

THE INTERNATIONALIST PROLETARIAN

ORGAN OF THE INTERNATIONAL COMMUNIST PARTY

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WHAT DISTINGUISHES OUR PARTY: The line that goes from Marx to Lenin, to the foundation of the Communist International and the Communist Party of Italy (Livorno 1921); the struggle of the Communist Left against the degeneration of the International, against the theory of the "socialism in a single country" and the Stalinist counterrevolution; the refusal of the Popular Fronts and the Resistance Blocks; the hard work of restoration of the revolutionary doctrine and organ, in contact with the working class, outside the personal and electioneering politicking.

THE ONLY ALTERNATIVE TO CAPITALIST WAR IS WORLD COMMUNIST REVOLUTION

When analyzing the **development of capitalism in terms of the increase of military confrontation and militarism at world level**, we must not lose sight of the fact that the actions, declarations and wills of He or She are determined by the development of the productive forces which imposes itself as an external and blind law, however much it manifests itself in the heads of the intervening parties as if it were the fruit of their freely created will.

The **inevitable character of wars in capitalism** is determined by **COMPETITION for markets** and the need to periodically **DESTROY part of the productive forces** already created in order to relaunch the cycle of accumulation as Marxism has always explained (see "The Internationalist Proletarian", No. 8, p. 21). Therefore, the **explosions and shocks that happen on the surface of the capitalist world, are explained by the movements in the economic subsoil** of this world and not by the existence of this So-and-so. *(Continues on page 25)*

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Organic centralism: a vital question (IV) (page. 2)

*"The **activity of the party** cannot and should not be limited only to the preservation of the purity of the theoretical principles and the purity of the organizational complex, or only to the achievement at all costs of immediate successes and numerical popularity. It **must always and in all situations** involve the following three points:*

*a) the **defense and precision**, in relation to the new groups of facts that present themselves, of the fundamental programmatic postulates, that is, **of the theoretical consciousness of the working class movement**;*

*b) the assurance of the **continuity of the organizational complex of the party** and its efficiency, and its defense against the infections of foreign influences opposed to the revolutionary interest of the proletariat;*

*c) the **active participation in all the struggles of the working class**, even in those raised by partial and limited interests, to encourage their development, but constantly bringing to them the factor of the link with the final revolutionary objectives and presenting the conquests of the class struggle as ways of access to the indispensable future struggles, denouncing the danger of accommodating with partial achievements, considered as points of arrival, and of sacrificing to them the conditions of the class activity and combativeness of the proletariat, such as the autonomy and independence of its ideology and of its organizations, in the first rank of which is the party." (Lyon Theses, 1926).*

(Continues from "The internationalist Proletarian" n.10)

We take the analysis of the situations we are going through very seriously, but not because we are expecting surprises that would justify any improvisation. The analysis of situations is useful for us to indicate at what point in the planned course of events we are at and what action is also planned to be taken.

The tactical norms are norms derived from the program and the doctrine, but, as we have repeated many times in this writing and in so many others, they are norms that must be mandatory for the militants and for the leading organs, mostly and especially for the latter. This is the only guarantee that in every situation the Party as a whole will follow the orders of the center: clear rules of action in the execution of which all the militants are substantially committed, and not only in words.

*"The problem of the tactic, much broader than the simplistic and sentimentalist answers of the "infantile", must be further illuminated with the contribution of the whole international communist movement, and of all its past and recent experience. It is not against Marx and Lenin to affirm that **for the resolution of this problem, rules of action must be sought, which are not vital and fundamental like the principles, but which must be mandatory both for the militants and for the leading organs of the movement, and which contemplate the different possibilities of development of the situations, in order to outline with all possible precision the direction in which the party must move when these situations show certain characteristics.***

The analysis and understanding of the situations are necessary elements in order to adopt tactical decisions, but not to the extent that they can lead, according to the leadership's caprice, to "improvisations" and "surprises", rather to the extent that they will indicate to the movement that the time has come for the action that is foreseen to the greatest possible extent. The point is to anticipate what we will have to do in the different possible hypotheses over the course of the objective situations, and not to foresee the situations, which is even more unlikely to happen with certainty.

Denying the possibility of anticipating the broad lines of tactics means denying the task of the party and denying the only guarantee we can give that, in every situation, its militants and the masses will respond to the orders of the leading center. In this sense, the party is not an army, nor is it a state machinery, that is to say, an organ in which the part of hierarchical authority is preponderant and that of voluntary adhesion, null; it is obvious that for the party member there is always a way to not execute the orders, against which there are no material sanctions: abandoning the party itself.

The good tactic is the one that, with the development of situations, when the leading center does not have time to consult the party, and still less the masses, does not cause, within the party itself or within the proletariat, unexpected repercussions that could go in the opposite direction to the success of the revolutionary campaign. The art of revolutionary tactics is to anticipate how the party will react to instructions and which instructions will obtain the good reaction: this art can only be entrusted to the collective application of the experiences of

*action of the past, summarized in clear rules of action. When leaving the execution of those rules to the leaders, the militants make sure that the latter will not betray their mandate, and commit themselves substantially, and not just in appearance, to execute in a fruitful and decisive manner the instructions of the movement. We do not hesitate to say that, as the party itself is something perfectible and not perfect, much must be sacrificed to clarity, to the persuasive capacity of the tactical norms, even if this entails a certain schematization. Should the situations destroy the tactical schemes prepared by us, nothing will be solved by falling into opportunism and eclecticism, but a new effort must be made to adapt the tactical line to the tasks of the party. **It is not only the good party that gives the good tactic, but it is the good tactic that gives the good party, and the good tactic has to be understood and chosen by all in its fundamental lines.**"* (Lyon Theses, 1926).

As we have already seen in "The democratic principle" (1922) and "Communist organization and discipline" (1924) this choice has a historical character and in no way a democratic or discretionary one. It is fundamental to always remember that the formal Party is "something perfectible and not perfect", as well as that it is not enough to apparently have the documents in line with the doctrine and the program, but that "it is the good tactic that gives the good party".

The Lyon Theses also address the question of discipline and fractions, which is none other than that of the birth and development of divergences within the formal communist parties. The above quotation continued as follows: "We substantially deny that, with the demand of pure and simple obedience to one man, to one committee, or to a single party of the International and its traditional leading apparatus, it is licit to suffocate the collective effort and work of the party to define the norms of tactics." (Lyon Theses, 1926).

This was the way in which the question of tactics and discipline was posed inside the III International almost degenerated: whatever the position, whatever the contradiction with Marxism and with the previous statements of the International, the instructions of that "comrade" or the Russian Party had to be obeyed purely and simply, for the mere fact of being Lenin's comrade or Lenin's party. This procedure suffocated the necessary delineation of the tactical norms of the communist movement in a historical field of developed capitalism (and not of double revolution or pending anti-feudal revolution such as the one in which the Russian revolutionary experience had developed). At the same time that a discipline deprived of any organic foundation, discipline for the sake of discipline, deceptively labeled as "Bolshevization", was established.

"5.- Discipline and fractions. Another aspect of the slogan of Bolshevization is to consider, as a sure guarantee of the efficiency of the party, a complete disciplinary centralization and the severe prohibition of factionalism.

The final instance for all controversial questions is the international central body, in which -if not hierarchically, at least politically- a hegemony is attributed to the Russian Communist Party.

*In reality, **this guarantee does not exist, and the whole approach to the problem is inadequate.** In fact, the resurgence of factionalism in the International has not been*

avoided, rather, on the contrary, it has been stimulated under concealed and hypocritical forms. On the other hand, from the historical point of view, the overcoming of fractions in the Russian party **has not been a mechanism or a recipe with magical effects applied in the statutory field, but it has been the result and the expression of a correct approach to the problems of doctrine and political action.**

Disciplinary sanctions are one of the elements that prevent degenerations, but only if their application remains within the limits of exceptional cases, and does not become the norm and almost the ideal of the party's life.

The solution does not lie in an empty exasperation of hierarchical authoritarianism, lacking its initial investiture, either because the Russian historical experiences, although great, are incomplete, or because, in fact, in the old guard itself, custodian of the Bolshevik traditions, disagreements arise whose solution cannot be considered a priori as the best. Likewise, it neither lies in a systematic application of the principles of formal democracy, which in Marxism has no other place than that of an organizational practice that can be convenient.

The communist parties must implement an organic centralism which, with the maximum compatible consultation of the base, ensures the spontaneous elimination of any regrouping that tends to differentiate itself. This is not achieved with formal and mechanical hierarchical prescriptions; but, as Lenin says, with the correct revolutionary policy.

A fundamental element of the evolution of the party is not the repression of factionalism, but the prevention of it.

It is absurd and sterile, and moreover very dangerous, to pretend that the party and the International are mysteriously secured against any fall or tendency to fall back into opportunism. These effects may depend both on changes in the situation and on the interplay of the remainders of the social-democratic traditions. In the resolution of our problems it must be recognized, then, that every difference of opinion, which cannot be reduced to cases of consciousness or personal defeatism, can be usefully developed in order to preserve the party and the proletariat in general from severe dangers.

If such dangers were to increase, differentiation would inevitably, though usefully, assume the form of factionalism; this could lead to splits, not because of the childish motive of a lack of repressive energy on the part of the leaders, only in the event that the damned hypothesis of the failure of the party and its subjection to counterrevolutionary influences becomes a reality.

An example of this false method can be identified in the artificial solutions of the situation of the German party after the opportunist crisis of 1923. Without managing to eliminate factionalism, the spontaneous determination of the correct class and revolutionary reaction against the degeneration of the party has been hindered in the ranks of such an advanced proletariat as the German proletariat.

The danger of the bourgeois influence on the class party does not historically occur through the organization of fractions. It rather occurs through a cunning penetration that agitates a

unitary demagoguery and that operates as a dictatorship from above, immobilizing the initiatives of the proletarian vanguard.

It is not possible to individualize and eliminate such a defeatist factor by raising the question of discipline against the attempts of fraction, but by managing to orient the party and the proletariat against this insidiousness at the moment when it takes the shape not only of a doctrinal revision, but also of a positive proposal in favor of an important political maneuver of anti-classist effects.

One of the negative aspects of the so-called Bolshevization consists in replacing the complete and conscious political elaboration within the party, which corresponds to an effective progress towards the most compact centralism, by an external and clamorous agitation of the mechanical formulas of unity for the sake of unity and discipline for the sake of discipline.

The results of this method damage the party and the proletariat, and delay the achievement of the "true" communist party. This method, applied in many sections of the International, is by itself a serious symptom of latent opportunism. In the present situation, in the Comintern the constitution of an international left opposition is not in prospect; but, should the development of the unfavorable factors mentioned above continue, the formation of such an opposition will be, at the same time, a revolutionary necessity and a spontaneous expression of the situation." (Lyon Thesis, 1926).

As we have already said many times, it is absurd and dangerous to pretend that the Party (just like the International) is immune to any fall back to opportunism. And if such a phenomenon were to happen, it would not be solved either by an empty exasperation of hierarchical authoritarianism or by the application of formal democracy. The point is to prevent these situations, through the correct approach of the tactics and the maximum possible participation in each moment of the whole Party in the development of its activity, spontaneously eliminating from inside our organization any grouping that tends to differentiate itself from the continuity of positions and actions along which the Party develops in its granite unity of doctrine, program and tactics.

We have to make an aside and remember, as the representative of the Communist Left (then Abstentionist Communist Fraction of the ISP) defended in the II Congress of the III International, that: **"In the confrontations or questioning of the program there is no discipline. Either it is accepted or it is not accepted; and in the latter case one leaves the party. The program is something common to all of us, it is not a proposal of the majority of the comrades."**

We cannot accept divergences in relation to the doctrine, program and tactics of the historic Party. Whoever does not agree with the continuity of doctrine-program-tactics of Marxism has total freedom to leave our ranks or to not join them, but whoever decides to join them is not allowed to change anything. The questions are resolved specifically in the light of the continuous collective study of this common heritage within the framework of the development of the Party's activity. If the divergences could not be solved in this way, it would mean that they are real challenges to the program. In this case any procedure of personal obedience or submission to the numerical majority would be impotent to avoid the rupture.

The misnamed "Bolshevization" was intended to impose an artificial and disciplinary solution to all the organizational problems derived from the tactical improvisation and the

progressive abandonment of the principles and aims of the communist movement by the III International. It manifested in the organization of the parties in factory cells. With this method the unifying function and the overcoming of the corporatist limitations that the Party should have, was blocked. Instead, the prison-like progress of ongoing degeneration was greatly facilitated.

"Organizational questions (...) The motto of the organization of the parties on the basis of the cells, issued after the Fifth Congress, does not achieve its objective, which was to eliminate the defects unanimously noted in the sections of the International.

*By its generalization, and above all with the interpretation given to it by the Italian Central, this motto is open to serious errors and to a deviation, both from the **Marxist postulate according to which the revolution is not a question of forms of organization, and from the Leninist thesis according to which an organic solution can never be valid for all times and places.***

*Regarding the parties acting in the present time and in the bourgeois countries with a stable parliamentary regime, the type of organization by cells is less adequate than that of territorial basis. Moreover, it is a theoretical error to affirm that the territorially based party is a social-democratic party, while the party based on cells is a true communist party. In practice, the second type makes it less easy to develop **the unifying task of the party among the proletarian groups of category and industry**, a task all the more important the more unfavorable the situation and the more reduced the possibilities of proletarian organization. Various practical disadvantages accompany the organization by cells, considered as the exclusive basis of the party. In Czarist Russia, on the other hand, things were different, because of the different relations existing between the industrial employers and the State, while the corporate danger was less serious because the central question of power was posed imminently.*

By having in all its higher knots a network of non-worker or ex-worker elements constituting the apparatus of the functionaries, the cell system does not increase the influence of the workers in the party. In relation to the defects of the method of work of the International, the Bolshevization motto, in the organizational aspects, corresponds to a pedestrian and inadequate application of the Russian experience. It already tends in many countries to a system of immobilization, however involuntary, of the spontaneous initiatives and of the proletarian and class energies, on the part of an apparatus whose selection and function are developed with largely artificial criteria.

To conserve in the party the territorial base organization does not mean renouncing to have party organs in the factories: these must be communist groups linked to the party and directed by it, and inserted in the party's trade union framework. This system resolves much better the contact with the masses and keeps less visible the fundamental organization of the party." (Lyon Theses, 1926).

We will conclude with the characterization of the Party's activity, as it is definitively set out in the Lyon Theses:

"The activity of the party cannot and should not be limited only to the preservation of the purity of the theoretical principles and the purity of the organizational complex, or only to the achievement at all costs of immediate successes and numerical popularity. It must always and in all situations involve the following three points:

a) the defense and precision, in relation to the new groups of facts that present themselves, of the fundamental programmatic postulates, that is, of the theoretical consciousness of the working class movement;

b) the assurance of the continuity of the organizational complex of the party and its efficiency, and its defense against the infections of foreign influences opposed to the revolutionary interest of the proletariat;

c) the active participation in all the struggles of the working class, even in those raised by partial and limited interests, to encourage their development, but constantly bringing to them the factor of the link with the final revolutionary objectives and presenting the conquests of the class struggle as ways of access to the indispensable future struggles, denouncing the danger of accommodating with partial achievements, considered as points of arrival, and of sacrificing to them the conditions of the class activity and combativeness of the proletariat, such as the autonomy and independence of its ideology and of its organizations, in the first rank of which is the party." (Lyon Theses, 1926).

The Party perseveres in the continuation of this activity as a unitary mechanism, distributing tasks and functions among its members according to their possibilities and aptitudes, considering all its adherents as instruments or operators of a collective conscience and will, for the implementation of a tactic tied to the doctrine and the program that is developed within well determined limits known by the group of militants, cultivating a true centralization and unity in its action and organization. In the execution of this activity, frequent meetings are held in each territorial section and also general and regional meetings, of international character, which are of study and organization; the communication between the different groups of comrades is guaranteed for a greater collective use of all the contributions; the clarification and correct approach of the events and of the intervention of the Party in them is carried out through the collective study of the fundamental texts; the study of the course of capitalism is carried out on the basis of the Marxist theory demonstrating the validity of its scientific approach in the facts of economic development; the Party magazine is prepared, translated and published in various languages; the intervention of the militants in the struggles of the working class is carried out, drawing the lessons from them, outside the electoral circus and parliamentary gossip. And all this is done without the need to hold any pompous congress with speeches and opposing theses, after which free rein is given to the deceitful celebration of the vote to choose which mosquito with pretensions of eagle is going to be the next traitor to communism.

In the next issue of this review, we will concentrate on the other side of the coin that we have been exposing here, that is to say, what was the development and manifestation of democratic centralism inside the Communist International in its process of degeneration.

**Alternativa al sistema
mercantil capitalista**

(Dcoumentary in Spanish)



CENTRAL BANKS: MARIONETTES UNDER THE CONTROL OF MORE POWERFUL FORCES

Where has all the capital injected by the central banks gone?

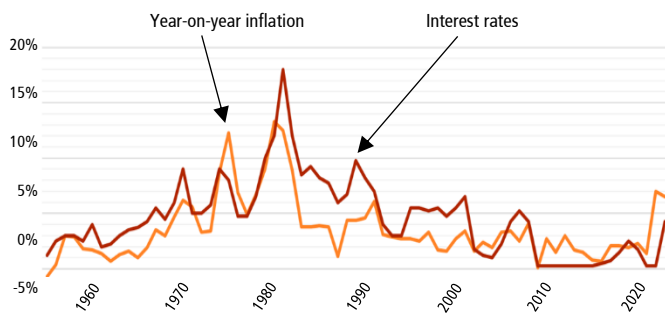
As we published in "The Internationalist Proletarian" No.9, since the beginning of 2020: *"central banks have injected 32 trillion dollars into markets around the world."* (Expansión, 03-01-2022). Now we can compare it with the following data, one year later: *"Global stocks and bonds lost more than \$30tn for 2022."* (Financial Times, 30-12-2022).

The conclusion is obvious: the capital injected by the central banks into the drugged economy of world capitalism was transferred to the swelling of the world speculative bubble and has subsequently been incinerated when this bubble burst.

Getting some perspective on inflation

It is worthwhile to look at the sequence of interest rates compared with the sequence of year-on-year inflation since 1954. From an initial observation it is obvious that neither index currently approaches the two preceding historical peaks in 1973-74 and 1979-80. Secondly, it is noticeable that the interest rate has been above inflation in general except in 1972-1974, 2002-2005 and since 2008.

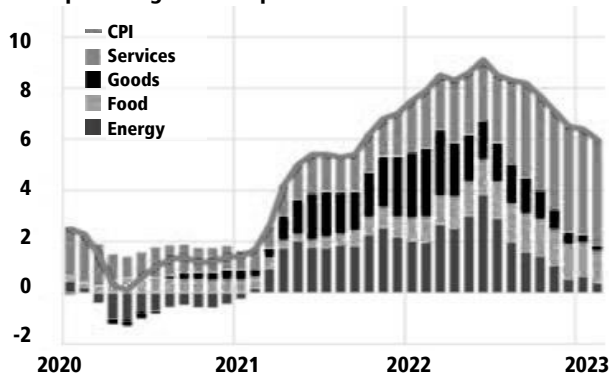
Year-on-year inflation vs. Fed interest rates



Inflation evolution in the US

Going back to the most recent period we see that inflation in the US peaked in June 2022 at 9.1% year-on-year, starting to gradually decline from that point onwards.

Annual percentage and components of inflation in the US



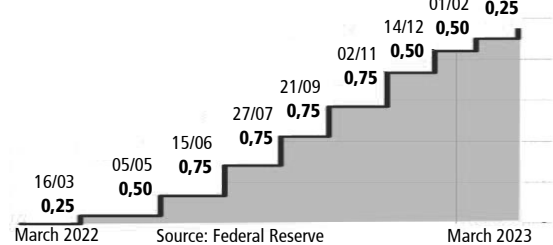
Sources: Eurostat, US Bureau of Labor Statistics and ECB calculations

In the breakdown of inflation by its different components, the elements that first made it grow and then marked its decline appear clearly drawn: the increase in the price of energy and the increase in the price of goods. That is to say, the two elements that have reacted to the electroshock self-administered by capitalism with the confinements and subsequent epileptic resumption of circulation. Incidentally, it can be observed in the last section a temporary transfer of the price increases to food and services, although the total sum is decreasing. In the part of the review dedicated to the gradual easing of the supply chain

inflammation and the energy price convulsions, we will look at the evolution of the processes that at the time triggered inflation and are now slowing it down.

Here we want to assess the effect of central bank monetary policy (not to be confused with government spending on investment, subsidies and aid) on this decline in inflation.

Fed interest rate hikes in percentages



The Fed began raising rates in March 2022, reaching the 1.5% level in June 2022. The question to consider is whether the increase in the cost of financing resulting from a 1.5% interest rate (or 2.25% the following month) has the restrictive capacity to placate an inflation rate that stands at 9.1%.

The increase in the interest rate is intended to make credit more expensive with the idea of slowing down demand. But let us now say that you expect that what you buy for 100 today will be worth 109.1 a year later (9.1% inflation). It doesn't look like you are going to hold back from taking the 100 on credit today knowing that you are going to have to pay back 101.5 (1.5% interest). In fact, you save 7.4: whether it is for resale or consumption, it still works out to borrow and buy today. The real phenomenon is more complex, but in any case, in June 2022 rates were far from having a really restrictive effect.

Monetary injection (interest rate cuts, quantitative easing) can produce inflation, yes, and monetary tightening can reduce inflation, yes, but both provided certain conditions are met. Under other conditions, it proves impotent (as from 2008 to 2019) or has a mostly secondary effect (as currently).

In general, the famous monetary policy always lags behind and, rather than having a direct influence, always reacts belatedly to more powerful forces that drive the depths of the capitalist system.

All the chaotic caroms that we will see below, produced by the action of the different agents of capital, prove the actuality and validity of the words of the Manifesto of 1848 when it states that the bourgeoisie: *"is like the sorcerer who is no longer able to control the powers of the nether world whom he has called up by his spells."* (Manifesto of the Communist Party, 1848).

Interest rate hikes by central banks

Most of the world's central banks (with the notable exception of the Chinese central bank as we will see at the end of this article) have proceeded to raise interest rates, to slow down the intake of new debt on their balance sheets and to try to gradually start getting rid of it (see chart on next page).

World capitalism's withdrawal syndrome

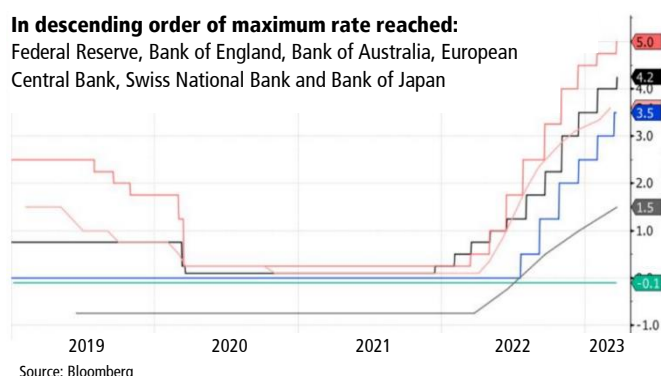
As happens to heroin addicts, every time the capital injections are discontinued, the withdrawal syndrome reappears.

