. Japanese technology firms such as Fujitsu, Hitachi, NEC, Panasonic, Sharp, Sony, and Toshiba seriously challenged, and in some cases surpassed, American technology firms up until the mid-1990s. By the turn of the century, however, the pendulum swung back in Silicon Valley's favor, and by the end of the 2000s, the former Japanese titans were notable for their enormous profit losses.[12] The Reagan and Clinton Administrations played a significant role in this reversal, both by pressuring Japan to liberalize aspects of its developmental state protectionism and subsidies, and by the US itself redirecting more state investment into research and advanced technology such as semiconductors.

Equally important were the transformations within the industry itself, from the shifting importance of hardware to software, and from production to services. By the beginning of the twenty-first century, generally speaking those firms that were flexible and risk-taking enough to outsource production and instead focus on higher value design, marketing, research and development, services, and software, were the ones that out-competed those firms that insisted on retaining the production of what became highly commoditized and low-margin consumer goods. More often than not, the former were American and the latter were Japanese. And because of the insistence of Japanese corporations such as Fujitsu, NEC, Panasonic, Toshiba, Sharp, and Sony on retaining their low-margin digital cameras, DVD players, laptops, TVs, and so on, they now have to compete against South Korean, Taiwanese, and more recently Chinese firms which have lower costs. American firms, however, such as Apple, Cisco, IBM, and Intel restructured to prioritize high value R&D, services, software – not to mention those American firms such as Amazon, Google, Facebook, and Microsoft that transformed entire sectors and business models. Again, it is this flexibility, dynamism, openness to risk and change – not to mention by far the world's largest military-industrial complex, among other factors – that give American advanced technology a daunting edge that so far only Japan in the 1980s and 1990s seriously challenged. But the Japanese challenge was in hardware, never software, the latter of which now has greater weight in advancing the frontiers of technology. In software and advanced business services, American supremacy has never been in question, and has only increased since 2008.

12 Japanese automobile (Toyota, Honda, Nissan), heavy machinery (Mitsubishi, Hitachi), and some electronics (Canon) firms are notable exceptions that continue to challenge, and in some cases (Toyota, Canon) surpass American firms.

If we assume that the rise of the BRICS is largely a product of expanding globalization lead by TNCs based in the Triad countries (US, EU, Japan), could we interpret the growing political cooperation of those emerging powers (not least in contesting Western dominance of the international system) as a way towards something akin to a "global labor union?"

As much as that would be nice for labor, I don't think so. The main reason is because the governments of the BRICs represent their ruling classes, not labor. They have all fully embraced capitalism, even if different variants of it (from the more liberal democratic of Brazil and India, to the illiberal authoritarian of China and Russia, all four espouse a variant of state capitalism). And the definition of a capitalist state is one that protects, promotes, and represents the interests of capital, more or less (depending on the balance of social forces within each country). The interests of capital are often opposed to the interests of labor (at a micro-firm level, increasing wages and benefits often hurts profits). In any case, since the BRICs have fully embraced capitalism, it is more likely that these states will want to join a "global capitalist union" rather than a "global labor union." Since 1945, capitalists of the world have united under the hegemony of the United States. The BRICs, especially China, will use the best of their capacities to continue negotiating and renegotiating their terms of membership in the "global capitalist union," and this will likely further hinder the capacities of labor in the struggle against capital. The prospects for a "global labor union" organized by the governments of the BRICs would heavily depend on labor in each of the BRICs being able to shift the balance of social forces and challenge the hegemony of capital within their own countries.

In other words, labor in the BRICs would need to challenge both foreign and indigenous (often state) capital within their nation-states first, before their governments would protect the interests of labor against capital, whether at home or abroad. In this regard, as with virtually all others, each BRIC is different. India is still largely

> "THE NEWLY MINTED CAPITALIST CLASSES IN THE BRICS DO NOT EXHIBIT A COLLECTIVE DESIRE TO BITE THE HAND THAT FEEDS THEM

a peasant society, and Russia has replaced working class solidarity with nationalism. Chinese labor has made significant gains since the wave of strikes and industrial actions in the aftermath of the Honda strike in 2010, but its agency as an independent social force

is still precarious in China (and technically illegal).[13] Labor in Brazil (including the MST, the Landless Peasants' Movement) has perhaps the most advanced prospects in the struggle against the domestic elite power structure, but is still far from the capacity to organize a global labor union, whether with labor of the other BRICs or perhaps more ideally with labor in the West.