The Bank of England had started to reduce its balance sheet, but had to abruptly reverse the process. The reason was the fiscal reform that the Prime Minister intended to implement and which generated a massive debt sell-off in the face of speculators' distrust of the UK's resulting ability to pay: *"The Bank of England*

has extended its emergency £65 billion bond-buying program." (Financial Times, 11-10-2022). Once the puppet which wanted to rule over the capitalists has been removed, the Bank of England has resumed the path of gradual reduction of its balance sheet, until the next shock.

In descending order of maximum rate reached:

Federal Reserve, Bank of England, Bank of Australia, European Central Bank, Swiss National Bank and Bank of Japan



Source: Bloomberg

In Japan, "the BoJ bond buying on Friday marked the third day it made unscheduled purchase offers and increased December's buying total to about ¥17tn (\$128bn) (...) On top of its scheduled daily bond-buying operations targeting the 10-year notes, the central bank's operation on Friday extended the buying offer to bonds of between one and 25-year maturities to a total of ¥1tn." (Financial Times, 30-12-2022).

And we cannot forget that no longer expanding the balance sheet or even reducing it does not mean no longer intervening as a buyer in the debt market. "Since July 2022, the ECB has not been buying new debt securities to swell its balance sheet. However, it does preserve the size of the already existing portfolio by acquiring bonds to replenish those that are progressively reaching maturity. (...) the institution continues to have a more than notable presence in the market and will acquire bonds worth more than 180 billion euros in 2023." (Expansión, 16-01-2023).

Nothing more and nothing less than buying 180 billion euros a year to reduce the balance sheet!

We will see a few pages later what has happened to the balance sheet of the spiritual guide of the other central banks, the Fed.

Why does rising interest rates burst the speculative bubble?

Where the rise in interest rates does have an immediate impact is in the bursting of the speculative bubble, as explained in Part 5 of Book III of Capital:

"But in all these cases, the capital, as whose offshoot (interest) state payments are considered, is illusory, FICTITIOUS capital. (...) The formation of a fictitious capital is called capitalisation. Every periodic income is capitalised by calculating it on the basis of the average rate of interest, as an income which would be realised by a capital loaned at this rate of interest. For example, if the annual income is £100 and the rate of interest 5%, then the £100 would represent the annual interest on £2,000, and the £2,000 is regarded as the capital-value of the legal title of ownership on the £100 annually. For the person who buys this title of ownership, the annual income of £100 represents indeed the interest on his capital invested at 5%. All connection with the actual expansion process of capital is thus completely lost, and the conception of capital as something with automatic self-expansion properties is thereby strengthened.

Even when the promissory note – the security – does not represent a purely fictitious capital, as it does in the case of state

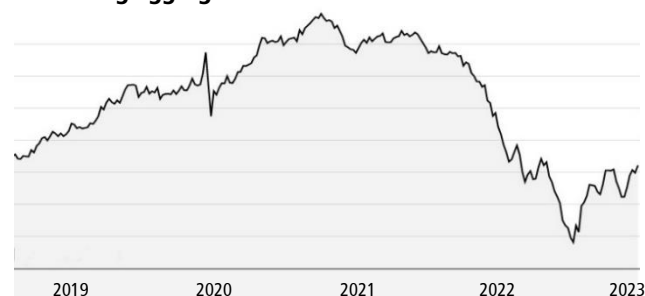
debts, the capital-value of such paper is nevertheless wholly illusory. (...) the **price of these securities rises and falls inversely as the rate of interest**. If the rate of interest rises from 5% to 10%, then securities guaranteeing an income of £5 will now represent a capital of only £50. Conversely, if the rate of interest falls to 2½%; the same securities will represent a capital of £200. Their value is always merely capitalised income, that is, the income calculated on the basis of a fictitious capital at the prevailing rate of interest." (Capital, Volume III, Part 5, Chapter XXIX, K. Marx).

The monetary withdrawal syndrome

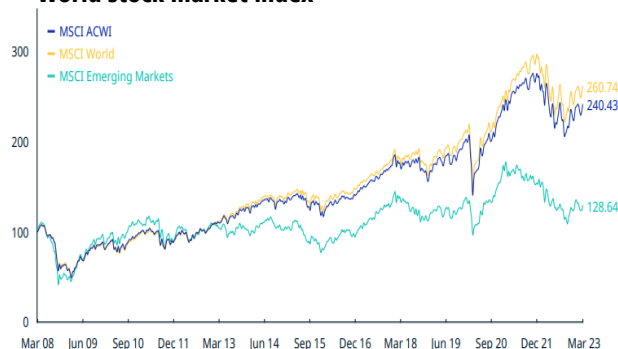
The withdrawal of the injections to the capitalist economy addicted to capitalism are only possible through an enormous withdrawal syndrome that takes the form of the bursting of the speculative bubble, through the massive destruction of the speculative capital: "**an enormous quantity of these bills of exchange represents plain swindle, which now reaches the light of day and collapses**; furthermore, unsuccessful speculation with the capital of other people; finally, commodity-capital which has depreciated or is completely unsaleable, or returns that can never more be realised again." (Capital, Volume III, Part 5, Chapter XXX, K. Marx).

The following charts show the preceding accumulation of the swelling and the subsequent pinch in the fixed income market and in the aggregate of the world stock markets. For fixed income, the onset of the slowdown is in January 2021 and for both the all-bond index and the fixed income aggregate, the sharpest drop is between February and October 2022.

Bloomberg aggregate fixed income



World stock market index



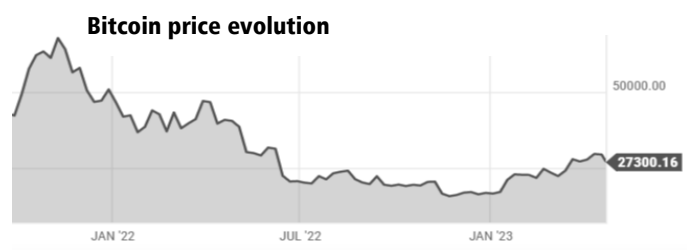
What is the reason for the most recent rebound?

Both graphs show a rebound at the beginning of 2023, which is due to the fact that, despite the rhetoric and the attempt to withdraw liquidity, in reality an effective injection of liquidity has been taking place, even before the last US injection that we will see later on: "(...) combined injection of liquidity of more than one trillion euros made in recent months by several central banks: the European, the Japanese and the Chinese. In the case of the ECB, this flood of money would have been produced by the withdrawal of some 300 billion euros in deposits held by governments in that institution. The Bank of Japan would have

dedicated 500 billion dollars to buy bonds, and the Bank of China would have lent 400 billion dollars to the country's entities." (Expansión, 14-02-2023).

The cryptocurrency crash

Another element of the speculative bubble that has collapsed sharply is the cryptocurrency bubble. The left side of the chart shows the decline and the right side shows the current rebound. Press headlines as of the date of publication of this review no longer show the left side of the graph, which is very consistent with the capitalist's mental framework.



From today's investor's point of view, how important can the past be if here and now the price is rising? But the price will fall again at the next crash and the last to buy will lose the most. The analysis of the previous crash illustrates well the inevitable fate of the small investors, the future ruined: *"According to the Bank for International Settlements (BIS), (...) the average bitcoin investor loses approximately 50% of his investment (...) there is evidence that "large investors sold their positions at the expense of retail purchases". (...) The organization assures that in economies such as Brazil, India, Pakistan, Thailand and Turkey, practically 80% of users are registering losses. In the case of Spain, (...) the volume of users in losses would be around 70%-80% (...)"*. (Expansión, 03-03-2023).

Central banks' losses

Central banks have gobbled up tons of debt that are now part of their balance sheet. The price of this debt, which they bought for a price that it no longer has, is DEPRECIATING as a result of the interest rate hikes carried out by the banks themselves. This in turn means LOSSES for these banks, as a result of their own actions.

"The Fed's last financial update, in September 2022, reveals paper losses of almost \$1.3tn during the first three quarters of that year. Since then, 10-year Treasury yields have round-tripped from around 3.5 per cent to 4.25 per cent and back, suggesting the losses may be similar today. (...) The Fed's net income – mainly, the difference between what the Fed earns on its bond portfolio, and what it pays out to commercial banks on their reserves at the Fed – has also turned deeply red. The US central bank is now losing around \$1bn per week. In 2023 the Fed is likely to turn in its first annual operating loss since 1915. (...) The Fed is not unique, however. All major central banks have haemorrhaged enormous mark-to-market losses over the past year. The Swiss National Bank is sitting on paper losses of \$143bn. The Bank of England's hole is over \$200bn. At the Bank of Canada, it's \$26bn." (Financial Times, 01-02-2023).

The ECB *"presented its 2022 results with a net profit of zero, thanks to the release of €1.6 billion in provisions it had accumulated, which it has used to offset what would otherwise have been a year of heavy losses. (...) Last year is the first in which it has not generated returns since 2007, when it was also forced to leave its profit at zero and release provisions. (...) To locate a year of real losses you have to go back to 2004: it lost over €1 billion."* (Expansión, 24-02-2023).

As we will see soon, this is the same mechanism that would cause a commercial bank to fail. Fed analysts reassure themselves that "the Fed's mandate is neither to make profits nor to avoid losses". But if central banks are unable to avoid losses, if their own actions cause them losses, what will happen to commercial banks and companies subject to the same dynamics?

Debt devaluation and refinancing difficulties

Rising rates have reduced corporate debt bond issuance: *"Corporate bond issuance in Europe was down 38% in the second quarter compared to the same quarter in 2021, with €151 billion and 243 issues."* (Expansión, 11-10-2023).

The value of existing debt has also plunged, triggering its profitability, with the "only hypothetical risk" being that the company collapses and defaults. In any case, it represents a loss for those who have bought at nominal value and are forced to sell before maturity.

"Santander, Telefónica or CaixaBank have bonds that are currently trading below 70% of the price at which they were sold, which in a few years will return 100% to their owners, with the only hypothetical risk of one of them going bankrupt along the way, and which meanwhile give a yield of up to 8.5% per year. Repsol and Iberdrola also have debt below 80%, while there are BBVA issues that are just above that level. (...) there are not a few European entities with better credit that now have bonds trading at levels close to or even below those caused by the Lehman Brothers crash that unleashed the financial crisis, according to several investment banks. (...) fixed income guarantees that the investor will obtain 100% of the nominal amount at maturity. The only obstacle would be the collapse of the company." (Expansión, 11-10-2022).

"Bank of America has conducted a study to determine the amount of debt that 800 US companies (...) the companies scrutinized will face the repayment of \$2.2 trillion (over €2 trillion) of their bonds and loans over the next three years." (Expansión, 23-11-2022). The problem will arise when the debt incurred at a ridiculously low interest rate cannot be repaid and the borrower will have to re-indebt by paying a much higher interest rate.

Deposit rates are reluctant to go up

Let us take the evolution of Spanish bank deposit rates as a mirror of the general situation in the EU *"between January and May, companies suffered negative rates of between 0.09% and 0.24% in the one-year term, where the bulk of contracting is concentrated (...) the average interest rate on new deposit transactions for non-financial corporations rose for the fifth consecutive month and stood at 0.73%. This is the highest level since 2014."* (Expansión, 03-12-2022). Despite the rise of interest rates, the tremendous excess liquidity is blocking the rise of deposit rates. They are no longer negative, but are reluctant to rise at the same level as interest rates. It can be observed that, for this reason, the ECB deposit rate largely determines the interest on deposits: *"The monetary authority pays financial institutions 0.75%, the equivalent of the deposit rate, for the 4.5 trillion euros of excess liquidity that they leave parked in Frankfurt. This is in addition to the conditional loans to banks (TLTROs) for which it also pays relevant amounts and which largely do not mature until June 2023."* (Expansión, 20-10-2022).

Minor speculators and treasury bonds

As yields on deposits remain low due to excess liquidity, there is a shift of investors towards treasury bonds. In the Spanish State, after a series of auctions with a demand that exceeded the

amount of debt auctioned, the demand has been gradually reduced at the same time as the volume of large investors decreased and the influx of small investors multiplied.

In two consecutive auctions in March 2023, this was the situation: *"Although the volume remained strong, it was down by no less than 15% compared to the previous auction (...) small investors took approximately 30% of the entire placement"* (Expansión, 08-03-2023). *"The new State Treasury auction was marked by high demand, (...), 3.13 times the amount finally allotted. (...) The drop in demand in this auction compared to the previous one was due to lower demand from institutional and professional investors (...) The weight of retail investors is increasing and, on this occasion, they took a record figure of almost 45% of all the debt auctioned."* (Expansión, 15-03-2023).

Euribor, out of control

The Euribor index for terms of up to three months is out of control. Excess liquidity makes short-term financing operations between banks practically unnecessary and most of the operations used to calculate the index do not come from the main market but from operations of previous days or from other markets, turning it into a fictitious reference.

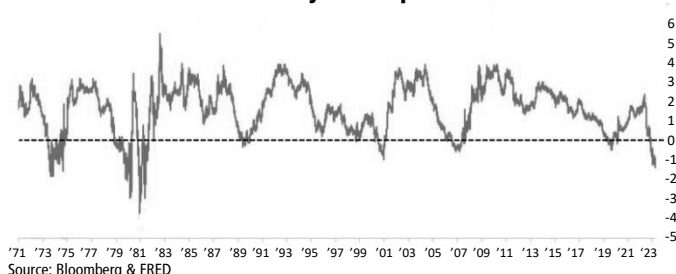
Bank share prices at lows

The flagships of finance capital, the banks, have not been doing very well in recent times in the TEMPLE of finance capital, the stock market: *"Banks are trading at 0.8 times their book value; other sectors are trading at 2.7 times book value (...) The profits of large European banks are rising sharply thanks to the four interest rate hikes in 2022. And the loan portfolio has significantly improved the banks' net interest margin for the first time in many years. However, not enough for profitability to make the necessary leap to cover the so-called cost of capital, the minimum requirement demanded by any shareholder who wants to invest in the sector. (...) More than half of the banks in the world have a profitability below the cost of capital and that makes them trade below their book value. (...) In Europe, only 25% of the 300 largest European banks trade with a capitalization above their book value."* (Expansión, 03-01-2023).

The yield curve inversion again

The following graph shows that the yield curve has been inverted in the US since June 2022 (see "The Internationalist Proletarian", No.9, April 2022, page 19).

10-Year to 3-Month Treasury Yield Spread



Bloomberg Global Agg 10+ year yield spread to 1-3 year yield



In the case of the EU, the curve at the time of writing this issue is also inverted. As the previous graph shows, the phenomenon was also occurring globally at the end of November 2022.

Bank failures in the US

In the context described above, on Friday, March 10th, 2023, the US bank Silicon Valley Bank failed. It is a small bank that alone will not bring down the US banking system, as are the other banks affected in a short time: Signature Bank (failed), First Republic Bank and Western Allianz Bank.

However, the sequence of events that led to its bankruptcy is very illustrative: *"it quadrupled its deposits to \$189 billion in just four years – between 2017 and 2021 – while the bank's loan portfolio only increased from \$23 billion to \$66 billion during the same time. (...) The bank decided to invest its excess liquidity in US treasury bills and mortgage-backed securities (MBS), whose value has fallen due to rising rates (...) Booked at maturity, they did not incur any accounting losses to date. The bank's customers, mostly start-ups, decided to withdraw their money out of necessity, so the bonds had to be liquidated, thus making the losses effective."* (Expansión, 14-03-2023).

In other words, the overproduction of capital (which already existed and was multiplied by central bank injections) produced an increasing inflow of money into deposits and, at the same time, reduced the general need for credit. Since it was not possible to lend the capital parked in deposits to others through credit, it was invested in mortgage-backed bonds and US Treasury bonds.

The subsequent interest rate hike by the Fed has produced the stock market and bond market rout described above. Technology companies, which are the type of company in which the bank had specialized, were hit particularly hard. As these companies withdrew their money from deposits, the bank had to start selling Treasury bonds on the secondary market. And it had to sell them at their current, devalued price.

We have seen above that the price of this fictitious capital is determined by the interest rate. Why would someone buy on the secondary market a bond with a face value of 100 that will yield only 0.5% if one can buy another on the primary market with a yield of 3%? If the first bond is to be sold in the secondary market, its price will have to be adjusted downward so that the yield to maturity is equivalent.

Had this sudden need for liquidity not occurred, it would have held the bonds until the maturity date and the small bank would still be standing. But the sudden need happened and took the bank down with it. The "hypothetical risk" we have seen before, materialized.

Fortuity occurs at the intersection of necessary processes. The little SVB is not going to take the US economy by storm, but here's the question:

How many more banks and companies bought treasury bonds and other debt that has now been drastically devalued?

How many will be assaulted by the sudden need for liquidity that will impose losses on them?

The action of the ideal total capitalist

The US State guaranteed all deposits (but not stocks or bonds), even above the theoretical limit of \$250,000 to try to stem the flight of deposits from small banks: *"Among 124 small- and mid-cap US banks, more than a hundred closed the day in the red."* (Expansión, 14-03-2023).

A line of financing based on the face (not real) value of the banks' bonds was also opened. In other words, heroin is again

dispensed to the heroin addict: *"Lenders will be able to draw on the Fed's lending facilities for up to a year by pledging collateral such as government bonds, which will be valued at face value."* (Financial Times, 13-03-2023).

Besides, the agents of capitalism will always find one or more individuals to blame, so as to save the system. These individuals are the Silicon Valley Bank executives who sold off packages of shares before the disaster or the president of the Saudi National Bank who made the insubstantial statements that precipitated - after three previous years of agony - the bankruptcy of Credit Suisse and its purchase by UBS (with an approximate loss of 1 billion for the SNB).

On the contrary, we Marxists claim that it is the system that is in crisis, as we have seen up to this point and will see next.

The US public debt ceiling

Before continuing, let's look at the current state of health of the State that stands as guarantor of bank deposits and its own Treasury bonds:

"The market has overlooked – for the moment – what happened on January 19, when the US government reached the public debt ceiling (31.4 trillion dollars) that Congress allows it to reach (...) "there is a high probability that this year will be much worse than in 2011", when there was only an agreement several days after the Treasury ran out of financing capacity and S&P lowered the rating of the United States, taking away the Triple A (...) S&P never upgraded again the AA+ with which it left the largest economy in the world." (Expansión, 26-01-2023).

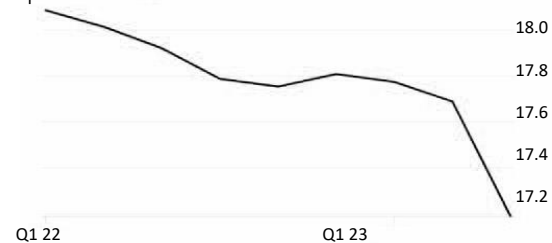
Transfer of deposits from small to large banks and leakage out of the banking system

Despite the US action, the insecurity in relation to smaller banks has determined a flow of deposits to larger banks: *"Small banks in the United States suffered in one week the outflow of \$109 billion in deposits (...) the country's largest banks recorded an increase of \$120 billion in deposits (...) It represents the first annual drop in deposits in small banks since 1986"*. (Expansión, 28-03-2023).

There has not only been a transfer from small banks to large banks, but also outward from the banking system as a whole. As we have illustrated above with the case of the Spanish banks, the overproduction of capital (excess liquidity), combined with the rise in interest rates is generating a hemorrhage in the deposits of U.S. banks.

Commercial bank deposits in the US

Deposits in billions of dollars



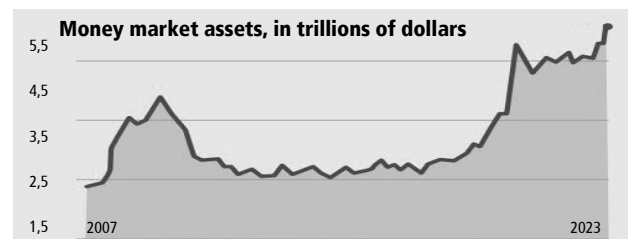
Source: Financial Times, 11-04-2023

As can be seen in the graph, this bleeding has been accentuated after the SVB bankruptcy but its beginning is dated a year earlier, already in December 2022: *"Deposits at US banks have fallen by more than \$461 billion (431 billion euros) since the end of August, to \$17.6 trillion, according to Fed data."* (Expansión, 15-12-2022).

Here again, what appears as the most immediate cause is actually one of the consequences of a deeper cause, which was already operating before the additional catalyst was produced and determines both phenomena.

Shift to money market funds

Part of the shift has been to the *"money market, which has grown in terms of assets under management by more than \$300 billion in the last four weeks."* (Expansión, 25-03-2022).



Source: Bank of America

"Money market funds invest in a variety of short-term cash-like instruments. These include Treasury bills — US government securities that mature in a year or less — as well as repo agreements, a type of short-term lending secured by bonds that the borrower owns. Some money funds also invest in short-term corporate IOUs known as commercial paper. Right now, though, a massive chunk of the total appears to be simply warehoused in the Fed's overnight reverse repo facility rather than finding its way back into the economy." (Bloomberg, 31-03-2023).

In the current context of capital overproduction, injections of capitalism fail to be integrated into production, and yet, after the abstinence spasm, injections are once again unleashed.

Injection of dollar liquidity to central banks

To ensure the supply of dollars, the ECB and the central banks of Canada, Switzerland, the United Kingdom and Japan have agreed with the Fed to move the frequency of liquidity swaps from weekly to daily, starting on March 20th and lasting at least until the end of April: *"Foreign central banks liquidated Treasury holdings at the fastest clip in nine years and tapped a key Federal Reserve facility to raise cash as banking stress roils markets. (...) At the same time, the US central bank's recently-established Foreign and International Monetary Authorities, or FIMA, repurchase agreement facility was tapped for a record \$60 billion, data show, dwarfing the \$1.4 billion peak reached during the height of the pandemic."* (Bloomberg, 24-03-2023).

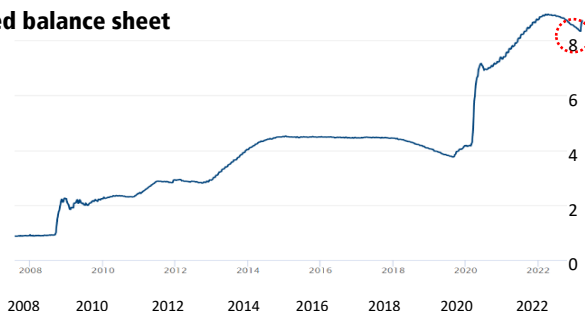
Injection of liquidity to US banks

US commercial banks are making heavy use of the liquidity injection mechanism: *"Borrowing through this program, which allows banks to pledge at face value the bonds on their books, increased to a daily average of \$34.6 billion (...). This Wednesday, borrowing exceeded \$50 billion."* (Expansión, 25-03-2023).

Fed balance sheet swells again

And as a result of the renewed liquidity injection: *"In the slightly more than two weeks that the emergency liquidity tool for banks, known as BTFP, has been in place, the institution's balance sheet has risen by more than \$400 billion. This means that the volume of assets has returned to \$8.7 trillion and is just \$200 billion short of the all-time high reached in March 2022."* (Expansión, 03-03-2023).

Fed balance sheet



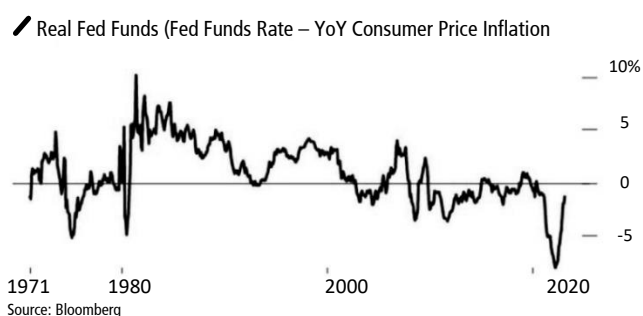
What about debt with a negative nominal yield?

In January 2023 the bourgeois press was celebrating the demise of bonds with negative nominal yields, with words like "requiem to negative debt", "end of an era" and the like.

But a little more than two months later: *"In these stormy weeks, the volume of negative interest-bearing debt has risen to two trillion dollars worldwide. That is back to levels not seen since the summer of 2022, a time when some central banks had not yet even abandoned the price of money below 0%. (...) It is the volumes recorded outside Japan that have put negative-return securities back on the market map. Investors have bought notes and short-term bonds with a negative return in the secondary market."* (Expansión 25-03-2023).

What about real bond yields?

To see this, we have to discount inflation and then we see that a large mass of bonds actually has negative yields. The result for the US is the following graph:



Will the Fed be able to stick to its plan to raise interest rates?

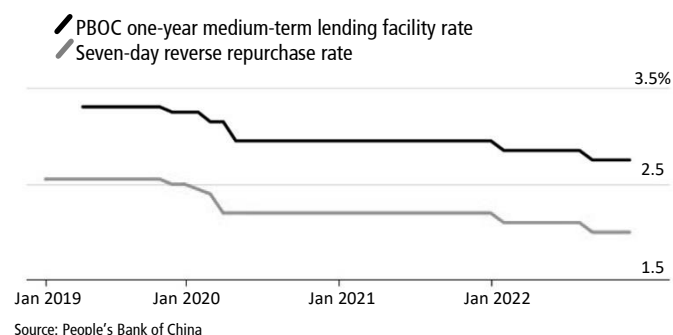
The facts above illustrate how it is not the will of the central banks that governs the economy, nor their monetary policy, but that they are effectively marionettes under the control of more powerful forces.

Independently of the electroshocks that capitalism manages to apply to itself in the form of wars, crises and collapses, the historical tendency of its development is to the relative overproduction of capitals: the tendency to the reduction of the unit value of commodities, the decreasing tendency of the rate of profit with its corresponding decreasing tendency of the rate of interest and the swelling of fictitious capital (see "The Internationalist Proletarian" No. 6, p. 9).

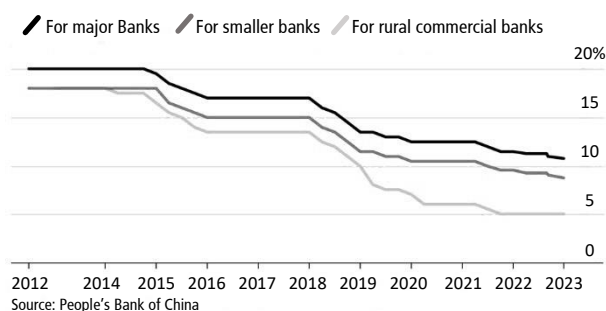
Any illusion of escaping from these laws of the development of the capitalist system in the long run is just that, an illusion of the marionettes of this very system. Attempts to impose their will on the capitalist economy always end up with the capitalist economy violently imposing its necessity on the unconscious agents of capital.

The actions of the Central Bank of China

Interest rates in China have tended to decline in recent years (see "The Internationalist Proletarian" No. 9, p. 20):



Reserve requirements for banks have also been progressively reduced, most recently in March 2023.



Chinese companies on world stock exchanges

The US Congress *"passed legislation to speed up the timeline for kicking companies off the New York Stock Exchange and Nasdaq if Washington regulators can't fully review their audit work papers. (...) The provision (...) speeds up the delisting process to two years from three and could affect roughly 200 companies from Hong Kong and China that trade on US exchanges."* (Bloomberg, 23-12-2022). Yet it is symptomatic that it is being approved just when the regulator claims to have finally obtained the necessary access. Meanwhile, *"Ten companies debuted on the Shanghai and Shenzhen stock exchanges, raising a total of \$3.1 billion (€2.85 billion)."* (Expansión, 11-04-2023).

Capital is impersonal, it has neither homeland nor nationality, and so Chinese companies are conquering the Swiss stock exchange and as many others as necessary: *"Nine Chinese companies went public in Zurich last year, raising 3.2 billion dollars (3 billion euros), (...). This figure far exceeds the \$470 million they raised in New York, according to Dealogic data. (...) if all the Chinese companies that have announced plans to debut on the trading floor go ahead, 'it will be more capital than was raised in all the European IPOs last year'."* (Expansión, 08-03-2023).

Gestation of dollar displacement

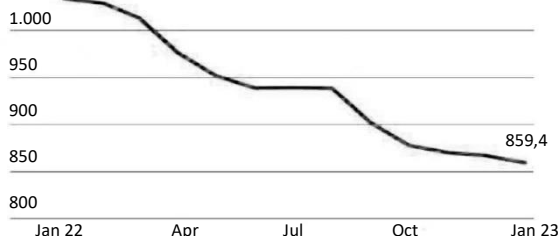
With the use of the dollar's position as a weapon of war against Russia, the tendency of the other capitalist powers to equip themselves with alternative means and instruments of payment to the dollar has accelerated. In addition, the swings in the strength of the dollar *"will also result in an additional reason for the rest of the world bourgeoisies to settle their trade in other currencies so as not to be subject to the Fed's swings against the dollar."* (The Internationalist Proletarian No. 10, p. 9).

The central banks of China, Russia, Turkey, Uzbekistan, Qatar, are buying extraordinary amounts of gold: *"Data compiled the World Gold Council, an industry-funded group, has shown demand for the precious metal has outstripped any annual amount in the past 55 years. (...) In 1967, European central banks bought massive volumes of gold from the US, leading to a run on the price and the collapse of the London Gold Pool of reserves. That hastened the eventual demise of the Bretton Woods System (...) Last month the WGC estimated the world's official financial institutions have bought 673 tonnes. And in the third quarter alone central banks bought almost 400 tonnes of gold, the largest three-month binge since quarterly records began in 2000. (...) China had bought tonnes of gold around the high-200s mark."* (Financial Times, 29-12-2022).

On its side, China has dumped some 200 billion in U.S. Treasury bonds since January 2022.

US treasury bonds held by China

Billions of dollars. Source: U.S. Department of the Treasury



The preparation of new alternative currencies

Regarding the currency as an instrument of circulation and as a means of payment, several alternatives are being developed which, if they materialize, will erode the channels dominated by the dollar: "The Brazilian government announced on Wednesday an agreement with its Chinese counterpart to carry out transactions in their own currencies, (...) converting Brazilian reais to yuan, and vice versa, avoiding the conversion to dollars, as is customary in international transactions". (El Universal, 29-03-2023).

Moreover, part of the Saudi oil may be purchased in yuan and the current sale and purchase of Russian gas and oil in rubles, rupees and yuan.

"The BRICS group of countries, (...) is working on creating a new form of currency to (...) be used for trade (...) during a Russian-Indian business forum being held in New Delhi, India. (...) the single BRICS currency could be backed by gold, metals, land, tracts of land and other commodities. (...) finance ministers and central bank governors from ASEAN nations, [discussed] the need to "reduce dependence on the U.S. dollar, euro, yen and pound sterling" for financial transactions. ASEAN countries propose a local currency transaction scheme, whereby cross-border digital payments can be made between these nations, promoting the use of local currencies for trade (...)" (El Universal, 31-03-2023).

On January 8, 2023, an attempted coup took place in Brazil,

promoted by Bolsonaro's pro-US current. A few days later, it was announced that Brazil and Argentina would present a joint currency for commercial exchanges that they will propose to extend to other Latin American countries: "A monetary union covering all of Latin America would represent about 5% of world GDP, behind only the euro, which covers 14% of the global economy. Other minor currency blocs include the CFA franc, used by some African countries and pegged to the euro, and the Eastern Caribbean dollar." (Expansión, 23-01-2023).

This does not mean that the US has lost all ability to resist being displaced as evidenced by the attempted coup in Brazil or the pressures on banks to exit the Mir payment network.

"Of the nine countries that had signed on to Mir, set up by Russia after the first wave of US restrictions back in 2014, banks in six have dropped it in the two months since the Treasury Department issued its warning in September. (...) Only Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan still accept it." (Bloomberg, 22-11-2022).

The creation and consolidation of these currencies will not necessarily be an easy process or free of opposition and resistance, but they mark a direction: the **incremental weakening of the role of the dollar** as the world's hegemonic currency. In "The Internationalist Proletarian" No. 7 (page 12) we can see how quickly the dollar displaced the pound sterling in its role as reserve currency. And it cannot be forgotten that: "(...) the establishment of the dollar as reserve currency was not a coincidence of fate. It had a material cause: the U.S. victory in the Second World War, the destructive power shown in the atomic assassinations of Hiroshima and Nagasaki that followed the criminal bombings of Dresden and Hamburg. The division of the world carried out at Yalta and Potsdam no longer corresponds to reality. The United States have proved powerless to halt its decline, but the fall of the dollar as the world reserve currency would place the American bourgeoisie before the unavoidable dilemma: die killing or die agonizing." (The Internationalist Proletarian No. 7, p. 13).

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LA ÚNICA ALTERNATIVA A LA GUERRA CAPITALISTA ES LA REVOLUCIÓN COMUNISTA MUNDIAL

A la hora de analizar el desarrollo del capitalismo en el plano del aumento de la confrontación militar y del militarismo a nivel mundial, no debemos perder de vista que las acciones, declaraciones y voluntades de Aquel o Aquella están determinadas por el desarrollo de las fuerzas productivas que se impone una ley externa y ciega por más que se manifieste en la cabeza de los interventores como si fuera fruto de su voluntad libremente creada.

El carácter inevitable de las guerras en el capitalismo lo determina la **COMPETENCIA** por los mercados y la necesidad de **DESTRUIR periódicamente parte de las fuerzas productivas** ya creadas para relanzar el ciclo de acumulación como ha explicado siempre el marxismo (ver "El Comunista" nº62, pág. 21). Por ello, **las explosiones y choques que suceden en la superficie del mundo capitalista se explican por los movimientos en el sub suelo económico** de este mundo y no por la existencia de ese Fulano o Fulana. (continúa en pág. 25)

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El centralismo orgánico: cuestión vital (IV) (pág. 2)

"La actividad del partido no puede ni debe limitarse sólo a la conservación de la pureza de los principios teóricos y de la pureza del complejo organizativo, o bien sólo al logro a toda costa de datos inmediatos y de popularidad numérica. **El debe emplear siempre y en todas las situaciones los tres puntos siguientes:**

1) **la defensa y precisión, en relación con los nuevos grupos de hechos que se presentan, de los postulados programáticos fundamentales, o sea, de la conciencia teórica del movimiento de la clase obrera;**

2) **el aseguramiento de la continuidad del complejo organizativo del partido y de su eficiencia, y su defensa contra las intenciones de influencias estalinistas y apuestas al interés revolucionario del proletariado;**

3) **la participación activa en todas las luchas de la clase obrera, incluso en las suscitadas por intereses parciales y limitados, para alentar su desarrollo, pero aportándole constantemente el factor del enlace con los objetivos revolucionarios finales y presentando las consignas de la lucha de clase como vías de acceso a las indispensables luchas futuras, desvinculando el peligro de acomodarse con las realizaciones parciales, convirtiéndolas como partes de la lucha y sacrificando las condiciones de la actividad y continuidad del proletariado, tales como la autonomía e independencia de su ideología y de sus organizaciones, en el primer rango de las cuales está el partido" (Teoría de Lyon, 1926)**

What are central banks fighting against?

In the comments and decisions of the central banks (Fed, ECB, BoE) there is a repeated refrain: the evolution of the "labor market". In short, a "strong" labor market (with a lot of demand for jobs and few unemployed) is a problem for the bourgeoisie and the interest rate hikes are aimed at trying to make hiring more difficult in order to rebalance the balance of supply and demand in favor of the management and to slow down wage rises. More or less explicitly, everyone has said it: *"The ECB advocates raising interest rates further to curb wage rises."* (Expansión, 07-03-2023).

The excuse and the real reason

The excuse of the central banks (to prevent wage increases to cause inflation) was already refuted in 1865 by K. Marx. But this does not mean that they do not have a very concrete and well-founded (bourgeois) class interest in acting against wage rises. In the refutation we find the explanation of this class interest of the bourgeoisie: *"A general rise of wages would, therefore, result in a fall of the general rate of profit, but not affect values."* (Value, Price and Profit, K. Marx).

Surplus value and the labor force commodity

One of the most important scientific discoveries for the working class is that the only source of profit is **surplus value**, obtained through the exploitation of the working class:

*"In our present-day capitalist society, labor power is a commodity like any other, and yet quite a peculiar commodity. It has, namely, the peculiar property of being a value-creating power, a source of value and, indeed, with suitable treatment, a source of more value than it itself possesses. With the present state of production, human labor power not only produces in one day a greater value than it itself possesses and costs; with every new scientific discovery, with every with every new technical invention, this surplus of its daily product over its daily cost increases, and therefore that portion of the labor day in which the worker works to produce the replacement of his day's wage decreases; consequently, on the other hand, that portion of the labor day in which he **has to make a present** of his labor to the capitalist without being paid for it increases."* (Introduction by F. Engels to Wage Labor and Capital).

The contradictions of the current situation

Capitalism is still immersed in a series of contradictions that we have been showing in "The Internationalist Proletarian" No. 9 (p. 12 and 13) and in "The Internationalist Proletarian" No. 10 (p.28).

On the one hand, the bourgeoisie is concerned about a persistent labor shortage in certain sectors, a reduction in hours worked per worker and in the employed population, while at the same time unemployment rates remain low (in the US they have reached 3.5%, a 40-year low). At the same time, a wave of massive layoffs is taking place, starting in the technology sector but expanding in general to other sectors of the labor aristocracy and which, at the end of this first quarter of 2023, between the US and Europe, reached the sum of *"158,000 layoffs, of which at least 21,000 (13%) were in Europe, compared to 10% in January"*. (Expansión, 10-04 -2023).

As a results of inflation, there has been a wave of strikes worldwide, mostly in sections of the labor aristocracy but not only, which has put upward pressure (although insufficiently) on wages. And, while there is an exponential increase in

robotization (see p.23 of "The Internationalist Proletarian" No. 11), the population is ageing, and the birth rate is falling.

Relative surplus laboring population

Capitalism needs to produce and produces an industrial reserve army for the needs of expansion of its accumulation process and as a condition of life of its own regime: *"(...) a surplus labouring population is a necessary product of accumulation or of the development of wealth on a capitalist basis, (...) a condition of existence of the capitalist mode of production. It forms a disposable industrial reserve army (...) Independently of the limits of the actual increase of population, it creates, for the changing needs of the self-expansion of capital, a mass of human material always ready for exploitation."* (Capital, Volume I, Section 7, Chapter XXIII, K. Marx). It is precisely the shortage of this reserve industrial army in certain sectors that torments the bourgeoisie, but it is not the only one.

The bourgeoisie is incompatible with society

In addition to this industrial reserve army that moves in and out of production, capitalism generates an ever-increasing mass of unproductive workers for the purposes of capitalist accumulation. This system, which is based on the exploitation of the working class, is forced to feed them, even though miserably, through subsidies, benefits, and pensions. This is not a new or unforeseen phenomenon: *"(...) the bourgeoisie is unfit any longer to be the ruling class in society, and to impose its conditions of existence upon society as an over-riding law. It is unfit to rule because it is incompetent to assure an existence to its slave within his slavery, because it cannot help letting him sink into such a state, that it has to feed him, instead of being fed by him."* (Manifesto of the Communist Party, 1848).

Capitalism has already shown with the crematorium ovens during the Second World War what its ultimate solution to this contradiction is and part of the bourgeoisie is aware of it: *"The FMI demands, among other measures, that benefits be cut, and the retirement age be delayed in view of 'the risk of people living longer than expected'."* (El País, 11-04-2012).

For the abolition of wage labor

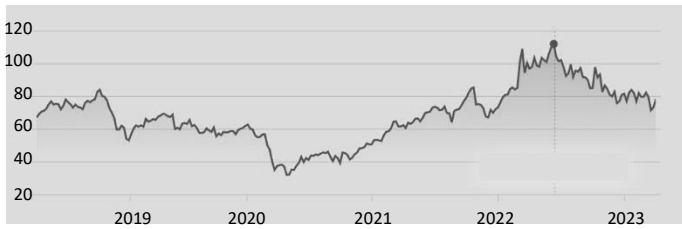
As long as capitalism exists, labor-power will be a commodity subject to the laws presiding over the anarchy of mercantile production: *"The condition of existence of capital is wage-labour"* (Manifesto of the Communist Party, 1848). These laws include the periodic necessity of the destruction of the productive forces already created and of the commodities produced in excess, also of the commodity labor-power.

We will only put an end to this situation when we put an end to the commodity character of the labor force of the working class: *"They ought to understand that, with all the miseries it imposes upon them, the present system simultaneously engenders the material conditions and the social forms necessary for an economic reconstruction of society. Instead of the conservative motto: 'A fair day's wage for a fair day's work!' they ought to inscribe on their banner the revolutionary watchword: **'ABOLITION OF THE WAGES SYSTEM!'**"* (Value, Price and Profit, K. Marx, 1865).

ENERGY PRICE CONVULSIONS

Redirection of the flow of oil

The oil price reached a peak in June 2022, at which point it has been gradually declining.



The impulse for the escalation to 120 dollars per barrel of oil was produced by the convulsions in its circulation derived from the sanctions and blockades undertaken as a war measure against Russian imperialism mainly by the European, American, and Japanese imperialisms; based on the maintenance of supply below demand by OPEC+ (see "The International Proletarian" n°9, p. 13). But these same measures should and did produce a redirection of oil and gas flows that would force the price to fall over time (see "The International Proletarian" n°10, p. 7 and 8).

Russian oil and gas have been replaced in Europe by gas and oil from other parts of the world, with a substantial increase in oil from Latin America and LNG from the USA and Qatar, as well as gas from Algeria, Azerbaijan, and Egypt. Not to mention the Russian oil that India buys at a discount and then resells to EU countries.

On the other hand, the increase in Russian gas exports to China (also at a discount) means that China has less need to consume LNG, thus relieving the pressure on demand for it and, along with it, its price.

To ensure that it is never put into operation, a part of Nord Stream 2 was dynamited, in a sabotage not claimed by anyone but which even within the US is considered to have been carried out by themselves. This has made it clear for the umpteenth time to the entire capitalist world that the US will carry out any false flag attacks it deems necessary against targets regardless of whether they are enemies or "friends".

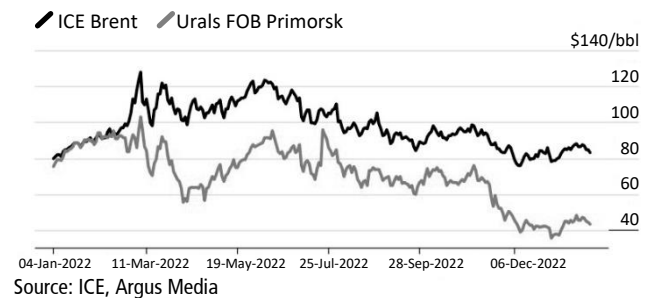
The cap imposed by Western and Japanese imperialism at the beginning of December 2022 on Russian oil to limit its revenues implies the dependence of those who impose it. It is a cap designed precisely to allow (and not to prevent) Russia to continue selling its oil but generalizing the discount it had already been giving.

As shown by the reaction of Saudi Arabia (leading OPEC+) in announcing the cut in oil production to contain the fall in prices, this is a fight that transcends Russia and is directed against all the oil producers who perceive it as such and respond to the enemy's fire with further coordinated cuts in production.

The cap is implemented through the prohibition to insure tankers carrying crude oil purchased above the fixed price. The first consequence was that ships carrying Kazakh oil (it has difficulties in being covered by Western insurers for fear of being mistaken for Russian oil) were blocked in the Bosphorus Strait while Russian ships (certified by their own insurers) were allowed to pass. The next consequence has been the emergence of a fleet capable of transporting 45 million barrels of oil and fuels that has been grouped around two front companies (Gatik and Fractal) that are responsible for collecting oil from Russian ports or carrying out ship-to-ship transfers of Russian oil: "Russia exported about 3.2 million barrels per day of crude from its ports in the two months following the imposition of the cap and the

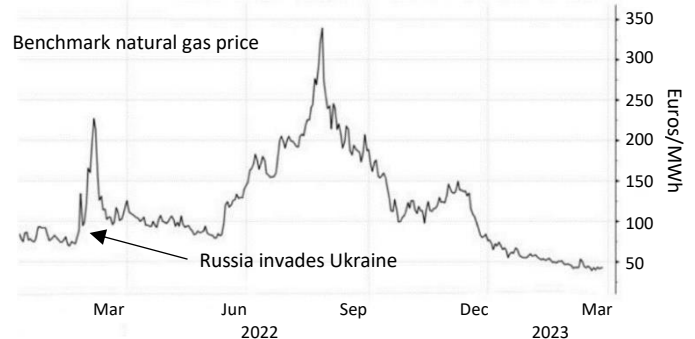
ban on European imports on December 5, which is a minimal change from the previous two months. The two companies are part of the new supply chain network that allows that to happen." (Bloomberg, 18-03-2023).

The graph below shows how effectively Russian (Urals) oil is selling at a wide discount in relation to Brent:



The rise in the gas price in Europe

The TTF gas price in Europe soared to a peak in August 2022, at which point it burst (or rather was made to burst).



Source: Bloomberg

The rise in the price of gas had a major component of purely speculative nature: "The volume of contracts being made on the TTF is already far out from Europe's real gas consumption (...) nine out of every ten euros exchanged on that market in the form of contracts are purely financial. In 2021 alone, the benchmark was used in the negotiation of 4,500 bcm (...) almost ten times the real consumption of the European Union (...)" (Expansión, 19-09-2022).

This situation ended up leading to protests from large energy companies that are affected by the volatility without being able to take advantage of it because they are linked to longer-term contracts: "Companies such as Enel, for their part, are demanding that at least limits be established, in the form of a price range, to the volatility of the TTF." (Expansión, 19-09-2022).

This is how the representative of this company lamented: "What is not sustainable is that gas is at 300 euros per megawatt hour. What is happening in the wholesale markets has nothing to do with the real costs of supplies (...) It was enough to start talking about it and the price dropped from 300 euros to 200 euros (...) the electricity we produce today is the one we sold in the future market two years ago, with the prices of then." (Expansión, 06-09-2022).