Regardless, as discussed above, I don't see much "growing political cooperation" amongst BRICs in "contesting Western dominance." China is spearheading a number of initiatives (the BRICS Bank, the Silk Road Fund, the Free Trade Area of the Asia-Pacific, the Asian Infrastructure Investment Bank), but all of these at most complement the American-centered IGOs and IFIs, and do not seek to challenge, much less replace, them. China continues to be an active participant and supporter of the IMF, World Bank, World Trade Organization, G20, and so on. There is certainly nothing like the Bandung Conference of 1955, the creation of the Non-Aligned Movement, the calls for a New International Economic Order in the 1970s – not to mention the efforts towards world communist revolution in Africa, Eurasia, and Latin America. Those were rhetorical and actual efforts by a number of countries in the Second and Third Worlds (including three of the four BRICs) to establish an alternative to Western dominance. Having failed, the BRICs have now firmly forgotten this goal, and strive to integrate with American-centered global capitalism rather than fundamentally challenge it, because of course their elites benefit from it as well (for example, Russia and India have some of the most USD billionaires in the world, and China now has over one million USD millionaires – this is all a result of their integration with American-centered global capitalism). The newly minted capitalist classes in the BRICS do not exhibit a collective desire to bite the hand that feeds them – exporting to the West in a more or less liberal international economic order – and this implies the continued suppression of the organizational capacities of labor.

In your academic works you build out the case that purely national measures of power are no longer adequate for analyzing the balance of economic power under conditions of globalization. But what about political effects

13 For an excellent source on following Chinese labor, see: China Labour Bulletin.

of economic power? How does the dominance of the global economy's commanding heights by American TNCs influence the US government's position in international politics vis-à-vis other great powers? To put it another way, can Washington leverage the power of the TNCs to support its foreign policy or are they rather independent actors unwilling to toe the government line overseas?

One's answer to this hinges upon one's state theory, especially one's understanding of the relationship between state and capital. Liberals and neoclassical economists see capital (or in their lingo, firms) as independent from the state, and therefore capable of challenging the state and perhaps even over-powering or supplanting the state. Realists see the state and national interest as prior to corporate interest in the global system. Critical and other heterodox political economists see a more complex institutional relationship. I fall in the latter camp. In my opinion,[14] in a country that can be described as capitalist, state and capital are in a mutually beneficial symbiotic relationship of concentrated power. This is at a macro level. At a micro level, in the relationship between the state and any given corporation, the relationship is asymmetric, and predominantly in favor of the state. This is certainly true of the United States (the US government is more powerful than any single corporation), but it is also true of even some of the poorest states, if there is the political will. Bolivia, for example, has been the poorest state in South America for decades, but when Evo Morales was elected president in 2006, he had little problem re-nationalizing much of the commanding heights (from natural gas and mining to utilities and airports) that were privatized by previous presidents (under the guidance of the IMF and World Bank) in the 1980s and 1990s, even if these assets were now owned by some of the most powerful transnational corporations in the world.

In any case, in regards to the United States, it is easy to find examples of when the national interest as defined by state elites takes priority over corporate interest, and there is very little corporations (even corporations not domiciled in the US) can do about it. When the US decides to impose sanctions on Iran or Russia, the US throws the gauntlet: either to do business with us or with them. Transnational capital invariably chooses to do business in the US, and billions of dollars in fines have been dished out to those who have disobeyed American state orders, both domestic and foreign corporations, especially in banking but also in numerous other sectors.[15] From another angle, it is obviously in the interest of American firms to

14 Starrs 2013a.

15 Starrs 2013a.

export dual-use military technologies to China (where there is certainly demand), but they do not because the American state says they must not. Note that this is irrespective of what the corporations actually want. It doesn't matter, since the power of the state, especially the US state, is prior.