This was combined with the existence of a potential competitor of the TTF, the Spanish Mibgas: "The spread (prices differential) that Mibgas maintained with reference to the TTF during the months of July and August was 57.58 euros lower, with the average price of the TTF in these two months being 203.09 euros per megawatt hour, compared to 145.51 euros in the Spanish market (30% less)." (Expansión, 12-09-2022).

Finally, companies such as Volkswagen began to consider

shifting production out of Germany because of rising energy prices, while the complaint in the European industrial sector became widespread: "A survey conducted in July by the German Chamber of Industry and Commerce (DIHK) revealed that 16% of the 3,500 companies surveyed were reducing production or interrupting their activities." (Financial Times, 25-09-2022). "Industrial producers such as ArcelorMittal and Ferroglobe; of construction materials such as Pamesa and Ceranor; food (San Miguel Arcángel), paper mills (Saica) and motor (Stellantis, VW), (...), have decided to reschedule production planned this year with partial stoppages (...)" "Two out of three cogeneration plants in Spain are stopped because the sector is in losses due to the rise in gas prices" (...). (Expansión, 04-09-2022).

State intervention in Europe

In capitalism, the State is at the service of the Capitalists. So, the State intervened to protect the collective interest of the bourgeoisie. On June 15th, 2022, Spain and Portugal were allowed to limit the price of gas to 40 euros per MWh for six months, to 48.8 euros per MWh for six more months and this has been extended until December 31st, 2023. In December 2022, the EU set a 180 euros cap on the price of gas, after the price had been falling just by announcing it and with inventories becoming increasingly crowded.

Among other measures, Germany reduced VAT on gas from 19% to 7%, Italy cut it from 22% to 5%. Portugal allocated 3 billion to contain the bill for its companies and Germany assumed the December gas bill as "emergency aid to assume the cost of the December gas bill for households and small businesses. (...) The emergency measure, whose estimated cost is around 9 billion euros, will be financed within the framework of the "shield" of 200 billion euros in aid to combat inflation." (Expansión, 20-11-2022).

The EU has already prepared a draft to generalize the aid that Germany has been giving to companies: "The rule regulates a partial intervention in the markets when prices are "significantly" above the average of the last five years, foresees that this "strong increase" will be maintained "for at least six months" and will have a "broad" impact on the economy. At this point, governments will be allowed to help SMEs by subsidizing up to 80% of the prices." (El País, 08-03-2023).

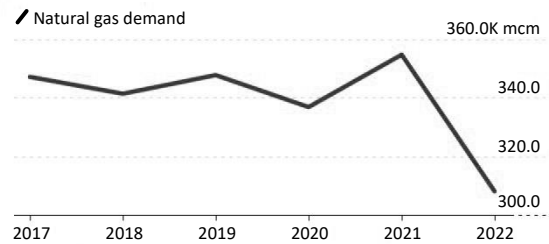
"The European Commission points out that member states have also caused gas price rises by competing among themselves with suppliers" (El País, 17-10-2022) which has led to a project of joint purchasing of at least 15% of gas. The most critical energy companies have also been nationalized: Uniper and the German subsidiaries of Gazprom and Rosneft, in Germany, and EDF in France.

Evolution of gas reserves in Europe

In any case, the moderate cold and the high price have caused gas demand to fall in Europe. In October, before the onset of winter, the situation was as follows: "Inventories are already at 92.4% of their capacity and verging on 100% in countries such as France, Belgium or Poland (...). Lack of gas connections (...) while Spain and Portugal account for more than 40% of Europe's regasification capacity, they barely account for 6.3% of total consumption". (Expansión, 20-11-2022).

Another example of the anarchy inherent in the production of commodities: "in spite of the Russian supply cut, almost the entire European gas market is saturated, which has led to the refusal of new methane tankers to enter. Around the Spanish coasts there are some thirty ships waiting to unload gas, and dozens more near other European countries, but in Spain there is

barely room for six of them (...) gas prices in the Netherlands, the largest distribution hub for Europe, have plummeted by more than 60% since September, with an even greater fall in Spain, close to 80%." (Expansión, 20-11-2022).

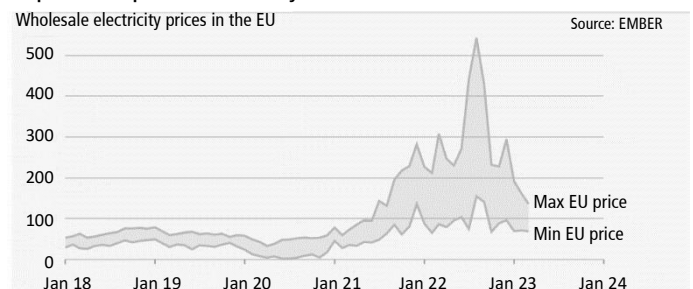


Source: BloombergNEF

Note: Includes France, Belgium, Italy, the Netherlands, Great Britain, Austria, Germany, Switzerland, Luxembourg and Ireland.

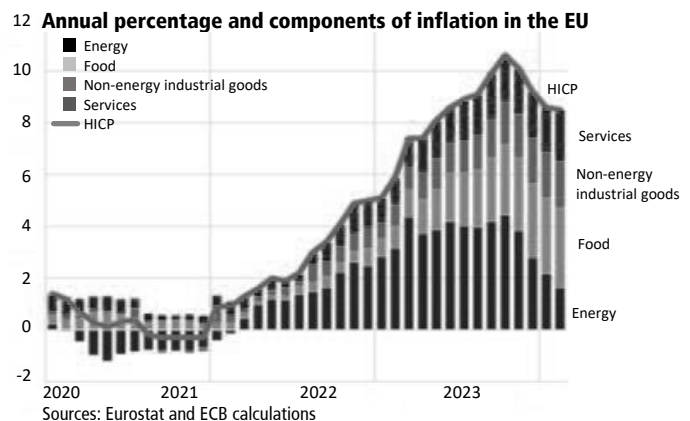
Effects on inflation

All of the above has allowed the European bourgeoisie to tame peak energy prices, although they remain relatively high compared to previous history.



Source: EMBER

This is how the decline in the price of energy has been reflected in the evolution of inflation (as we have seen in the previous article for the US), together with the effect of supply chain deflation and the relative revaluation of the euro against the dollar.



Sources: Eurostat and ECB calculations

Within the madness of price oscillations, electricity has punctually reached zero euros at the beginning of the year 2023.

OPEC+ cuts

After the cut announced in October 2022 and which sparked US protests, OPEC+ has announced a new cut in April 2023 with the intention of pushing up the price of oil: "The initial impact of the cuts, starting next month, will add up to about 1.1 million barrels per day. From July, due to the extension of the current Russian supply reduction, there will be about 1.6 million barrels per day less crude oil on the market than previously expected. Russia initially cut production in March in retaliation for Western sanctions triggered by its invasion of Ukraine." (Bloomberg, 02-04-2023).

This act, led by Saudi Arabia, is both a support for Russian imperialism and an attack on US imperialism, being part of the turn made by Saudi Arabia in signing the restoration of relations

with Iran under the auspices of China (see p. 27 of this review). It is also an act by the oil-producing countries, addicted to ground-rent, which they have been parasitizing for decades, to impose their conditions now that oil still has a fundamental impact and relevance.

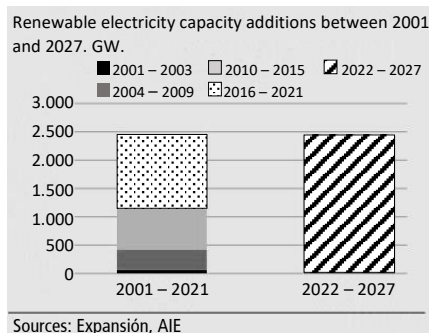
The countdown for oil continues

The general decision to displace fossil fuels continues to be implemented progressively, with all the ups and downs produced by the anarchy of market production.

The price shocks that this process has generated and will generate are pushing large companies to build up their own energy self-supply capacity by means of solar panels and even their own electricity generation plants.

Another example is the decision to ban combustion engines in the EU by 2035, which has been endangered by German opposition unless an exemption was included for synthetic fuels, to protect high-end German automakers who have been developing synthetic fuels for years and are lagging behind with electric vehicles. In the end, the European Commission has reached an agreement to *"clearly include an exception for cars that use a certain type of fuel, the so-called synthetic or e-fuels, which are climate neutral."* (El País, 26-03-2023).

Nevertheless, investments are ongoing and the energy capacity expected to be put into operation between 2022 and 2027 is equivalent to the entire capacity deployed between 2001 and 2021:



As has been the case in recent years, Chinese imperialism is taking the lead over all other imperialisms in this field as well: *"In the last 15 years, the country has become the world's photovoltaic empire. China's share in all phases of solar panel manufacturing exceeds 80%, according to a 2022 report by the International Energy Agency."*

The Asian giant is also the first exporter and the first consumer of panels. In 2022, the country installed 87.4 gigawatts (GW) of new solar capacity, 59% more than in 2021. The number is double the new capacity installed in 2022 in the European Union (in per capita terms the EU would be ahead) and accounts for around a third of what was installed worldwide." (El País, 11-02-2023).

US fracking profits fade away

If US oil companies had celebrated last year's profits and distributed dividends happily (with little or no reinvestment), now comes the time to admit that, with supply prices high and the price of oil having fallen, the future is darker.

"(...) oil and natural gas prices have fallen below pre-invasion levels. However, costs such as equipment and labor continue to rise, leading the largest operators to prepare for a smaller haul in 2023. "We have seen inflation of between 30% and 50%, depending on the cost category involved, and that is what we are looking at in 2023." (Expansión, 27-02-2023).

In this situation, against the will of its executors, the cut

announced by OPEC+ has given a little oxygen to US fracking.

On the other hand, the president who allegedly carries de banner of environmentalism, who had promised that under his mandate no more drilling would take place, has authorized drilling in the NorthSlope area, in Alaska: *"The so-called Willow project, led by the company ConocoPhillips, will allow the extraction of 180,000 barrels per day, although it will take several years for the crude oil to start flowing."* (La Vanguardia, 15-03-2023).

Fusion energy

In this context of gradual displacement of fossil fuels, it seems that the bourgeoisie is considering stopping sabotaging the progress of fusion energy. China (EAST), Europe (JET) and the USA (NIF) are trying to develop this technology. Obviously, with the prospect of being the first ones to get into the new business: *"(...) in recent years private companies have also mobilized large amounts of investment in pursuit of the promise of being able to produce fusion energy as early as the 2030s. In the twelve months to the end of June, fusion companies raised \$2.83 billion in investments, according to the Fusion Industry Association, bringing the total private sector investment to date in this technology to almost \$4.9 billion."* (Expansión, 08-01-2023).

Capitalism opposes the introduction of this energy because of the devaluation of the fixed capital in operation for the other energy sources and because of the fall in the cost of energy itself. But dialectically, competition pushes forward the bourgeoisie that *"cannot exist without constantly revolutionizing the instruments of production."* (Manifesto of the Communist Party, 1848).

In any case, as long as capitalism and the anarchy of mercantile production survive, any transition will entail convulsions, crises and spasms, such as the current transition from fossil fuels to renewable energies.

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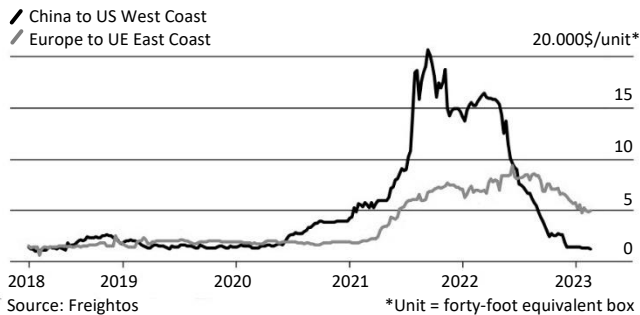
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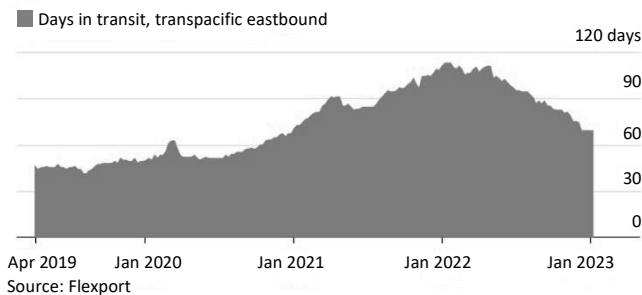
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GRADUAL DEFLATION OF THE SUPPLY CHAIN

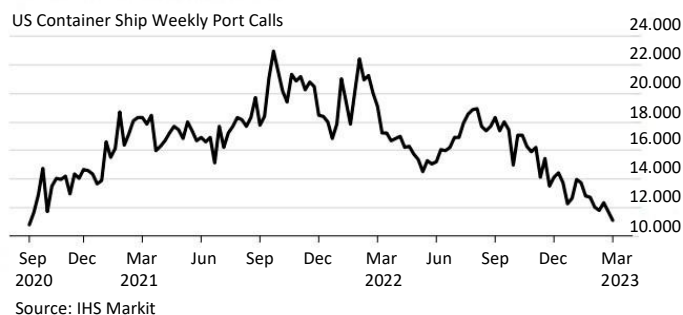
The short-term prices of container transport from China to the US West Coast have been reduced to one fifteenth, as the tension produced by the epileptic resumption of circulation after the lockdowns deflates (see "The International proletarian" n°9, p. 10 and 11). Around 70% of global transport is subject to long-term contracts (signed in 2021 and 2022), which have an inertia effect slowing down the transmission of price reductions. However, there is a clear tendency for prices to return to their starting point if capitalism does not provide itself with a new shock. This has been a key element in containing the inflation that its previous rise had helped to generate.



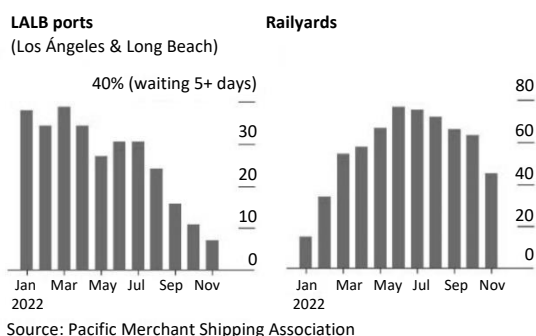
The duration of cargo ship sailings is also decreasing after their gradual rise to the peak reached in the first quarter of 2022.



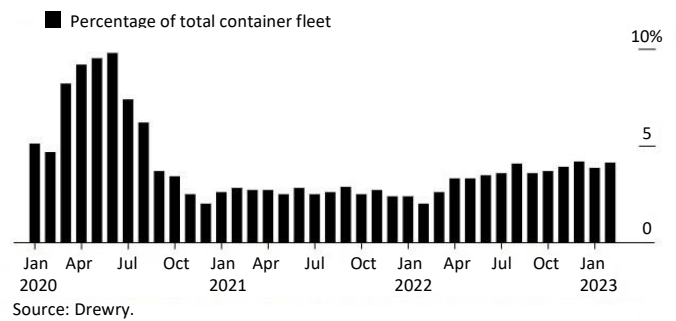
The reason for the reduction of the transit time is not because of improvements to the ships' propellers... but because the waiting time outside the port has been reduced as congestion at the destinations has eased and this has meant that the overall transit time is returning to its previous duration.



The unloading time of the containers has also been significantly reduced.



And finally, unused capacity on cargo ships has reached its highest level in two years.



On top of this unused capacity all the new capacity ordered will have to be added. In issue No. 9 of "The Internationalist Proletarian", in the article "Rales and spasms of the capitalist mercantile circulation", under the title "More in-gestation overproduction" we explained how already in August 2021 the high prices of maritime transport had led to order new ships with capacity equivalent to 20% of the active fleet. The prolongation of these prices has deepened the situation reaching 30%: "Last month, the total cargo capacity of vessels on order was equivalent to 30% of the active world fleet." (Expansión, 15-02-2023). The entry into action of this additional volume of transport vessels will further depress prices. Faced with this situation, an analyst of the bourgeoisie has an excess of sincerity:

"There is no way that carriers can allow all of the scheduled new-build capacity to arrive as planned," says Simon Heaney, senior manager of container research at Drewry. "They will have to delay, demolish, layup and void sailings to tame the overcapacity burden". (Bloomberg, 31-01-2023). And this is not unique to ships and containers, but the whole of the productive overcapacity driven at the time of shortages will produce the same effects.

The truth is that we had already read it in Capital: "the loss is by no means equally distributed among individual capitals, its distribution being rather decided through a competitive struggle in which the loss is distributed in very different proportions and forms, depending on special advantages or previously captured positions, so that **one capital is left unused, another is DESTROYED**, and a third suffers but a relative loss, or is just temporarily depreciated, etc. But **the equilibrium would be restored under all circumstances through the withdrawal or even the DESTRUCTION of more or less capital. This would extend partly to the material substance of capital**" (Capital, Book III, Chapter XV, K. Marx).

And in the Manifesto of the Communist Party also: "And how does the bourgeoisie get over these crises? On the one hand by **enforced DESTRUCTION of a mass of productive forces**; on the other, by the **CONQUEST of new markets**, and by **the more thorough EXPLOITATION of the old ones**. That is to say, by **paving the way for more extensive and more destructive crises**, and by diminishing the means whereby crises are prevented." (Manifesto of the Communist Party, K. Marx y F. Engels, 1848).

The destruction of productive forces already created: this is the only way the bourgeoisie has to try to overcome the new wave of overproduction that will follow the momentary collapse that capitalism has self-administered with the lockdowns and that has given it some oxygen and a few jolts during the subsequent resumption.

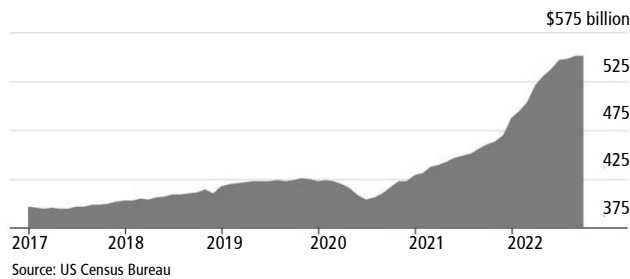
CHINESE PUSH IN TRADE WAR OVERWHELMS US TARIFF DEFENSE ATTEMPT

Inventory glut

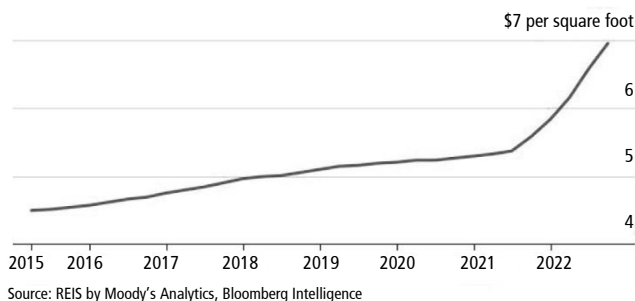
The crazed overloading that followed the epileptic resumption of circulation, which reacted to the bottlenecks created by producing a multiplication of its collapse, had to be followed by the overcrowding at the end point of all the commodities attracted in excess during the process (see "The Internationalist Proletarian, No.7, p.14-18). Now this glut multiplies storage costs and puts downward pressure on the price of commodities from excess inventory that cannot find a buyer.

"American store chains are sitting on so much inventory that brands — particularly for apparel and housewares — have resorted to listing their goods on resale websites, hosting sample sales and even giving stuff to employees. Companies are also offering deep discounts and implementing pack-and-hold (...). But for all the efforts to offload excess goods to consumers, nearly 8% of surplus stock globally will ultimately end up as waste, with about \$163 billion of inventory tossed annually." (Bloomberg, 10-11-2022). The evolution of the situation until November 2022 is as follows:

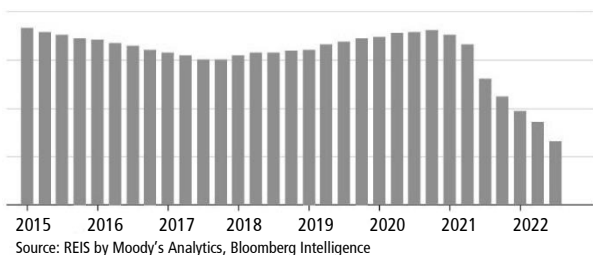
Retail inventories, ex-autos



Cost of warehouse rents in the US



Space availability in US distribution warehouses



"If last year's holiday shopping season was characterized by empty store shelves and a race to meet demand (...), very different concerns have emerged just 12 months later: overabundance and sinking sales." (...)"They just don't want to pay to store it anymore". (...), retailer orders are down as much as 30% over last year, but inventory is up as much as 50% which is "tying up their cash and their credit." A number of his clients are offloading their inventory at a loss." (Bloomberg, 08-11-2022).

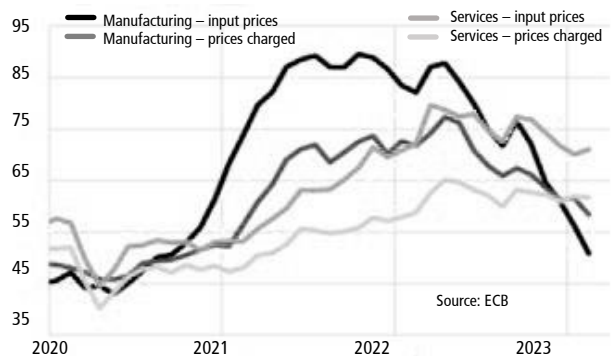
Price war in distribution

Reduced demand makes it necessary not to raise prices as much as costs in order to retain or try to gain market share: *"The IRI data group says households are reverting to measures such as taking lunch, buying food that is about to expire at discounted prices, reducing alcohol consumption and visiting several supermarkets to get the cheapest deals."* (Expansión, 25-10-2022)

An example of a price war in distribution, despite price increases due to inflation, can be found in Spain: *"Carrefour was the group that started off in September with 10 measures linked to savings -guarantee of having the cheapest private label, 1,500 products at less than 2 euros, a digital subscription with a 15% discount. (...) [At Eroski] 'More than half of the 1,000 products will be priced below 2 euros and more than 200 items will be below 1 euro'(...) Eroski predicts a 2023 that 'is also going to be hot at the price level'. Its costs increased in January by 21.5% compared to the same month in 2022, while the rise in its prices was 14.9%."* (Expansión 14-03-2023).

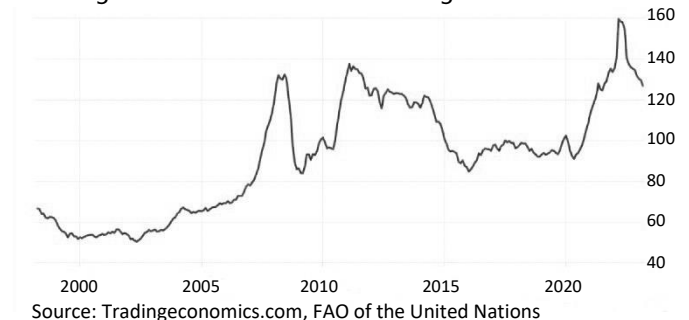
Cost price and selling prices

In the graph, the phenomenon shown in Eroski above can be observed in a more general way. In the EU, the "input" prices (cost prices) of industry and services have been located since the end of 2020 above the "charged" (selling) prices. This situation continued until the end of 2022 when, with cost prices falling more rapidly, manufacturing prices were below cost of sales. In this last stretch, profits have soared, until sales prices fall again, weighed down by the fall in cost prices and by competition. The profit margin of the companies has been seriously affected in all the intermediate stretch.



Food Price

The FAO's global food index is also declining from its peak, returning to late 2021 levels and trending further downward.



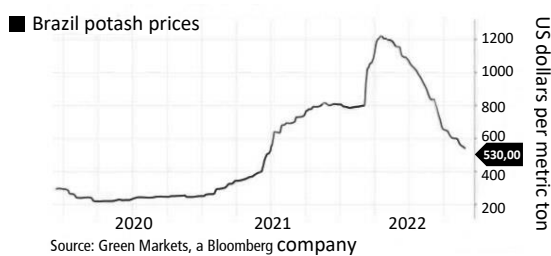
The escalation of food prices has also been one of the results of the blockage and resumption of circulation, with a major impact resulting from the rise in energy prices and with a not inconsiderable speculative component associated above all with the outbreak of the war in Ukraine.

Cereals and fertilizers

An illustrative situation of the anarchy of mercantile production and how the capitalist market system is incompatible with the satisfaction of human needs has arisen with US wheat (see box).

As a result of the dollar appreciation, US wheat has become too expensive to be purchased from other countries, falling to a 50-year export low. What effect has this had within the US? Within the US there has been a relative overproduction of wheat that has caused the wheat futures market to fall to the lowest level since 2007.

Another irrational situation has involved fertilizers and Brazil: *"Brazil, which normally relies on fertilizer imports for crop yields, is re-exporting shipments because there is nowhere to store them (...) an importer will re-export 24,700 tons of DAP fertilizer that had arrived from Jordan, now, the shipment will be sent to Turkey in the next few days."* (Reuters, 11-10-2022).



From a trade war point of view, Russia has managed to displace Ukraine as a competitor, consolidating its position as the world's leading wheat exporter, followed by the EU, Australia, Canada, the USA and, only then, Ukraine.

With jolts every time it has to be renewed, the agreement allowing Ukraine to export grain and other crops from key Black Sea ports also means a drastic reduction in its export capacity: *"A queue of 105 ships was waiting in Turkish waters as of Monday, with some stalled for more than a month (...) More than 500 ships have departed Ukraine's Black Sea ports since the deal was inked in July, carrying 12 million tons of crops abroad. (...) delays - coupled with strikes on Ukrainian infrastructure - are forcing local farmers to sell at discounted prices."* (Bloomberg, 29-11-2022).

The overall damage to Ukrainian capitalism from the military conflict is obvious: *"Last year, the economy contracted by 30% and unemployment reached 35%. More than 75% of the companies stopped or reduced production."* (Expansión, 27-03-2023). *"Nibulon also shipped grain for 4,500 private farmers at farm-to-ship transport costs as low as \$5 a tonne. (...) With no access to the Black Sea and much of the Dnipro off limits, the invasion pushed up transport costs to over \$150 a tonne. (...) from a record 5.6mn tonnes in 2021, Nibulon's exports dropped last year by two-thirds to 1.8mn tonnes."* (Financial Times, 22-03-2023). A part of the grain manages to leave by land to neighboring states since, at the beginning of the war, the EU withdrew tariffs on imports from Ukraine.

A CARDINAL POINT OF THE COMMUNIST PROGRAM: THE ELIMINATION OF THE ANARCHY OF MERCANTILE PRODUCTION

The following two fundamental quotations from Marxism explain that as long as commodity production and the law of value remain in place, all these uncontrollable upheavals and convulsions are inevitable. ***"(...) every society based upon the production of commodities has this peculiarity: that the producers have lost control over their own social interrelations. Each man produces for himself with such means of production as he may happen to have, and for such exchange as he may require to satisfy his remaining wants. No one knows how much of his particular article is coming on the market, nor how much of it will be wanted. No one knows whether his individual product will meet an actual demand, whether he will be able to make good his costs of production or even to sell his commodity at all. Anarchy reigns in socialised production. But the production of commodities, like every other form of production, has its peculiar, inherent laws inseparable from it; and these laws work, despite anarchy, in and through anarchy. They reveal themselves in the only persistent form of social interrelations, i.e., in exchange, and here they affect the individual producers as compulsory laws of competition. They are, at first, unknown to these producers themselves, and have to be discovered by them gradually and as the result of experience. They work themselves out, therefore, independently of the producers, and in antagonism to them, as inexorable natural laws of their particular form of production. The product governs the producers."*** (Anti-Dühring, F. Engels, 1878).

Only when we put an end to mercantile production will humanity be able to proceed to the planned and conscious organization of production and distribution.

"With the seizing of the means of production by society, production of commodities is done away with, and, simultaneously, the mastery of the product over the producer. Anarchy in social production is replaced by systematic, definite organisation. The struggle for individual existence disappears. Then for the first time man, in a certain sense, is finally marked off from the rest of the animal kingdom, and emerges from mere animal conditions of existence into really human ones. The whole sphere of the conditions of life which environ man, and which have hitherto ruled man, now comes under the dominion and control of man, who for the first time becomes the real, conscious lord of nature, because he has now become master of his own social organisation. The laws of his own social action, hitherto standing face to face with man as laws of nature foreign to, and dominating him, will then be used with full understanding, and so mastered by him. Man's own social organisation, hitherto confronting him as a necessity imposed by nature and history, now becomes the result of his own free action. The extraneous objective forces that have hitherto governed history pass under the control of man himself. Only from that time will man himself, with full consciousness, make his own history—only from that time will the social causes set in movement by him have, in the main and in a constantly growing measure, the results intended by him. It is the humanity's leap from the kingdom of necessity to the kingdom of freedom." (Anti-Dühring, F. Engels, 1878).

The result is a flood of Ukrainian goods, driving down prices and filling stores, exposing the difficulties of a possible integration of Ukraine into the EU. *"Poland, Romania, Slovakia, Hungary and Bulgaria have mobilized to demand that the European Commission provide funds and other means to alleviate the 'negative effects' of increased imports of Ukrainian agricultural products on their markets or reinstate tariffs. (...) Ukrainian grain imports increased in the case of Poland from around 100,000 tonnes per year on average to more than two million tonnes in 2022. (...) In Bulgaria, where in recent days farmers have tried to block the customs border with Romania in a wave of protests, they increased from 361 tonnes imported from Ukraine to more than 16,700 tonnes."* (El País, 06-04-2023).

Western companies such as Cargill and Viterro are also giving up their grain distribution business in Russia, of which they controlled a relatively small volume (around 14%). However, this has only resulted in increased control by the Russian state and its satellite companies over exports and, along with it, Russian grain revenues.

The attempt to stifle and isolate Russian imperialism

We have seen above that, with regard to Russian oil, Western imperialism has managed to impose a certain discount or price reduction but has not succeeded in eliminating revenues. On the contrary, it has forced some of its supposed allies (Saudi Arabia) to adopt a strategy of convergence with Russia.

We have just seen that, in the grain sector, Russian imperialism has had a rather advantageous situation, having eliminated a competitor and maintaining trade relations with all the grain-importing countries.

On the other hand, *"there are only about 40 countries that apply sanctions against Russia"* (El País, 20-02-2023) and *"only 9% of Western companies have disinvested in Russia since the war. Among the companies that choose to stay, two out of five are German."* (La Vanguardia, 21-01-2023).

Anyway, *"The substantial increase in Russia's deficit in January, which represents 60% of the negative imbalance of 2.925 trillion roubles (38.33 billion euros) budgeted for the whole year, reflects a 35% drop in revenues and a 59% increase in expenditures, according to Europa Press."* (Expansión, 07-02-2023).

Despite the damage effectively inflicted on the Russian economy by the war and sanctions, the economy resists on the basis of the above and an increase in bilateral trade especially with China: *"Bilateral trade between the two countries reached a record \$190 billion in 2022. (...) Last year, China's imports of Russian energy – which account for more than 40 per cent of the Kremlin's revenues – rose from \$52.8 billion to \$81.3 billion. Russia was China's second-largest supplier of oil and coal, according to Columbia University's Center on Global Energy Policy (CPEG). In January, Russia overtook Qatar, Turkmenistan and Australia to become China's largest supplier of natural gas, supplying 2.7 billion cubic meters that month, according to Chinese customs data. (...) Moscow imported \$4.8 billion worth of electrical machinery and components from China last year."* (Expansión, 22-03-2023). And while the Chinese president receives everyone without leaving home, he does travel to meet with the Russian president.

Nor at the February G-20 meeting (in India) did the Europeans and Americans manage to get a declaration approved even in the terms of the November (Bali) meeting. The host itself blocked any talk of sanctions or even the use of the term 'war'. The US had

to coordinate the additional sanctions with the other G-7 countries in a separate virtual meeting.

The Western strategy of isolating Russia thus continues to fail to produce the expected results and, on the contrary, is allowing a growing agglutination around China and Russia.

Competition over battery materials

For now, lithium battery prices are still too high, not because of a lack of lithium, but because of the time required to bring new mines on stream to provide sufficient supply: *"The company expects prices to continue to rise to \$152 per KW/h next year. In 2010, prices reached an average of \$1,160 per KW/h. The automotive industry has long considered the \$100 per KW/h battery price to be the point at which electric cars will be competitive versus combustion-engine vehicles. (...) However, lithium prices have increased tenfold since the beginning of 2021 and nickel prices have risen 75%, while cobalt prices have more than doubled their 2020 average this year. (...) The increase in battery prices would have been even greater if the automobile companies and cell manufacturers in the Chinese market had not opted for cheaper lithium-iron-phosphate (LFP) batteries, which do not use cobalt or nickel, but have less autonomy. (...) In China they cost on average US\$127 per KW/h, while in the United States and Europe they are 24% and 33% more expensive, respectively."* (Expansión, 08-12-2022).

The relative scarcity of these minerals (and in particular of lithium) that produces the increase in its price, pushes automakers such as Tesla, Mercedes-Benz, GM or BYD to start investing in mining and processing directly.

"The International Energy Agency forecasts that increased demand for EV batteries will require 50 new lithium projects, 60 nickel mines and 17 cobalt complexes by 2030, an enormous challenge for an industry that typically takes 15 years or longer to develop a project. (...) Chinese companies in the sector have been pursuing this strategy for some time. BYD, the world's largest EV producer, has been trying to secure access to lithium mines in Africa and Chile. The world's largest battery maker, CATL, agreed last month to buy a near 25% stake in cobalt producer CMOC for about \$3.7 billion (€3.585 billion)." (Expansión, 16-11-2022).

CATL has also signed an agreement with Bolivia in January with which it *"will invest some 10 billion euros in direct lithium mining in Uyuni (...) CATL – a supplier to Tesla and Volkswagen – has signed an initial agreement to manufacture lithium carbonate, an essential element for the latest generation of batteries. Using a new extraction technology, it aims to produce 40,000 tons of carbonate by 2025. At current prices, this would represent a revenue of 3 billion euros. Bolivia is estimated to have 21 million tons of lithium reserves, a veritable white gold mine."* (La Vanguardia, 19-03-2023).

The lamentations of congressmen like the one from Texas who declared: *"For too long we have ignored our own backyard"* will not change the material fact of US withdrawal and the development of the interconnection of its former backyards with the new centers of gravity of world capitalism.

If in December 2022 there was talk of an increase in the price of lithium and cobalt, the reality is that the contraction in demand (due to high prices) and the successive start-up of new mining and processing operations will generate an overproduction (as relative as the current shortage) that will end up pushing down the prices of all these metals:

"Over the past three months, lithium prices in China have plummeted by almost a third, following a drop in demand for this

key battery component in the world's largest electric vehicle market. (...) Even so, lithium prices in China are still eight times higher than they were two years ago and still have a long way to fall before they approach the cost of production at even the most expensive mines. (...) However, according to Fastmarkets, lithium destined for the US and Europe has fallen much less, by only 10% to \$70,500 per tonne in the same period." (Expansión, 23-02-2023).

"Global cobalt production increased by 23%, or 35,000 tons, by 2022 (...). The increase in supply more than doubled the increase in demand, causing prices to plummet. (...) Cobalt is a by-product of copper or nickel mines, the prices of which have remained relatively strong, meaning that supply is not easily reduced even if cobalt prices fall. (...) informal small-scale mining, which represents between 15% and 30% of the DRC's production, has already been reduced. (...) Cobalt prices could fall further if Tenke Fungurume, the world's second-largest cobalt mine owned by China's CMOC, is allowed to resume exports from the DRC (...) The projected increase in China's share of global cobalt mining is largely due to the start of production this year at the CMOC-owned Kisanfu copper-cobalt mine in the DRC." (Expansión, 14-03-2023).

According to the "US Geological Survey and Benchmark Minerals Intelligence", China controls 70% of "rare earth" and graphite mining. Nickel, cobalt, lithium and manganese are held by countries such as Australia, Brazil, Indonesia, South Africa, Chile, Democratic Republic of Congo, Turkey and others. But in terms of chemical processing, China controls 72% of nickel processing, 75% of cobalt, 100% of graphite, 58% of lithium, 93% of manganese and 94% of rare earths. In terms of component production, it controls 74% of cathode production and 92% of anode production, with 76% of lithium-ion battery production.

The Inflation Reduction Act and its limitations.

Faced with this situation of almost complete dominance, competitors try not to stumbling over each other in order to be able to compete: "The European Union and the US are nearing an agreement on critical minerals that would provide EU companies access to some of the massive green subsidies offered in president Joe Biden's Inflation Reduction Act. The deal will likely be similar to an agreement the US signed with Japan this week that also included a commitment to not impose restrictions or export duties on cobalt, graphite, lithium, manganese and nickel that are used in electric car batteries. (Bloomberg, 29-03-2023).

But the fact that they try not to stumble over each other does not mean that they do not, nor that they can avoid it because they are also competitors among themselves and because the anarchy of mercantile production imposes these clashes.

What was intended to be the US government's mega-investment budget, and which was substantially reduced by a Democratic senator's blockade, became the "Inflation Reduction Act". This act, ostensibly directed against China and Russia, in practice provoked immediate rejection from the EU, South Korea and many US companies.

Initially, it served as a platform for Democratic and Republican governors to embark on a tour to attract investment from foreign companies: "Delegations from Michigan, Georgia, Ohio and other states have toured Europe to explain the details of the subsidies offered by the Act (...) Since the passage of the IRA, at least twenty clean energy manufacturing plants have been announced to open in the United States, according to the American Clean Power Association. More than half are owned

by foreign companies." (Expansión, 25-01-2023).

This offensive has forced the EU to promise to match the conditions to prevent investment from shifting away from the US: "Brussels has cleared the way for a subsidy race with the US over crucial technologies, allowing EU member states to "match" multi-billion-dollar incentives as they fight to keep projects in Europe. (...) The EU will help member states match subsidies offered by the US or any other third country under certain conditions." (Financial Times, 09-03-2023).

On the immediate term, it does not appear that the EU can stem the bleeding: "Executives from Solvay, Merck and Dow have warned that Europe's Net Zero Industry Act, announced last week, will not be enough to compete with the \$369 billion in tax incentives and green subsidies offered by the US through the Inflation Reduction Act. (...) Since last year's passage of the IRA, the US has received more than \$90 billion in green investments. (...) Volkswagen, BMW and Enel are among the major European companies that will review their investment plans in the bloc as a result of the US law." (Expansión, 22-03-2023).

But the real and effective implementation of the IRA encounters two serious obstacles.

The first one is the determination of compliance with the criteria of the Act to receive the tax credit that is received. "if at least half of their battery components are made in North America, and (...) 40% of critical minerals in an eligible EV battery — a minimum that gradually will rise to 80% in 2027 — must be extracted from or processed in countries that have a freetrade agreement with the US. (...) But determining whether one of these foes — a foreign entity of concern, in IRA terms — has control or influence over a company that mines or processes critical minerals? That's complex" (Bloomberg, 24-03-2023).

The second is the globally agreed 15% minimum tax for multinationals. The advantage of the US plan over the EU plan is that it is based on tax advantages rather than subsidies, but... "The concern is that US tax credits might reduce a company's US tax liability to less than the globally agreed 15 per cent, leaving multinational corporations investing in the US open to being taxed by foreign jurisdictions as part of a "top-up tax" mechanism to increase the tax liability to 15 per cent. (...) which become little more than a massive US tax transfer to foreign countries." (Financial Times, 06-03-2023).

The cross-investment between European and US companies also promises the most varied conflicts of jurisdiction, such as the recent request by the US to the Spanish State to refrain from stopping the enforcement of an arbitral award on subsidies for renewable energy.

Competition for semiconductors

The US, with the help of the Netherlands and Japan, tightens sanctions against China to limit its access to essential equipment for manufacturing more advanced chips used in quantum computing, advanced wireless networks and artificial intelligence: "Japan said it will expand restrictions on exports of 23 types of leading-edge chipmaking technology (...) spanning cleaning, deposition, annealing, lithography, etching, and testing" (Bloomberg, 31-03-2023). The Netherlands has also approved export restrictions to China: "The restrictions affect ASML's Deep Ultraviolet Lithography (DUV), which is used for advanced semiconductors, needed not only for consumer goods (in cell phones, computing or artificial intelligence), but also in the military industry." (La Vanguardia, 10-03-2023).

These restrictions have the dialectical effect of forcing China's independent development of these technologies and,

although they may slow down its access to them, they cannot prevent it in the long term: *"China has pledged to invest an additional \$1.9 billion in the country's biggest maker of memory Chips."* (Bloomberg, 02-03-2023).

At the same time, *"China filed a dispute with the World Trade Organization trying to overturn US-imposed export controls, which aim to limit the Asian nation's ability to develop a domestic semiconductor industry and equip its military."* (Bloomberg, 12-12-2022).

In fact, the WTO has already ruled against the steel and aluminum tariffs imposed by the US in 2018 precisely by dismissing "national security" claims: *"The WTO panel said US national-security claims 'are not justified' because they were not 'taken in time of war or other emergency in international relations.'"* (Bloomberg, 09-12-2022).

"The US 'strongly rejected the flawed interpretation and conclusions' in the report and will not remove its duties as a result of the ruling, (...) the US can effectively veto it by lodging an appeal at any point in the next 60 days. WTO appeals cannot currently be heard, because the US paralyzed the appellate body in 2019." (Bloomberg, 09-12-2022).

"The World Trade Organization 'is getting itself on very, very thin ice' by ruling that the US violated trade rules with Trump-era steel and aluminum tariffs, Trade Representative Katherine Tai said, adding that the finding 'challenges the integrity of the system'." (Bloomberg, 19-12-2022).

Indeed, the US can ignore the outcome of the ruling issued by the WTO, appeal it to a paralyzed body and veiledly threaten the WTO of challenging the integrity of the system. But what is fundamental is to realize that the former first world power no longer controls the body created to materialize its domination over the rest of the world. It is not the WTO that defies the integrity of the system but it is the hegemony of the United States within the system that is disintegrating.

The US fantasy is to use this time gained with the slowdown imposed on China to recover its production capacity in this field. Here again it encounters two obstacles, which could be synthesized in one: the INTERNATIONAL DIVISION OF LABOR.

On the one hand, US capitalism does not meet the productivity conditions to effectively develop the required new plants in the required time and cost: *"By now it's clear that the Chips and Science Act — which includes a \$52 billion splurge for the semiconductor industry — is unlikely to work (...) Producing chips in the US still takes 25% longer and costs nearly 50% more than doing so in Asia."* (Bloomberg, 28-03-2023).

Nor does it have the labor force with the required training: *"300,000 more skilled labourers may be needed just to complete US fab projects underway, let alone new ones. (...) the number of US students pursuing advanced degrees in the field has been stagnant for 30 years. (...) The strains are showing: New plants planned by Intel Corp. and Taiwan Semiconductor Manufacturing Co. are both struggling to find qualified workers."* (Bloomberg, 28-03-2023).

And the actual construction and start-up times for new chip plants are the longest: 736 days in the USA, 701 days in China, 690 days in Europe, 654 days in Taiwan, 620 days in South Korea and 584 days in Japan.

On the other hand, if the US, China and the EU want to increase their market share in semiconductors, this will have to be at the expense of the market share of South Korea and Taiwan, which will be very reluctant to give it up.

"South Korea's parliament easily approved a bill Thursday to boost the country's powerhouse semiconductor industry by

giving firms tax breaks to spur investments.

The legislation known as the "K-Chips Act" would increase the tax credit to 15% from the current 8% for major companies investing in manufacturing facilities, while smaller and medium size firms would see the tax break go to 25%, up from the 16% now. (...) The South Korean government has said the new restrictions would not prohibit technology upgrades at its chipmakers' factories in China, adding it's discussing the matter with US counterparts." (Bloomberg, 30-03-2023).

"(...) began bulk production of advanced 3-nanometer chips at its Tainan campus in southern Taiwan. In doing so, TSMC follows Samsung Electronics Co. in gearing up on production of a technology that's expected to control the next lineup of cutting-edge devices (...) On Thursday, TSMC Chairman Mark Liu expressed confidence in the longer-term outlook for chip demand and promised to build future generations of 2nm chips in the Taiwanese cities of Hsinchu and Taichung." (Bloomberg, 29-12-2022).

The tariff wall that stifles US own companies

One of the elements in which there has been a clear continuity between the US ruling faction and the previous faction is the maintenance of tariffs on Chinese products. This continuity is imposed by the material conditions that push US imperialism to try to stop the avalanche of cheap commodities: those commodities whose low prices were battering down the Chinese walls spoken of in the Manifesto of 1848 and which now travel in the opposite direction, breaking down the TARIFF WALLS of the former colonialists.

But this tariff wall, in addition to failing to stop the avalanche, is detrimental to US companies themselves, which have to buy the same materials more expensively than their competitors... from China.

"US businesses big and small made a fresh push for the Biden administration to remove Trump-era tariffs on Chinese goods. (...) Many small businesses, which were among the almost 1,500 entities providing feedback, said the duties had pushed up their input costs. (...) the US Chamber of Commerce — the biggest business lobbying group and generally an opponent of managed trade — maintained its stance that untargeted, punitive tariffs 'undermine US competitiveness and impose undue economic hardships on US businesses, workers, and families.' (...) The Information Technology Industry Council — whose members include top chipmakers Intel Corp., Samsung Electronics Co., and Taiwan Semiconductor Manufacturing Co. as well as Apple Inc. and Amazon.com Inc. — said the tariffs have failed to counteract the Chinese government's unfair trade policies and practices, and called for their complete rollback. While the duties were originally intended to level the playing field for American businesses, 'there is no evidence that the tariffs have met the stated objectives,' the Washington-based ITI said. Instead, they have 'caused significant harm to our industry and contributed toward rising costs'." (Bloomberg, 19-01-2023).

Chinese dominance in patents

The EU is also trying to oppose China's bullying in the trade war by going to the WTO.

"The European Commission decided yesterday to take China to the World Trade Organization (WTO) due to its disputes with Beijing over trade restrictions against Lithuania and due to preventing European companies from accessing European courts to protect and defend high-tech patents. (...) patent owners who go to court out of China can face daily fines of up to 130,000 euros." (La Vanguardia, 08-12-2022).