In terms of what implications the continued power of American capital has on the American government's international relations, there are some very important ones. Partly because Wall Street continues to be the dominant force in global finance (and has in fact significantly increased its dominance since 2008), the US Federal Reserve (or even just the New York Fed and New York's Attorney General) and US Treasury have disproportionate power around the world. The dominance of the American aerospace and defense sector is vital for the dominance of the Pentagon. The dominance of Silicon Valley and American control of the Internet is crucial for the National Security Agency, as demonstrated by Edward Snowden. The dominance of American shale firms has implications on the energy security of the United States, and its relations with oil-exporting countries (making it much easier to impose sanctions on Russia and put Venezuela back on the state-sponsoring terrorist list, as US President Obama has done recently). The dominance of the American retail sector is one factor that drives America's role as the world's most important consumer, with market access being an important source of leverage in the US state's negotiations with other states.

The dominance of American media is an important contributor to American soft power, from which the US state draws advantages (for example, when the US invaded Iraq in 2003, many around the world portrayed US President George Bush and his administration negatively, rather than the US nation or state-capital nexus as a whole, due to deeper popular beliefs that the US is basically "good"). The dominance of American business services means that other capitalist states will continue to rely on the US state to push for liberalization in the global trade in services, and to protect intellectual property rights. The American dominance in consulting, financial services, and other advanced knowledge sectors aids the US state in heavily influencing and shaping the general ideological agenda in global governance, policy, and best practices. The American dominance of food gives the US state influence in affecting other states' food security, for example by providing food aid to the Caribbean and Sub-Saharan Africa. More broadly, the greater the dominance and dynamism of American capital in general, the greater the tax revenues of the US state, hence the greater the resources the US state can employ in its international relations.

One of the most intriguing points you make in your research concerns the economic power of China. You prove that the dynamic growth of the Chinese economy does not necessarily translate into the rise of Chinese TNCs. However, there are growing signs that the government in Beijing is trying to leverage the country's growing attractiveness as both a production center and a market to force foreign TNCs into sharing know-how with their Chinese partners. Could such tactics potentially "turn the tables" in the story of China's economic development?

The Chinese government has been doing this for over thirty years now (albeit less since China joined the WTO in 2001 as a result of membership conditions). There have been both relative successes and failures. Two notable cases of success and failure are in high-speed trains and automobiles, respectively. The Japanese high-speed train maker Kawasaki entered into a joint venture with the Chinese state-owned enterprise CSR (China South Locomotive & Rolling Stock Industry) in 2004, sharing its technology in order to produce trains jointly. By 2007, CSR was rolling out high-speed trains under its own brand that looked suspiciously like the ones that Kawasaki had shared, except for a different paint scheme and other minor alterations.[16] Non-existent less than a decade ago, China now has the largest high-speed rail system in the world by kilometers of track, and CSR dominates. Kawasaki threatens to sue for intellectual property infringement if CSR attempts to export its high-speed trains abroad.[17] There have also been criticisms that China has rolled out the high-speed rail system too rapidly, cutting corners on for example technology, training, and testing required for safety. In July 2011 there was a tragic high-speed collision resulting in 40 deaths and 210 injuries, partially due to manufacturing faults and poor safety measures.[18] By contrast in Japan, after carrying more than ten billion passengers over its 50-year history, there has not been a single fatality or even injury due to derailment or collision on the Japanese bullet train.

Probably the most important sector for joint ventures is automobiles. One of the first joint ventures between a Chinese firm and a major Western corporation (in any sector) was formed in 1984 by SAIC (Shanghai Automotive Industry Corporation) Motor and Volkswagen. SAIC also formed an important joint venture with General Motors in 1997. Therefore, perhaps it is not a coincidence that SAIC Motor is today the top Chinese auto firm, and in 2014 is in fact the tenth largest auto firm in the world according to the *Forbes Global 2000* (which annually ranks the world's top 2,000 corporations