Right is the force to impose it and the EU's tantrum in the WTO will not stop the process of absorption of technologies by Chinese capitalism. For its part, China has almost complete dominance in new patent applications: "According to data from the World Intellectual Property Office (WIPO), China filed 1.59 million patent applications in 2021, more than half of the 3.4 million that were filed worldwide that year. According to the data, announced earlier this week, the United States is again relegated to second place, filing less than one-third as many patent applications (591,473) as China. They are followed by Japan, South Korea and the European Patent Office. In Europe, it is noted that Germany has lost dynamism, with 3.9% fewer patent applications filed in 2021 compared to the previous year. (...) on a global scale, the number of patent applications reached an all-time high, with 16.5 million in 2021, up 4.2%." (La Vanguardia, 25-11-2022).

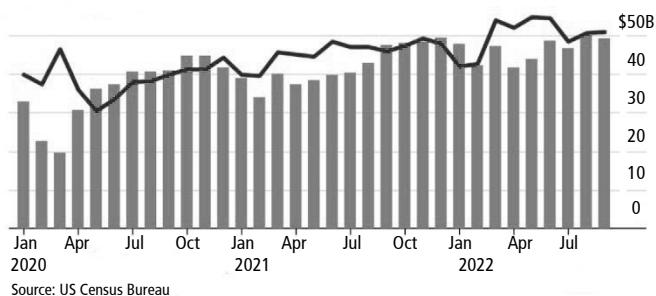
Trade Agreements: CPTPP vs RCEP

The United Kingdom has joined the Trans-Pacific Partnership Agreement (CPTPP). Chile has also recently joined this agreement. The total GDP of the CPTPP countries (\$14.8 trillion) is still half of the total GDP of the RCEP countries, promoted by China, at \$29.6 trillion.

USA, China and the world

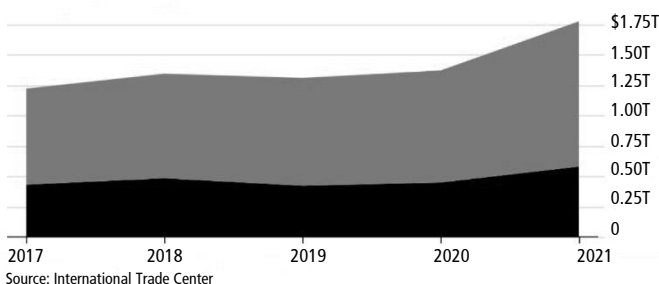
Imports to the US from Europe have exceeded imports from China. And China is exporting more goods to other countries than to the US.

The US importing more goods from Europe than from China



Chinese exports

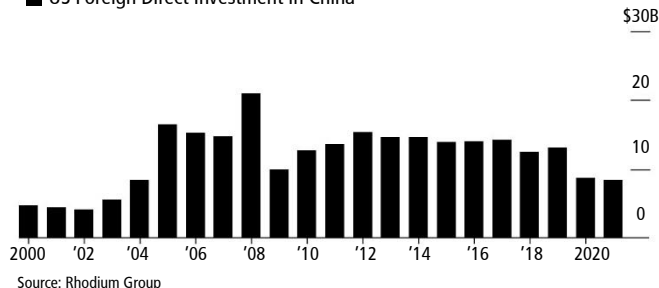
■ US ■ All other G-20 members



And yet, the same graphs show that trade between China and the US continues to grow.

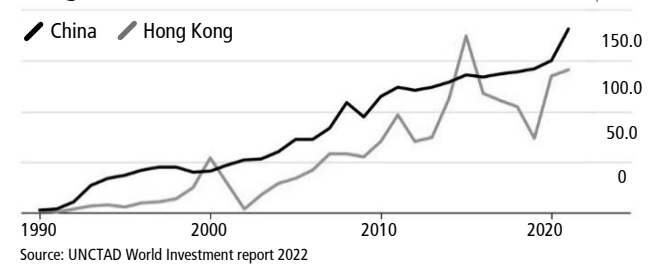
In contrast, US direct investment in China has stopped and is beginning to slow.

■ US Foreign Direct Investment in China



But direct investment in China from the rest of the world continues its upward trend.

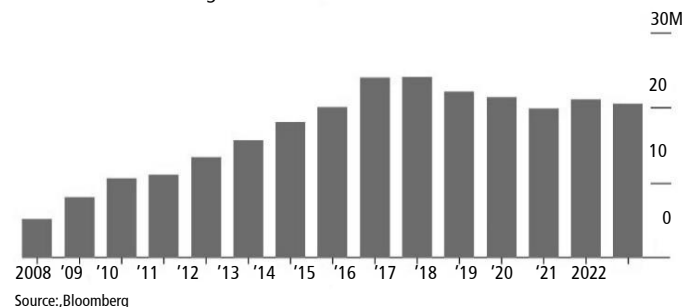
Foreign Direct Investment in China



The automotive sector in China

China's auto registrations peaked in 2017, slowing thereafter:

Annual car insurance registration 2008-2022



The major automakers operating in the Chinese market (and their share) are: Volkswagen (14%), BYD (12%), Toyota (8%), Chang'an (8%), Geely (7%), GM (4%), BMW (4%), Nissan (4%), SAIC-GM-Wuling (4%), Mercedes-Benz (3%). Together they control 68% of the automotive market.

In order to gain a foothold in this market, fierce competition has been unleashed by one of the US companies, which is not exactly renouncing direct investment: "In October, [Tesla] — a major player in hyper-competitive China — cut prices on models produced at its enormous factory on the outskirts of Shanghai. Matters escalated in January, with another discount that left Tesla's locally made cars as much as 14% cheaper than last year, and in some cases almost 50% less expensive than in the US and Europe (...) At least 30 more carmakers have cut prices, according to calculations by Bloomberg News and local media. (...)." (Bloomberg, 23-03-2023).

Tesla currently has the capacity to manufacture around two million cars per year in four factories: in Fremont, California; Shanghai, China; Austin, Texas; and Berlin, Germany; and plans to build the next factory in Mexico. The reasons for choosing Mexico are as simple as they are significant: it has several free trade agreements that will allow it to export vehicles to Europe or Latin America, and it has no tariffs on several supplies imported from China.

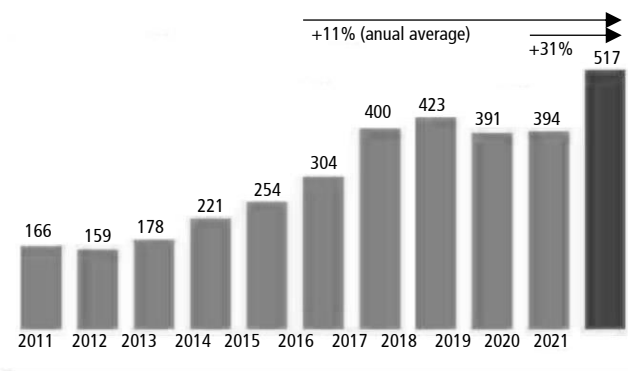
Worldwide increase in robotization

The installation of new industrial robots has grown at a rate of 11% per year on average since 2016, increasing by 31% from 2020 to 2021.

And how are they distributed among the various competing capitalist powers? "(...) The country where most industrial robots are installed is China (268,000 in a single year), followed by Japan (47,000). In Spain the figure reaches 3,400 (+1% in one year)." (La Vanguardia, 23-10-2022).

Annual installation of industrial robots in the world

In thousands of units



Source: World Robotics 2022

China and the EU, and the world

China's current role in the capitalist world is also reflected in the diplomatic arena. At the very least there has been the following string of diplomatic visits to China since October 2022: German chancellor, Cuban president, Mongolian president, president of the European Council, Australian Foreign minister, president of the Philippines, president of Turkmenistan, president of the UN General Assembly, prime minister of Cambodia, president of Iran, Foreign minister of Singapore, President of Belarus, President of Brazil, Minister of Foreign Affairs of New Zealand, minister of Foreign Affairs of Equatorial Guinea, secretary general of ASEAN, minister of Foreign Affairs of Malaysia, minister of Foreign Affairs of Japan, Foreign minister of Honduras, Spanish president, prime minister of Malaysia, prime minister of Singapore, French president and president of the European Commission.

As a curtain-raiser to the visit of the President of the European Commission and the President of France, the President of the Spanish State came previously to pay obeisance. Despite the headlines that expected demands for intervention on the Ukrainian issue, in reality, they were going to do business just as they are: *"a committee for managing the common affairs of the whole bourgeoisie."* (Manifesto of the Communist Party, 1848). Thus, he attended the Boao Forum for Asia (BFA) to meet with *"former CEO and current senior advisor of Mitsubishi, (...), as well as with the non-executive chairman of the pharmaceutical company AstraZeneca", with "a representation of the 800 Spanish companies present in China" and with "eight of the largest Chinese tour operators to reposition Spain as a major tourist destination."* (Expansión, 22-03-2023).

Before the visit of the President of the Spanish State, the President of Germany had been present, and after the European Commission and France, the next will be the President of Italy.

This trickle of visits has prompted the following statements from the President of the European Commission: *"A sound European policy on China is based on strong coordination between member states and EU institutions and a willingness to avoid the divide-and-conquer tactics that we know we may face."* (Expansión, 31-03-2023). On the other hand, *"She asserted that the EU would have to "reevaluate" the Comprehensive Investment Agreement with China, a trade agreement that was not ratified and has been stalled since 2021."* (Expansión, 31-03-2023). The truth is that the trade relationship between the EU and China has evolved as follows: *"En 2022, (...) bilateral [EU-China] trade will reach a new record of \$847.3 billion while new investments by European companies in China increased 70% to \$12.1 billion."* (CGTN, 08-04-2023).

And what happened when she went to China in the flesh? It

was a three-day visit at the highest level (compare with the visit of the Spanish curtain-raiser, who was received on the same day as two other presidents, from Malaysia and Singapore), outside Beijing, during which meetings were held between the capitalists forming the entourage (Bank of China with BNP Paribas, China National Nuclear Corporation with Électricité de France, etc.) and, secondly, a series of major trade agreements were reached.

"China's Ministry of Commerce reported during a meeting of Chinese and French businessmen on April 6 that 36 companies from China and France signed 18 agreements." (CGTN, 08-04-2023).

"China State Shipbuilding Corp. (CSSC) and the French shipping group CMA CGM signed on Thursday in Beijing an order for 16 container ships for a total value of 21 billion yuan (\$3.06 billion) (...) the record for the largest single order in the Chinese shipping industry (...) The order includes the construction of 12 dual-fuel methanol-powered containerships, which can carry 15,000 twenty-foot equivalent units (TEUs), and four dual-fuel liquefied natural gas (LNG)-powered containerships, which can carry 23,000 TEUs." (CGTN, 08-04-2023).

"Airbus, the European aircraft manufacturer, and its Chinese partners signed an agreement to expand its A320 family final assembly capacity with a second line at its plant in Tianjin, northern China. (...) the new assembly line will contribute to Airbus' goal of producing 75 A320 family aircraft per month by 2026 across its global production network." (CGTN, 08-04-2023).

It should be recalled that Airbus recently urged European governments to *"commit resources and implement solutions in terms of access to space, otherwise Europe will fall behind China, India or the United States, which are investing heavily in this future opportunity."* (Expansión 14-03-2023).

Competition for Africa

In Africa, European colonialism was partially displaced by US imperialism and both are being cornered by Chinese, Russian and Turkish imperialism.

US imperialism is trying to regain positions: *"Vice President Kamala Harris next week becomes the latest top official to visit, with stops scheduled in Ghana, Tanzania and Zambia. She's following Treasury Secretary Janet Yellen and Secretary of State Antony Blinken, who've both been in the region recently. At a December summit with the continent's leaders, Biden pledged a \$55 billion support package for Africa."* (Bloomberg, 24-03-2023).

"President Biden, who offered his support for the African Union (55 nations) to become a permanent member of the G-20, also plans to undertake this trip in 2023, but no date has been set yet." (La Vanguardia, 27-03-2023).

European diplomats who have toured Africa have received a series of public rebuffs, such as that of the President of Namibia to the German Ambassador or that of the President of the Democratic Republic of Congo to the French President.

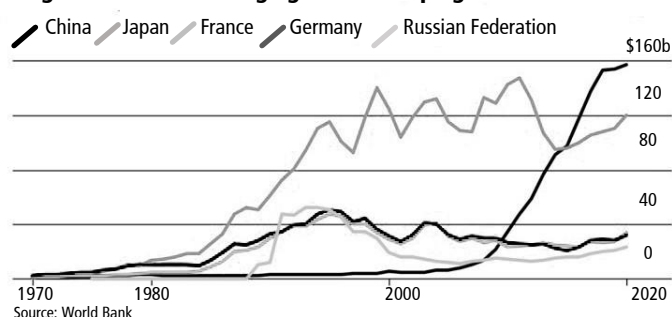
This is a reflection of the loss of influence on the continent, which French imperialism is trying to maintain, but with a disguised version: *"Paris will maintain contingents in Senegal, Ivory Coast, Nigeria and Chad, but they will no longer be French bases only, but shared, "mutualized". They will even be renamed. Macron spoke of "academies"."* (La Vanguardia, 01-03-2023).

But so far, the disguise hasn't worked: *"Earlier this year, Burkina Faso followed the example of neighboring Mali and ordered the withdrawal of French troops from its territory. The two countries, along with the Central African Republic and Guinea, form a quartet of former French colonies that have*

approached Russia for security assistance through the Wagner mercenaries. (...) In the last 15 years, China's trade in Sub-Saharan Africa has gone from representing barely 2% of total imports and exports to 20.5%. Over the same period, France's trade weight has been reduced by a third, that of the United States is now half the percentage it was three decades ago, and that of the United Kingdom has gone from 9% of the total to 1.88%." (La Vanguardia, 15-03-2023).

Chinese imperialism multiplies by three times the direct investment in Africa (70.6 billion dollars) with respect to its next competitor, the UAE (23.8 billion), which in turn slightly surpasses the USA (23.7 billion), followed by France (19.5 billion), the UK (16.3 billion) and Germany (9.7 billion). Chinese imperialism also far outstrips the rest in loans to "developing" capitalist countries, closely followed by Japanese imperialism:

Largest Lenders to Emerging and Developing Countries



China's expansion in Africa also extends to the entertainment and information network, as described in the following report: "Technicians from StarTimes, a Chinese media company operating primarily in Africa, arrived to (...) launch the Satellite TV Access Project for 10,000 Villages in Africa. (...) "Xinhua (the

Chinese state news agency) closed its Paris bureau and moved it to Nairobi and there is no media that has as many journalists in Africa as Chinese public television.", (...) Beijing spent "some \$6.6 billion since 2009 to strengthen its global media presence". (...) "China is increasingly using local languages and has become very adept at cooperating with local media and journalists. (...) "in countries such as Ghana, Italy, South Africa and Indonesia, influential news services regularly used Xinhua content, which was then picked up by other media outlets"(...) "120 out of 160 news items published by the Ugandan newspaper The Independent on the war in Ukraine came from Xinhua. ". (...) Soap operas from the Asian giant now reach more than 200 countries and regions, their foreign sales reached pre-pandemic levels in 2021 and their export volume amounted to 56.83 million dollars (52.14 million euros) a year-on-year increase of 118%. In 2021, 714 Chinese soap operas could be seen outside the country, more than 30,000 episodes and about 25,000 hours, according to the report." (El País, 12-02-2023).

For its part, Russian imperialism is trying to transform its military presence into effective participation in the exploitation of natural resources. In the Central African Republic, "has created a "military hub", a center of influence guarded by Wagner, from which to expand into other territories, such as Mali or Burkina Faso. (...) the profit from the exploitation of the country's mines could have fattened the coffers of Prigozhin's group by about \$1 billion (about 922 million euros). (...) This firm is allegedly in charge of trading diamond and gold from the mines. Diamville, which the EU considers a front for Wagner, was registered in March 2019, the same month in which Bois Rouge is registered, also in the sphere of the Russian group, dedicated to the exploitation of the buoyant timber business in the southwest of the country." (El País, 24-03-2023).

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The material base and the "great men"

When analyzing the development of capitalism in terms of the increase of military confrontation and militarism at world level, we must not lose sight of the fact that the actions, declarations and wills of He or She are determined by the development of the productive forces which imposes itself as an external and blind law, no matter how much it manifests itself in the heads of the intervening parties as if it were the fruit of their freely created will.

The inevitable character of war in capitalism is determined by COMPETITION for markets and the need to periodically DESTROY part of the productive forces already created in order to relaunch the cycle of accumulation as Marxism has always explained (see "The Internationalist Proletarian", No. 8, p. 21).

Therefore, the explosions and shocks that happen on the surface of the capitalist world, are explained by the movements in the economic subsoil of this world and not by the existence of this So-and-so. As our current has affirmed:

"In the course of a man's life it has been possible to witness three times the preparation of an armed conflict taking the whole earth as its scene.

The third world war is not yet underway, but surely nine people out of ten consider it certain. Even if the tenth were right, it is certain that we are in the period of open preparation; for once the old warning that war is avoided by preparing for it would come true. Such an event is not out of history; it is verified when one of the contenders is so overbearing and so armed that the other raises his hands high without a fight, or after brief attempts and skirmishes. Throws in the towel and picks up the bag, one would say in the ring.

It is not necessary then to engage in prophecies about the third war and subordinately about the possibilities of having a place around the ring during natural life, in order to have the right to draw conclusions from the direct experience of the developing "third preparation".

As always the guides of the great propagandas work, unfortunately with success, in such a way that in the foreground the masses recognize causes and faults of the danger of war in ideal, moral, above all national factors, in the fact that not only certain specific governments and ruling classes, but certain peoples, nations, even races, overwhelmed by an indomitable thirst for domination and blood, provoke, threaten, prepare to attack the rest of the world, where on the contrary masses, crowds, elites, statesmen would be prone to peace, to disarmament, to the moving general idyll.

They all make swords and cannons, but they all declare that, if there were no others, the bad, the cruel, the sons of the Evil One, they would be ready to devote themselves exclusively to the cultivation of olive branches, to the breeding of pigeons (...).

[The development of productive forces illustrated by the increase of iron production] *Can it not have an influence on the development of world events? Is not a cause of such magnitude, primary and significant but certainly not unique in the picture of the virulence of Capital, sufficient for the irruption of imposing effects?*

No, it must be the bogeyman, the bad guy, the tyrant of tragedy, the horde of barbarians coming, who knows how, from outside this magnificent world of bourgeois economy!" (His Majesty Steel, Battaglia Comunista No. 18, 1950).

What historical processes determine the situation?

In the previous articles of this review and in the previous issues, we have been able to see the main historical processes in whose intersection are located the military clashes and explosions in the present capitalist world. As we tried to summarize synthetically in "The Internationalist Proletarian" No. 9 (page 7):

"The center of gravity of world capitalism has been shifting and is shifting towards Asia (first the productive, then the commercial and finally the financial one), determining a gradual but inexorable loss of power of the winners of the 2nd world slaughter (USA in the first place).

The division of the world carried out at Yalta and Potsdam in 1945 among the victorious capitalist powers of the second world slaughter has long since ceased to correspond to the real balance of power between the various imperialisms.

The world order inaugurated with the atomic bombs of Hiroshima and Nagasaki, by the bombings of Dresden and Hamburg, on the ashes of the incineration on the war fronts and in the rear of tens of millions of workers throughout the world for the greater glory of capital, has expired.

The development of capitalism to all corners of the world and the volcano of production in Asia have plunged capitalism since 2008 into a great crisis of overproduction of which the episodes are following one after the other. This crisis of capitalist overproduction is sinking the rate of profit, sharpening the trade war and imposing the need for the destruction of the productive forces as a capitalist way out of the crisis.

Both the rupture of the division of the world and the crisis of relative overproduction of capitals lead the capitalist world towards imperialist war; it is not a question of the madness of one or another puppet but of the essence of the capitalist solution to the crisis: (...)"

This is the context in which the war in Ukraine (with direct and indirect worldwide participation) and the other conflicts described below are framed, within the general struggle in which it is decided through "STRENGTH and CUNNING" (Capital, Volume III, Chapter XV, K. Marx) which capitalist powers will have to assume the greatest destruction of capital, which will conquer or lose markets.

Development of the imperialist war in Ukraine

The US carefully prepared a trap, accumulating a fortified powder keg in Ukraine, into which the Ukrainian bourgeoisie itself, Russia and, to a large extent, the EU have fallen. The objective retreat of the US at world level, the decline in the weight of fossil fuels, the steps of the EU to provide itself with energies alternative to the Russian ones, pushed Russian imperialism to attack first. The US was looking for the current scenario in which neither Russia consolidates the occupied territory nor Ukraine manages to recover it.

In several episodes it becomes clear that the war is not a war in Ukraine alone and there are sporadic clashes between Russian planes and American drones, or missiles fall in Poland or drones enter Russian territory. For the time being, the involved parties minimize these collateral clashes and avoid an escalation that would lead directly to the third world war. But at the same time, Russian imperialism is not disposed to lose and to go again through the dismantling it suffered after the fall of the wall. So, it has withdrawn from the treaty on the non-proliferation of nuclear weapons, it has mobilized tactical

nuclear weapons in Belarus and it has also placed them in front of Norway.

The wear and tear produced by the war is being unloaded on Russia, Ukraine and to a lesser extent the EU. The EU expects to take over the business of the reconstruction of Ukraine by requisitioning the frozen funds from Russia, but the very integration of Ukraine into the EU is very difficult, as shown by the protests that rural entrepreneurs of the neighboring states are leading, flooded with Ukrainian products (see page 18 of this review).

The irruption of the Russian bully in its backyard has forced European imperialism to further integration at the military level and to turn again to the military alliance with the US through NATO, which has expanded its membership (incorporating Finland) and has forced them to increase military spending.

Both sides have had to reduce the frequency of fire in order to economize on ammunition while the US and the EU continue to provide weapons to Ukraine so that the bloodbath and Russia's erosion may continue, leading to a progressive emptying of their weapon inventories. On the other hand, the heavy weaponry (tanks and airplanes) given to Ukraine is deficient and in bad conditions. The weapons industry has benefited greatly from the situation. In particular the US industry, which is the largest exporter, but also the German industry, which produces highly valued weapons. The Russian weapons industry cannot take advantage of the situation in the same way because it produces directly for the war front and not for export. Turkish and Iranian military equipment (drones) has also been widely used in the war.

The war is also being a business for the Wagner private army and for the Chechen mercenaries who have already stated that they are studying the creation of a similar private army. Prisoners have been provided to this company to go to the slaughterhouse as cannon fodder with the promise of being released after six months, more than half of them having already died. There have been major shortcomings in the supply of weapons, in the provisioning and deployment of Russian troops which have led Russian nationalist sectors to denounce even the president for high treason for not declaring a state of war and deploying maximum military power.

Within the Ukrainian government there have been several purges due to alleged cases of corruption and even the Western bourgeois press has not been able to hide the fact that on the Ukrainian side there have been purges and murders of soldiers who had already surrendered, exactly as on the Russian side.

The arrest warrant issued by the Hague Criminal Court against the Russian president is a demonstration of impotence on the part of the issuer, given that neither Russia nor half the world recognizes this court.

The proletariat – both Russian and Ukrainian – is the one who lays the dead in a war that only benefits the capitalist powers that support one side or the other. From both sides, the only thing the proletariat can expect is forced conscription, prison regime and overexploitation in the rear.

The only alternative that the Russian, Ukrainian and world proletariat can oppose in this situation is **REVOLUTIONARY DEFEATISM**, the struggle against the bourgeoisie itself for the rapid halt of the slaughter and the transformation of the imperialist war into **REVOLUTIONARY CIVIL WAR**.

Chinese imperialism, "world peacemaker"

Russia's strategy of isolation at the international level has not only failed to produce the desired effect, but rather

threatens to progressively isolate Western imperialism and the US in particular.

Thus, although the situation has been caused by the US, the main beneficiary will be Chinese imperialism which has the economic capacity to sustain Russia and, at the same time, to attract other powers to a business perspective. The US proposes to continue the war so that the rest destroy each other as a means to regain the lost hegemony. This allows China to present itself (checkbook in hand) as the world peacemaker.

The move of Chinese imperialism has been to announce a "peace plan" for Ukraine. It is not a plan as such but a series of more or less generic declarations which translate into a cease-fire which would consolidate the territory occupied by Russia. This approach is intended to take advantage of talking of stopping the war while the US appears to be interested in the war's continuation. After the visit of the Chinese president to Russia, Russian imperialism has declared itself in favor of the Chinese approach. The President of Ukraine has asked the Chinese President to visit Kiev, without getting a reply. In April the Chinese Minister of Defense also went to Russia.

Clashes continue in the Balkans and Caucasus

The EU is trying to regain control of its backyard in the Balkans. In addition, the pressure against immigration in Turkey reactivates the passage through the Balkans and the EU is interested in controlling the flow that has reached 22,300 arrivals in October (three times more than the previous year) by having the Balkan countries adopt the EU visa policy.

At a meeting in Tirana, it was agreed to integrate the universities of Albania, Bosnia, Kosovo, North Macedonia, Montenegro and Serbia into the Erasmus program, the integration of the Balkans into the joint purchase of gas and hydrogen and a plan for 1 billion in aid. *"The current community budget has 29,500 million euros reserved for the region"*. (La Vanguardia, 07-12-2022).

Although Serbia still does not comply with the sanctions regarding Russia, the most profound danger for the EU in the region is represented by China, which *"has invested billions of euros, with projects such as the Belgrade-Budapest railroad. (...) Beijing also keeps a tight grip on Montenegro, which is finding itself in serious difficulties to pay a loan of 1 billion dollars."* (El País, 07-12-2022).

The main source of instability that the EU is trying to control but which detonates again and again is in Kosovo. After the conflict between Kosovo and Serbia over license plates, the situation escalated again in December with road blockades to demand the release of a Kosovo Serb policeman and the withdrawal of the Kosovo special police sent to the north of the country.

In February 2023, the EU put forward a proposal for an agreement stating that Serbia would not object to Kosovo's participation in any international body and that they would not block each other's accession to the EU. Representatives of both countries verbally acknowledged the content of the proposal, although it has not been signed due to virulent internal opposition in both countries.

With this move, the EU is trying to use the promise of its future integration into it to lower tensions. In parallel, the EU and the US have also sent a strong message to the Kosovo Albanian side to come back into the fold that is also a concession to Serbia: the trial at the Hague Tribunal of Kosovo's prime minister in 2008 and president in 2016 and three other

Kosovar parliamentarians, all accused of committing war crimes when they were members of the Kosovo Liberation Army (KLA).

Moldova is being pressured by Russia through Transnistria with reductions in the flow of gas and electricity. In the interior, there have been massive demonstrations by the pro-Russian sector leading to militarization of the country to counter them. The pro-EU faction, currently in power, proposes to renounce the status of neutrality that appears in the constitution and to initiate integration into NATO.

Georgia has seen a series of demonstrations blocking the passage of the so-called "foreign influence transparency law" aimed *"at non-profit organizations and media outlets that receive more than 20% of their funding from abroad. Had the law been passed, those organizations would have been obliged to register on a blacklist or otherwise face fines."* (La Vanguardia, 10-03-2023). The demonstrations have logically had the support of the US and the EU, which operate their state interests through their network of NGOs in the world.

The Nagorno-Karabakh enclave is being strangled by Azerbaijan by cutting off road access, threatening to shoot down any aircraft landing or taking off from Stepanakert airport and cutting electricity through power lines. Russia remains in its position of considering that it is not bound by its agreement with Armenia and the EU has doubled its gas contract with Azerbaijan.

US tries to enter Russia's backyard

The US has gone on a tour of Central Asian states proclaiming to want to help these economies "not be dependent on a single country." And, to this end, the US Secretary of State *"announced a new aid of 25 million dollars for the economic development of Central Asia, which joins a previous contribution of the same amount."* (La Vanguardia, 02-03-2023). It must be said that with these ridiculous ALMS we can be sure that the US is not going to succeed in removing these countries from the Russian area of influence, to whose economy they are completely integrated.

The visit also had the objective of *"joining efforts to strengthen security in Central Asia"* but, although the Uzbek government kept its manners, in Kazakhstan they did not hesitate to reply to the US that: *"We do not see or feel any risk or threat from the Russian Federation"*. (La Vanguardia, 02-03-2023). As we have seen in Africa, the reality is that the European and American representatives who walk around the world are receiving a good dose of rebuffs from the countries they are going to "help".

Capitalist management of Afghanistan

The trickle of attacks by the Islamic State against Shiite centers continues, promoted by the US to hinder the stabilization of the area.

But, despite these attempts, the process of bourgeois domination is developing through the Taliban government which has begun to receive foreign direct investment (Chinese): *"a Chinese firm signed a 25-year-long, multimillion-dollar contract to extract oil. (...) On January 6, the Taliban signed with Xinjiang Central Asia Petroleum and Gas Company (CAPEIC), a subsidiary of the state-owned China National Petroleum Company (CNPC), a contract to extract oil from the Amu Darya basin (...) The deal will see an investment of \$150m in the first year in Afghanistan and \$540m over the next three years, a Taliban spokesperson said (...)." (Al Jazeera, 27-02-2023). For the time being, the exploitation of the copper mines by China has still not begun.*

The development of the role of managers of Afghan capitalism played by the Taliban takes place in the midst of contradictions in relation to the incorporation of women into the workplace and, more particularly, into positions of management and class domination. In any case, there has been strong opposition, even within the Taliban, to the ban on university access for women and it is known that the daughters of Taliban leaders are actually allowed to study, albeit in Pakistan or Qatar. If the daughters of the current rulers all go to universities, it is an unmistakable sign that in a prudential time the Afghan bourgeoisie will follow the process that the world bourgeoisie has followed in allowing women of their social class to occupy the same leadership positions.

Pakistan, hollowed by China

Pakistan, a historic US ally, has been hollowed by Chinese investment for years. China is investing \$62 billion in the China-Pakistan Economic Corridor (CPEC) infrastructure plan, which links China overland with the port of Gwadar on the Arabian Sea, crossing all of Pakistan from its northern border.

This trend towards economic integration with China was outwardly manifested in the openly pro-China and anti-US stance of the cricketer Imran Khan's government. This situation was accentuated by the withdrawal policy executed by the administration of the buffoon Trump that led to a further reduction of American investments in Pakistan. The US retreat from Afghanistan only increased this rift and the tightening of US-India collaboration within the Quad did not help bridge these differences either.

The potential rapprochement with the US under the administration of decrepit Biden and the need for its support for the approval of IMF loans, explain why the army withdrew its support and unleashed the persecution of the former government and its supporters, and help up the current one. Anyway, *"on April 11, 2022, a day after the overthrow of Imran Khan, China announced, (...), that it would maintain the policy of friendly relations with Pakistan"* (Al-Estiklal, 11-05-2022) and in one of the first trips of the Foreign Minister of the new government, on May 21st, 2022, he openly declared that China was his "second home". The development of productive forces tends towards greater integration between Pakistan and China, regardless of who rules.

Iran-Saudi Arabia Agreement

For the role of world peacemaker that China is trying to play, it has been a great strategic victory to appear as the promoter and guarantor of the restoration of diplomatic relations between Saudi Arabia and Iran in March 2023.

Saudi Arabia, which had opposed the US rehabilitation of the nuclear agreement with Iran which would have meant the flooding of the oil market with Iranian oil (see "The Internationalist Proletarian" No. 10, p. 13), has reached an agreement with Iran. And this agreement was reached in Beijing, the day after the meeting in Moscow between the foreign ministers of Saudi Arabia and Russia. It also came just a few days after Iran announced that it had found a lithium reserve of 8.5 million tons on its soil, which would make it the second largest in the world.

This agreement deepens the process of Saudi Arabia's distancing from the US and comes a few months after the positioning of China as its first trade partner, with the signing of some thirty agreements on December 9th. It is one of the few visits outside China by the Chinese president, who met in Riyadh with thirty leaders of the Gulf Cooperation Council. They also

discussed making part of the oil payments in yuan instead of dollars and Saudi Arabia's request for observer status in the Shanghai Cooperation Organization.

This agreement is not the result of China's diplomatic wizardry but the result of a historical process whereby the development of the productive forces in Asia has been winning the day over the US, which can no longer prevent its growing interconnection around the new center of gravity of capitalism (see "The Internationalist Proletarian" No. 7, p. 14) or even control its supposed allies.

If the US has been surpassed as the first importer of oil from Saudi Arabia by China, India and Japan, if the US tries by all means to reduce the price of oil that Saudi Arabia needs to keep high to obtain the corresponding income while fossil fuels still play a relevant role, if the US has not been able to prevail militarily in the region (neither in Syria, nor in Iraq, nor in Afghanistan) while Iran intervenes in the whole area, if the US does not intervene when the Houthis attack Saudi oil installations, if at any moment the US can carry out a false flag attack or leave its allies stranded, etc., it is normal that Saudi Arabia has been determined by the material circumstances to consider that the alliance with Iran, Russia and China has better prospects.

This agreement is an admission by Saudi Arabia – a historic US ally in the region – that the US is losing the game in the Middle East and that it'd rather reach agreements with the side in a position of strength.

This does not mean that the US has completely renounced or lost its position, nor does it mean that Saudi Arabia renounces to have agreements with the US and to play as many sides as it can for its interest, such as the *"construction of a military mega-city in Saudi Arabia, northwest of the capital Riyadh. It is one of the largest military installations in the world with an estimated investment budget of 13 billion dollars (about 12 billion euros)." (Expansión, 11-04-2023), commissioned to the US Army Corps of Engineers.*

The first result of the agreement between Saudi Arabia, Iran and China has been the start of negotiations between Saudi Arabia and Oman and the Houthis: *"A delegation of representatives from Saudi Arabia and Oman arrived last night in Yemen's capital, Sana'a, to discuss with the leaders of the Houthi insurgency the possibility of launching a peace process to end nearly a decade of civil war in the country, as confirmed by sources in the Supreme Political Council, the highest political body of the rebels." (Europa Press, 09-04-2023).* This has been followed by joint photographs of the three delegations, the agreement for the *"massive exchange of 887 prisoners of war from both sides" (El País, 14-04-2023)* and declarations in pursuit of a "comprehensive political agreement".

In Oman, in the town of Duqm, Chinese imperialism is building an industrial park on a 2,000 km² site (port, dry dock, refinery, airport, industrial areas, as well as heavy industries) with an investment of 10.7 billion dollars. The agreement was reached in 2011 and it was in 2022 that construction of the infrastructure began. Oman also reached several agreements in 2018-2019 for the UK, US and India to make use of these ports and airports (which are under construction). From Duqm, several maritime trade routes would depart that have to pass through Yemen, which is in the process of pacification.

Syrian reintegration process

With the earthquake that has devastated parts of Turkey and Syria, several states have found the excuse to break the taboo

of having relations with the hitherto pariah Al-Assad, receiving visits from representatives of Egypt, Jordan, Oman and the USA. Following the restoration of relations with Iran, *"Saudi Arabia (...) is taking steps that would allow the Arab League grouping of regional states to end a suspension of Syria's membership in time for a summit in Riyadh in mid-May (...)." (Bloomberg, 05-04-2023).*

The US is still trying to maintain its position in Syria in order to oppose – with decreasing success – the integration of the zone, under the cover of China. It has the support, for the moment, of Israel which in February 2023 bombed several areas of Damascus and in March bombed Aleppo airport. The US itself has bombed Iranian-backed militia targets with drones. *"The United States maintains an occupation force of about a thousand soldiers in northeastern Syria, in close collaboration with the Syrian affiliate of the Kurdistan Workers' Party (PKK). (...) The area is also home to the Syrian oil fields." (La Vanguardia, 25-03-2023).*

The US need to rely on the Kurdish militias in Syria puts it in contradiction with Turkey and leads the latter to seek an agreement with the Syrian government, Iran and Russia that will allow it to eliminate the Kurdish bases and return the 3 million Syrian refugees, also eliminating the permanent danger of the entry of the 2 million refugees accumulated in Idlib. All the declarations swearing that the other adversary was the devil personified vanish when the material reality imposes them to embrace each other again. For the time being, Turkey and Syria have held meetings in December 2022 and April 2023. US contradictions with Turkey go back a long way and have previously materialized with the failed coup in 2016 and more recently with the US ambassador's meeting with the representative of the Turkish opposition. The response of the president of the country with NATO's second army has been: *"we have to teach the US a lesson in these elections."*

The movement to reintegrate Syria and proceed with the reconstruction business also includes the European bourgeoisie that is trying to reintroduce itself in the area: *"The European Commission and the Swedish presidency of the EU yesterday pledged a total of 7 billion euros in aid for the reconstruction of the area devastated by the worst natural disaster in decades in the region. (...) In total, Von der Leyen stressed, almost half of the pledged donations, 3.3 billion, come from Europe. "We have shown the world that we support those who need us. And that we are always with our partners," she asserted." (El País, 21-03-2023).*

This Syrian reintegration process bears the hallmark of the Silk Road: *"Syria on Wednesday signed a Memorandum of Understanding on China's Belt and Road Initiative, (...) it came amid the intensive visits of six other Middle East countries' foreign ministers to China: foreign ministers from Saudi Arabia, Kuwait, Oman and Bahrain along with the Secretary-General of the Gulf Cooperation Council (GCC) (...) kicked off a five-day visit to China since Monday and foreign ministers of Turkey and Iran are also scheduled to visit China (...) Chinese investment in Syria totaled \$135.7 billion by 2019. The two sides' trade totaled \$1.3 billion in 2019, a year-on-year increase of 33 percent." (Global times, 13-01-2022).*

Upheavals and escalations inside and outside Israel

As for Israel, the other historical pawn of the US, the social situation is becoming increasingly tense within it, in its relationship with the US and with Palestinian, Lebanese and Syrian militias.

Israel was making progress in its recognition by several Arab states (with the so-called "Abraham accords", to which we will return later) and had met with Egypt, the Arab Emirates, Bahrain and Morocco to discuss security, intelligence and technology cooperation. Saudi Arabia had given permission for Israeli aircrafts to fly over the Arabian Peninsula and a gas deal was reached with Lebanon. Meetings of the EU-Israel Council, which had not met since 2012 although the EU is Israel's main trading partner and the two have a free trade agreement, had resumed. Diplomatic relations were also resumed with Turkey with the visit of the President of Israel (trade relations have never stopped and in 2021 reached \$8.4 billion). The national unity government to oust Likud included an Arab party but this coalition faltered and called for new elections (for the fifth time since 2019), in a sign of the fractioning and instability of the bourgeoisie within Israel.

The November elections were won by Likud (23% of the votes) forming a government with a coalition of five other ultra-Orthodox and anti-Arab parties (with 64 of the 120 seats). Among the material reasons that have tipped the balance there is the plastic tax with which 930,000 euros had been collected but which represents a blow to the already low purchasing power of a large part of the ultra-Orthodox population (12% of the population and growing) mostly dependent on tax exemptions and subsidies, the maintenance of which constitutes an unproductive expense that Israeli capitalism will be forced to overcome.

The new government's first step, in addition to eliminating the plastic tax, has been to legalize the 65 settlements in the West Bank and pave the secondary roads linking Jewish settlements in the area.

Reciprocal attacks and raids between the Israeli army and Palestinian militiamen have been ongoing since November, all causing civilian casualties, prompting the government to announce that it would unblock thousands of applications for weapon permits. January saw an Israeli drone strike on an Iranian military facility.

In the midst of escalating tensions came the visit of the US Secretary of State and discussions revolved around Saudi Arabia joining the so-called "Abraham accords." In reality, *"informal ties with Riyadh have been brewing for years, the Israeli premier himself secretly flew to Jeddah in 2020."* (La Vanguardia, 31-01-2023). In its official statements the US insisted on the two-state solution, although its real interest is to maintain the situation of instability in the area as long as possible.

Protests against the judicial reform began in February. The core of the opposition to the reform is made up of the technology companies that bring with them their workers. These companies *"contribute more than 10% of employment, around 15% of GDP and 25% of income tax revenue. They generate half of the exports, ranging from cybersecurity to cyberespionage to artificial intelligence. Israel grew by 6.4% last year, boosted by these exports and the defense ones. (...) Some businessmen involved in the protests have already announced the withdrawal of funds."* (El País, 20-03-2023).

The judicial reform was toned down after a phone call between the President of the United States and the President of Israel. However, this reduction did not stop the demonstrations and the declarations of air force reservists began: *"(...) hundreds of reservists have announced in open letters that they will perform only the minimum duties or will not participate in training. (...) 37 of the 40 F-151 fighter pilots who make up the 69th squadron announced last week in a letter that they would*

skip training flights (...) The last ten living former heads of the Air Force who have held the post since 1953, five years after the birth of Israel, until last April have published an open letter (...) in which they claim to follow "with great concern the processes in the State of Israel and in the Air Force"." (El País, 08-03-2023).

The pilots' concern is to be judged by international courts for the crimes they actually commit by shooting and bombing defenseless populations. This led the Minister of Defense to: *"publicly call for it to stop. (...) The growing schism in our society is penetrating the Armed Forces and the security forces, which poses a clear, immediate and tangible threat to the security of the State. I will not allow it," he sentenced.*" (El País, 26-03-2023). The minister was dismissed the following day, Sunday. On Monday, the inter-class strike called by the employers began: *"Histadrut (General Organization of Workers in Israel), entered fully into the struggle for the reform yesterday, with a general strike that kept part of the take-offs from the main airport (Ben Gurion, near Tel Aviv) and the strategic ports of Haifa and Ashdod paralyzed during the day. The staff of embassies abroad, the main banks, the national electricity company, large hotel, fashion and food chains, and the Tel Aviv City Hall (whose mayor, Ron Huldai, belongs to the opposition Labor Party) also joined the strike"* (El País, 28-03-2023).

To prevent the protests from escalating into a major conflict, involving the army itself, the Prime Minister announced the postponement of the reform and the second day of the employers' strike scheduled for Tuesday was suspended. In exchange, a new corps called the national guard was created, controlled by an ultra-Orthodox, and a law was passed making it more difficult to disqualify the prime minister.

In addition to the increased tension within Israel, there has been increased tension with the US ruling faction: *"A journalist asked Biden if he planned to invite him [Netanyahu]. The answer was as improvised as it was curt: "No, not in the near term"".* (El País, 02-04-2023). The rejection on the Israeli side is also evident: *"Gvir, clarified that his country "is not another star on the American flag". A deputy from Netanyahu's party, Nissim Vaturi, went so far as to blame the Obama administration for the death of 74 Israeli soldiers during the 2014 Gaza offensive."* (El País, 02-04-2023).

Despite the halt of the reform, protests resumed, albeit on a smaller scale, with US flags at the demonstrations.

At that time there was an intervention by the Israeli army in the Al-Aqsa Mosque after which several attacks and missile launches from Lebanon and Syria have followed. Military tension is high: *"The US military took the rare step on Saturday of announcing that it has deployed a nuclear-powered submarine in the region to counter rising tensions."* (Bloomberg, 09-04-2023). However, the missile launch from Lebanon has not been claimed by any organization: *"The Lebanese government said its troops (...) had launched an investigation to find the perpetrators. (...) Hamas representative in Lebanon, (...) told Lebanese An-Nahar newspaper the group does not have "any information concerning the rockets" that were launched towards Israel. (...) caretaker Lebanese Prime Minister Najib Mikati warned against Lebanon's territory being used for acts that could threaten security in the country."* (Al Jazeera, 07-04-2023). *"Hezbollah passed messages to Israel through several international mediators that it wasn't part of the attack and didn't know about it in advance, according to one Israeli defense official."* (Axios, 07-04-2023). The decision taken by Israel has been not to bomb Hezbollah targets.

The dilemma facing Israel and the uncertainty of the various prospects explain the internal and external turmoil. As a pawn of the US, Israel has fewer and fewer prospects. But in order to play an autonomous role from the US, it needs to deepen its dependence on China, with whom it has been negotiating a free trade agreement since 2016 that seems close to being finalized but that has not done so yet. This agreement, or its further development, could bring China closer to the high computer technologies developed by Israel. In "The Internationalist Proletarian" No. 7 (p. 13), one can see the US misgivings about Israel's rapprochement with China.

In order to play an autonomous role from the US, it also needs to obtain the recognition of at least the Arab states and reduce the tension with Iran. Is this recognition possible? Material circumstances will dictate it. With the so-called "Abraham Accords", four Arab states have already recognized Israel without having created a Palestinian state and have recognized it more concretely as one more state of the same Arab-Jewish family, descended from the same common trunk. It is not unlikely that the rest of the Arab states will let the Palestinians down after having used them as pawns and cannon fodder for decades, force them to accept a state-like entity or a complete integration into a Jewish-Arab state that would facilitate Israel's integration into the region as just another Arab state.

Saudi Arabia proposed in early March to the US the recognition of Israel in exchange for *"developing a civilian nuclear program and fewer restrictions on US arms sales (...)"* News of the Saudi proposal emerged hours before a separate agreement, brokered by China, which paved the way for Riyadh to restore diplomatic relations with Iran for the first time in seven years." (New York Times, 09-03-2023). In reality, the main opposition to this agreement comes from the US itself, given that the normalization of the situation and effective integration of Israel with the rest of the Arab states would end up taking away its capacity of influence in the region.

After the signing of the agreement between Saudi Arabia and Iran, there have been some timid statements in Israel, such as those of the former head of the Mossad in favor of trying to reach an agreement even with Iran: *"Only recently, Israel celebrated the opening of Saudi airspace to Israeli traffic. This is an achievement of considerable diplomatic and economic significance for all Israelis now flying to Southeast Asia and China."*

(...) In view of the accumulation of the above open source data, this should be the moment for Israel to analyze the situation and, inter alia, to determine whether this is an opportune moment to launch a very careful positive probe in the direction of Tehran. (...) Only the other day, Iran and Saudi Arabia were at loggerheads. And lo and behold, China has managed to bring these two bitter enemies to a resumption of relations." (Haaretz, 13-03-2023).

In these statements by the former head of the Israeli secret services, three elements stand out: the economic importance for Israel of normalizing relations with neighboring states, the breaking of the taboo of establishing an agreement with Iran, and the identification of China as the possible mediator.