16 Shirouzu 2010.

17 Knowledge@Wharton 2011.

18 Knowledge@Wharton 2011.

> "THE GREATER THE DOMINANCE AND DYNAMISM OF AMERICAN CAPITAL IN GENERAL, THE GREATER THE RESOURCES THE US STATE CAN EMPLOY IN ITS INTERNATIONAL RELATIONS

by a composite index of assets, market value, profit, and sales). If we look more closely, however, SAIC Motor is actually not as successful as it appears. In the first three quarters of 2014, SAIC reported that it made over $3.5 billion in equity income from its joint ventures with General Motors and Volkswagen, but it *lost* over $620 million on its own branded vehicles.[19] Indeed, it would appear that Volkswagen and General Motors have been able to gain more from their three decade and over fifteen year joint ventures, respectively, than SAIC, since VW and GM has been either the number one or number two auto firm in China for the entire twenty-first century. In fact, the combined market share of all foreign auto firms in China has only been increasing, reaching a combined 80% in passenger vehicles by 2014. That the roughly 120 Chinese auto firms have a combined 20% market share in passenger vehicles in their own domestic market, after over three decades of heavy state ownership, intervention, joint-ventures, protectionism, subsidies, preferential treatment, and so on, is a spectacular failure of Chinese industrial policy. It is also in stark contrast to the success of the Japanese and South Korean automobile industrial policies. Some of the structural limitations of the Chinese political economy for establishing competitive Chinese transnational corporations are discussed in the next section.

How would you judge the chances that the growing share of BRICS countries in the global GDP will eventually translate into a corresponding rise of TNCs originating in those countries? Are BRICS diversified in the climate they create for the growth of their TNCs? If so, then which of them can be expected to achieve the greatest success in this task?

As mentioned above, the only BRICS worth discussing in this regard is China. And China already has some globally competitive TNCs such as Haier, Huawei, Lenovo, and PetroChina, as well as some more regionally competitive ones, such as CITIC Securities, Industrial and Commercial Bank of China, Geely, Xiaomi. But there are a number of uncertainties and structural barriers concerning whether China can develop international competitiveness across the sectoral diversity and depth of the EU, Japan, or the United States. One important factor is whether China can overcome its fragmented

19 Mitchell 2014.

domestic market and consolidate a handful of "national champions" that can use dominance in their domestic market as a springboard to compete abroad. The main structural barrier to this is that each of the major provinces wants to maintain, protect, and promote "their own" state-owned enterprises (SOEs). This is for example why there are around 120 automobile firms in China today. There were around 200 auto firms in the US in the early twentieth century, but they have consolidated to two and a half (General Motors, Ford, and Chrysler which is owned by Fiat). But no Chinese province wants to relinquish "their" SOEs in favor of other provinces' SOEs, and the result is continued fragmentation in the domestic market, far more than in Japan or the United States. Hence, in the key sectors that are open to foreign competition in China, such as automobiles and advanced technology, foreign firms already invariably dominate.

This is the antithesis of how Japan and South Korea developed, strongly protecting and promoting "their" national champions, to the extent that Japanese cars still dominate in Japan today and South Korean cars still dominate in South Korea. Japanese and South Korean firms can then use these secure domestic positions as springboards to compete abroad. Chinese SOEs in the vast majority

> "LIMITING DYNAMISM FOR POLITICAL REASONS IS NOT CONDUCIVE FOR CHINESE FIRMS TO COMPETE INTERNATIONALLY

of cases do not have this capacity, let alone private Chinese firms, which are structurally disadvantaged in China due to the state preference (including financially and legally) given to state-owned enterprises. And as my Masters student Liu Mingtang has pointed out, in those sectors that are dominated by Chinese SOE oligopolies (often by Chinese state decree), they present a Great Wall to economic dynamism, especially from new (usually private) firms. Limiting dynamism for political reasons is not conducive for Chinese firms to compete internationally against the most dynamic TNCs in the world.

Only a revolution in social relations within China itself could fundamentally change the structure of the Chinese political economy. This is because the power of the Chinese Communist Party in large part depends on its continued ownership of key sectors of the Chinese political economy. There are other barriers as well, such as

the continued global supremacy of American advanced technology[20] that not even the EU or Japan could dislodge after five decades (as discussed above, only Japan came close towards the end of the twentieth century, but by the dawn of the twenty-first century the US comfortably repelled Japanese competition in most advanced sectors except automobiles). In any case, the structural barriers that the nature of the Chinese political economy presents to itself seem daunting enough without considering the seven-decade global dominance of American capital, and American economic power.

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Sean Starrs is Assistant Professor of International Relations, Department of Asian and International Studies, City University of Hong Kong, and Research Affiliate, Center for International Studies, Massachusetts Institute of Technology (Under the Supervision of Noam Chomsky).

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