Late last year, the vice-president of the World Council of Imams stated, *"The people of Iran have seen the fruits of the Abraham Accords, they have witnessed how fast peace can be built and many remember the days of Israeli tourists visiting Tehran and long for those days to return."* (The Jewish Chronicle, 08-12-2022).

At the time when the nuclear agreement with Iran was being negotiated by the US, the EU and Russia, there had already been pronouncements in Israel about the possibility or not of preventing it and even about its convenience: *"Israel notes the progress in the talks and realizes that the ball is no longer in its court"*, recognizes former General Tamir Hayman, who was head of the Military Intelligence Directorate between 2018 and 2021". *"(...) lately it has been reported that high commanders of the Armed Forces, including the current head of the Directorate of Military Intelligence, have expressed themselves in favor of the agreement."* (El País, 19-08-2022).

The integration of the productive forces of the area has been boycotted by the US since 1980 with the Iranian-Iraqi war and has effectively succeeded in slowing down its development and turning large areas into a wasteland for a long time. However, within the general context of its withdrawal, the US is being swept aside and this opens up the possibility of the development of interrelation between the different regional capitalist powers of the area, which will not for that reason cease to be competitors.

If the US cannot block this integration, but also fails to implement it under its control and conditions, this integration will take place under the auspices of China, which is the capitalist power capable of carrying out the investments and reconstruction of the entire region.

"The issue is whether the US threat to drop Israel can be hollowed out to the extent that China can prop it up on the other side, imposing its conditions on it. Something similar happens with another traditional US ally in the region: Saudi Arabia. (...) In any case, the US ability to keep its "allies" on a short leash is somewhat weakened by the existence of China, which is waiting with open arms for anyone the US wants to punish by "breaking relations"." (The Internationalist Proletarian No. 7, p. 14).

Within the framework of negotiations with the US, Saudi Arabia has launched its proposal for an agreement to normalize diplomatic relations with Israel, making its demands to the US in exchange for this recognition. It has then publicly reached an agreement with Iran under the auspices of China. The message is quite clear: if the US does not accede to the demands, there are others who can provide equivalent conditions.

Therefore, if the process of development of the productive forces in the region pushes for the integration of Israel with the rest of the states (competitors) in the region, this integration will take place even without the approval of the US, which will at the same time highlight and deepen the relative loss of power of the US in the Middle East.

The regional capitalist powers need a stabilization of the region in order to develop their business. As an example, the planned train to link the ports of Eilat and Haifa needs stability in order to eventually consolidate as a trade route.

However, under the boot of the USA, China or any of the capitalist powers in conflict, A CAPITALISM WITHOUT WARS AND EXPLOITATION IS IMPOSSIBLE.

In the development of the inter-imperialist conflict, the dead are always laid by the proletariat, subjected in Gaza and Israel to the two tendencies of bourgeois nationalism in dispute, the Zionist and the Islamist of the concentration camp jailers. It will only be possible to develop the situation in the Middle East in the sense of a class conflict through the rupture with all the contending bourgeoisies, both local and international ones.

The trend towards Chinese unification

In the context of the harsh living and working conditions of the Chinese proletariat, which are materialized in numerous labor murders such as that of the 38 workers killed in a fire in Anyang, a wave of protests developed at the end of 2022, starting with revolts in workers' districts in Guangzhou, followed by the strike at the Foxconn factory with violent clashes against the police and health personnel. During the lockdowns accidents in transport to the quarantine centers occurred. At the end of November 10th people died in the capital of Xinjiang when the fire department could not access the building due to the limitations imposed by the lockdowns. Foodstuffs were also being destroyed on farms because they could not be transported to the cities. As a media corollary, there were several student demonstrations in different parts of the country that went so far as to explicitly call for the resignation of the great puppet-leader Xi Jinping. Faced with this situation of growing out-of-control situation, added to the deepening of the real estate crisis, the Chinese bourgeoisie began to eliminate the policy of restriction by Covid-19 and to undertake the reopening of the borders and the general resumption of productive activity.

At the congress of the anti-communist Chinese Communist Party, the third consecutive term of office of the puppet Xi Jinping as President of the Republic and of the Central Military Commission has been approved. The true content of this party falsely called "communist" is clearly expressed by the new prime minister of China: *"Governments at all levels should make friends with entrepreneurs, create a favorable business environment and care about private entrepreneurs."* (Expansión, 14-03-2023).

The economic interrelationship between China and Taiwan makes the integration of the latter within the former inevitable. This is manifested in the electoral victory in the December 2022 municipal elections by the Kuomintang, a supporter of unification with the People's Republic of China.

In the first visit since 1949 of a former Taiwanese president to mainland China, former president Ma Ying Jeou – a member of the Kuomintang – declared: *"The inhabitants of both sides of the Taiwan Strait are Chinese and share the same ancestry."* (La Vanguardia, 29-03-2023). These are practically the same words that the outgoing Premier, Li Keqiang, had pronounced three weeks earlier at the Congress of the fake Chinese Communist Party: *"the Chinese on both sides of the strait are one family united by blood"* (La Vanguardia, 06-03-2023). The only difference is that the latter had earlier advocated the need to *"intensify military training to boost combat readiness"*. *"We have to put into practice the strategy of the Communist Party (CCP) on the Taiwan issue, that is, to fight resolutely against its independence and for the reunification of the homeland."* (La Vanguardia, 06-03-2023).

The former president of Taiwan, during his visit to mainland China, also visited the mausoleum of the founder of the Kuomintang, Sun Yat-sen, which is precisely in the People's Republic and whose government, led by the fake Chinese Communist Party, also has as its ideological reference. Both historical tendencies of the Chinese nationalist bourgeoisie, that of Mao's Party and that of Chiang Kai-shek's already established agreements during the Japanese occupation and, although confronted during the civil war and the following years, they actually share the same ideology of Sun Yat-sen.

Since the early 1990s the Kuomintang governments established several initial contacts and agreements with

mainland China, suspended from 2000 to 2008 and briskly renewed until the current Taiwan government aborted them in 2016, again staging a rapprochement with the US.

The rise of the Kuomintang, which could reach the government in the next elections (scheduled for January 2024) to try to carry out another phase of rapprochement with the Beijing government, is a manifestation of the unstoppable trend towards the economic integration of both parties, embracing each other again both tendencies of the Chinese bourgeoisie in pursuit of their joint business and against the interests of the US and Western imperialisms.

The US, which keeps trying unsuccessfully to escalate this conflict, is not in a position either to prevent this integration or to slow it down significantly, and the promised 2 billion in aid has not yet arrived.

The different Chinese reaction to the recent visit of the President of Taiwan to the US compared to the visit of the Speaker of the US Congress in August 2022 is symptomatic.

In both cases it was a provocation on the US side and China had to make a military display to match the militaristic and nationalistic rhetoric it propagates at home.

But in the first case China reacted on the spot and with great military showboating, with the largest military exercises that it prolonged for several days and reiterated in the weeks that followed.

In the second case, it has had a more cautious reaction and has not reacted to the current visit of the President of Taiwan to the US until she has returned to the island and the visits of the Presidents of France and the European Commission have already left.

This is explained by the role of world peacemaker that China is trying to play in order to attract the EU (and the rest) to its fold and isolate the US, by the imminence of the elections in Taiwan and by the confidence that it will achieve its goal. Likewise, upon the return of Taiwan's president to the island, China has made a show of military might with live ammunition used around the island.

Within the general militaristic dynamic the ruling faction in Taiwan *"has increased compulsory military service from four months to one year."* (El País, 08-03-2023). On the other hand, propaganda has intensified inside Taiwan in favor of integration within the People's Republic of China. In terms of international recognition, one of the four countries that still recognized Taiwan in Latin America (Honduras) has broken off relations and only Guatemala, Haiti and Paraguay remain for Taiwan in this area.

US and Philippines get closer

In February, the umpteenth incident occurred in the area over the territorial delimitation of the waters, this time between Chinese coastguards and a Philippine vessel.

The US has achieved greater rapprochement with the Philippines, which has been materialized in the resumption in 2022 of the annual military exercises that had been suspended. This year's annual version will mobilize 17,600 troops and involve observers from Japan and Australia. The Philippines has also given the US access to four more military bases.

It is in the US interest to maintain a certain instability in the area while China needs to minimize these tensions in order to gradually trap the various countries in the area in its economic networks. To bring order and minimize these incidents, China is attempting diplomatic action with the ASEAN countries on the basis of common commercial interests.

Exercises and missiles in the two Koreas

Military maneuvers continue in South Korea as well, with North Korea's customary reaction of launching missiles with ever greater range: *"A few weeks away from military maneuvers between the United States and South Korea, the northern neighbor has already given a severe warning blow on the table by launching an intercontinental ballistic missile that traveled 900 kilometers and fell in the waters of Japan's exclusive economic zone."* (La Vanguardia, 19-02-2023).

The continuous launching of missiles into the sea recalls the saying "his bark is worse than his bite": *"In 2022, North Korea broke its record, with more than 90, 23 of them in a single day"* (La Vanguardia, 19-02-2023), with the not insignificant difference that in this case the bites can be with atomic charge in the event of a conflict on a global scale. South Korea has also joined in the missile launches, although to a lesser extent.

Separately, a series of US intelligence documents have been leaked for the umpteenth time. In one of them it is stated that: *"When news emerged late last year that South Korea had agreed to sell artillery shells to help the United States replenish its stockpile, it insisted that its "end user" should be the US military. But internally, (...) [they] feared their US ally would divert them to Ukraine."* (The Wall Street Journal, 08-04-2023). The point is that the leaked report shows that the information was obtained through espionage by the US. It is no secret at this point that the US spies on all its allies, as all others also do to the extent that they can, but that it is made public makes relations between South Korea and the US more difficult.

Japan's rearmament trend

In July 2022, Japan's former Prime Minister Shinzo Abe was assassinated. He was the driving force behind Japan's participation in the Quad military alliance and the reform of the Japanese constitution, the article 9 of which stipulates that its military may only use force to defend itself and renounces war as a means of resolving conflicts.

A two-thirds majority in parliament was required to reform the constitution, and this assassination immediately resulted in a landslide victory for his party, which, together with other supporters of the reform, exceeded the required threshold. Subsequently, "security lapses" and the "improvised" nature of the visit in which such a convenient assassination took place have been admitted. For the time being, Japan's defense budget has been doubled, incorporating among the objectives the ability to counterattack and hit targets outside the archipelago.

In February, Japan and the US held the annual military exercises called "Iron Fist" in the southwest of the Japanese archipelago which *"are being held for the first time outside California (USA) since they were launched in 2006, and in this edition have a total of 1,700 troops"*. (La Patilla, 23-02-2023).

Chinese military development and maneuvers

China continues its development also on the military level: *"According to the United States, China already has the largest aviation force in the Indo-Pacific, with more than half of its fighter planes of fourth or fifth generation"*. (La Vanguardia, 06-03-2023). The downing of a Chinese balloon by the US has highlighted the existence of a Chinese program *"of so-called lighter-than-air (LTA) vehicles, which Beijing is rapidly deploying around the world, including for military purposes, after years of research and pilot projects."* (Expansión, 07-02-2023).

China also conducts military maneuvers and deploys its military in other parts of the world, such as the naval exercises conducted with Russia and Iran in the Arabian Sea in March

2023 or the movement of the surveillance ship for tracking rockets and spacecraft that docked in South Africa in April.

South Africa's rapprochement with Russia and China is taking place militarily, economically and diplomatically: *"On April 3, the DA [opposition party] criticized the decision to allow Iranian warships to dock in Cape Town. (...) South Africa has courted criticism from the US and its allies for refusing to condemn Russia's invasion of Ukraine and holding the naval exercise with several Russian and Chinese vessels off its east coast in February over the first anniversary of the outbreak of the conflict. Pretoria is currently contemplating whether to allow Russian President Vladimir Putin to attend a BRICS bloc summit that it will host in August. (...) On March 15, South African Defence Minister, Thandi Modise, defended the government's decision to sign a memorandum of understanding with Poly Technologies Inc, a Chinese military trade company. Partnerships with foreign companies would boost South Africa's own defense industry, she told lawmakers."* (Bloomberg, 05-04-2023).

For the international communist revolution

This bourgeois world is only capable of producing death and destruction in order to survive as a system. We have no patches or mends to apply to it but a new society to fight and live for. And not a caricature of it with changed names but **a truly communist society**: without wage labor, without market, without anarchy of production, without private property, without State, without crisis or wars... in which **"the free development of each is the condition for the free development of all."** (Manifesto of the Communist Party).

In order to carry out this task, the working class needs a Party with a scientific understanding of history and a program that is not one of reform or conservation of the present society: **this party is the International Communist Party which must gather the most advanced and determined part of the proletariat, unifying the efforts of the working masses by directing them in the struggle for contingent interests and results, to the general struggle for the REVOLUTIONARY EMANCIPATION OF THE PROLETARIAT.**

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One more example of pestilent integration

Whereas the last CCOO congress in Spain was attended by the leader of the Employers Association (CEOE) (see p.8 of "The Internationalist Proletarian" n°8), the last CGIL congress was attended by the President of the Italian Government. For some, the reason for the scandal is the parliamentary affiliation of the aforesaid: the folklorically philo-fascist party Brothers of Italy. The presence of the Spanish Minister of Labor, who also participated, would be a reason for applause. However, beyond the different parliamentary varnish of the two speakers, **their political essence is the same** and is well summarized by the Italian president: *"But today is March 17th, the Feast of National Unity. (...) With this presence, this debate, today we can truly try to celebrate national unity. Because unity is not the annulment of opposition, which has an educational role for any community. Unity is the higher interest, the common destiny that gives meaning to the contrast". It had been 27 years since no prime minister had attended and spoken at the CGIL congress. (...) the outgoing secretary, called her a few weeks ago and invited her to the meeting. "The union dialogues with everyone without prejudice" (...)."* (El País, 18-03-2023).

This is just one more sign of the pestilent integration of the large so-called trade union organizations and of the complete loss of their character as class unions.

All the animals in the parliamentary zoo act according to the social-political content of the Fascist Labor Charter (1927), the basis of all current European and world labor legislation: *"In collective labor contracts, the solidarity of the various factors of production finds its concrete expression in the reconciliation of the opposing interests of employers and workers, and in their subordination to the superior interests of production".*

Fascism: military defeated but socially vanquisher

Since the end of the 2nd world slaughter, it was clear that: *"(...) the trade union dynamics continues to develop uninterruptedly in the full sense of state control and inclusion in the official administrative instances. Fascism, dialectical realizer of the old reformist instances, carried out that of the legal recognition of the trade union so that it could be the holder of the collective agreements with the bosses to the point of the effective imprisonment of any trade union organization in the articulations of the bourgeois class power. This result is fundamental for the defense and preservation of the capitalist regime precisely because the influence and use of trade unionist framing is an indispensable stage for any revolutionary movement led by the communist party."* (Revolutionary Party and Economic Action, 1951).

And this has been the Party's assessment, without palliatives, since the reconstitution of the C.G.L. as C.G.I.L.: *"it cannot dissimulate that not even the confederation that remains with the social-communists of Nenni and Togliatti is based on class autonomy. It is not a red organization, it is also a tricolor organization STITCHED ACCORDING TO THE MODEL OF MUSSOLINI."* (The Trade Union Splits in Italy, 1949).

The need of class unionism

From its beginnings Marxism has made clear the close and necessary tie between the immediate struggle (with its limitations) whose organ is the Class Union and the revolutionary perspective whose organ is the Communist Party.

"Now and then the workers are victorious, but only for a time. The real fruit of their battles lies, not in the immediate

result, but in the ever-expanding union of the workers. (...) This organization of the proletarians into a class, and, consequently into a political party, is continually being upset again by the competition between the workers themselves. But it ever rises up again, stronger, firmer, mightier." (Manifesto of the Communist Party, 1848).

"(...) is this saying that the working-class ought to renounce their resistance against the encroachments of capital, and abandon their attempts at making the best of the occasional chances for their temporary improvement? If they did, they would be degraded to one level mass of broken wretches past salvation. (...) By cowardly giving way in their everyday conflict with capital, they would certainly disqualify themselves for the initiating of any larger movement." (Value, Price and Profit, 1865, K. Marx).

The meaning of these passages is as profound as striking: a class that drags along an existence of humiliation, that is run over and crushed without even feeling the impulse to rebel and undertake the immediate struggle against this situation, is incapable of abolishing the slavery to which it is subjected.

Convicted inside the integrated trade union prison?

While some want to make us renounce the union organization by handing it over to the ruling class, others want to lock us inside the integrated union prison. Neither one thing nor the other.

Already the theses of the International make clear that, although we are not scissionists by principle in the trade union plane, the communists: *"5. (...) ought not to hesitate before a split in such organizations, if a refusal to split would mean abandoning revolutionary work in the trade unions, and giving up the attempt to make of them and instrument of revolutionary struggle, the attempt to organize the most exploited part of the proletariat"*. (II Congress of the Communist International, 1920).

The Characteristic Theses of our Party, after stating that *"7. The party never adopts the method of forming partial economic organizations comprising only workers who accept the principles and leadership of the communist party."* They impose a task to the militants and to the Party themselves: *"(...) It is the task of the party, in unfavorable periods and periods of passivity of the proletarian class, to foresee the forms and encourage the appearance of organizations with economic objectives for the immediate struggle, which may even assume totally new aspects in the future, after the well-known types of corporation, industrial union, company council, etc. (...)"* (Characteristic Theses, 1951).

The **function of integrated unionism** is to control any small glimmer of class organization even for the immediate struggle: to integrate it, and if it resists, to betray it and stifle it.

The **function of communists** is the opposite: to stimulate this immediate struggle without ceasing to show its limitations, to elevate politically the workers who undertake it, to link it with the higher objective of the abolition of wage labor, of the communist revolution. If we – Marxists – desert this function, only the action of opportunism remains and the seams of the Mussolinian straitjacket cannot be broken.

This function can only be done today by **ORGANIZING THE CLASS UNION, OUTSIDE AND AGAINST THE TRADE UNION PRISON OF THE WORKERS' MOVEMENT** for which the denominations of democratic or subsidized trade unionism, HR branch, trade union services company, etc. are valid.

FOLLOWING THE THREAD OF TIME XIX - MUNICIPALITIES AND SOCIALISM

(Battaglia Comunista, no. 22, June 1st-8th, 1949)

The original title of this Following the Thread of Time is "I comuni ed il socialismo". In Italian, the word "comune" has different meanings, to which correspond different translations in English.

The word "comune" may correspond to the English word "common" which, in turn, has multiple meanings suitable for the bourgeoisie (and especially the petty bourgeoisie) to make a multitude of puns.

We have for example the title of "the commons" in the Spanish state assigned, with the general acceptance of the bourgeois press, to the opportunist political conglomerates social-democratic in content in which the elements of the petty bourgeoisie coming from the Stalinist parties and related environments have been reformulated. This is the case of candidacies such as "Ahora en común" (Now in common), "Barcelona en común" (Barcelona in common), "Más Madrid" (More Madrid), etc. In the British state, none other than the parliament is called the "House of Commons" and the petty bourgeoisie all over the world gets enthusiastic recalling the bourgeois revolutionary urban cities and communes of the Middle Ages.

In Italian, the word "comune" also corresponds - and this is the sense in which it is used in the text - to what in English is called depending on the place: Local Government, Municipality, Local Council, Borough, etc. The word "comune" in the sense of "municipality" has been fallaciously used to give an aura of communism to municipalism.

Opportunism has sown, sows and will always sow confusion with the use of words. The struggle of Marxism, since we opposed to the Spectre the Manifesto of our Party (1848), is against these confusions of terms and ideas. The text clarifies

that Communism does not come from Municipality ("Comune", in Italian) but from the community of the means of production and objects of consumption, the result of expropriating them from the bourgeoisie and their subsequent socialization. We will also note that the text uses the term "il Comune" for the municipality, town hall or local council (including the first autonomous cities of the bourgeoisie in the Middle Ages, usually called "communes" in English) and "la Comune" to refer to the Paris Commune, the first historical example of the dictatorship of the proletariat.

In the Spanish state, the territorial divisions superior to the Provinces are called Autonomous Communities. In several Latin American states, such as Colombia or Chile, the districts of a Town or Municipality are called Communes. This diversity and overlapping of nomenclatures give rise to the most diverse interested confusions, such as those that opportunism has recently launched by equating the Communes of Cali with the historic Paris Commune of 1871 (see the article "*Colombia: the matchstick and the boiling water*", published in The Internationalist Proletarian no. 8).

Opportunism will always judge things by their label and not by their content, thinking consequently that the content has changed when the label changes. We communists will not stop to look at the label, but, putting aside the aesthetic and literary wrapping, we will always analyze the content and verify if it is the one that interests the proletarian class: overthrow of the bourgeoisie and its State, centralized dictatorship of the working class to abolish revolutionarily the division into classes, wage labor, private property and the mercantile and enterprise regime.

YESTERDAY

Using the expression: the Communes¹ and communism, or in other words: the Communes and the communists, rather than making a pun, would contribute to favoring the confusion of terms and ideas against which the Marxist party systematically fights and of which, on the other hand, the opportunists make their daily fodder.

We want to talk about the Municipalities as current local administrative entities, and it does not seem banal to emphasize the premise that communism does not come from Municipality but from the community of instruments of production and objects of consumption. *Instruments* and objects that are physical and will always be so as long as the terms goods, wealth, merchandise and alike entail social relations that the communist revolution will destroy.

The historical distinction between Municipality and State is not always clear. Engels says that primitive society without private property, the nucleus of which is the original tribe or gens, did not yet have a State, there being no division into classes, struggle between classes and state political power, the expression of the strongest class. The first political states appear

with limited territories and comprising a single city with a notable number of inhabitants, and since the same term refers to the territory organized as a unit and to the institutions that govern it, the city is confused with the state. But the Greek "polis" and the Roman "civitas" do not correspond to our modern urban municipality but to the national states. The Roman *Municipium* was the current Municipality, Rome was the metropolis, but when the juridical quality of citizen, word that comes from city (rather it is *civitas* that comes from *cives*²) is recognized to the Italics of all the municipalities up to the Po, the whole peninsula forms the territory of the Roman political state with uniformity of law and jurisdiction. On the other hand, the term politics, that is, the science, the art of the State, comes from the Greek "polis", understood not as a city, an agglomeration of houses, but as a territory and a single regime.

Much poetry has been made about the urban Commune of the Middle Ages by the bourgeois revolutionaries first-hand who end up with Carducci, and by those of today, second-hand, composed of oafs whose delicate corns had been rudely stepped on by Mussolini. The medieval urban Commune where the first bourgeoisie fought courageously against the feudal order and then succumbed in Italy to the aristocratic Lordships, in that ebb

¹ TN: in the sense of Municipalities and communism. Precisely in order not to make this pun and contribute to the confusion we are fighting against, in the title and henceforth the term Municipality is used to translate the Italian "il Comune" and Commune for "la Comune". The only exception is the medieval bourgeois urban commune, which we have called in this way because the text wants to emphasize that it does not coincide with a mere municipality, but that it was a real state power.

² TN: City and citizen in Latin respectively.

that our country suffered for centuries as a result of the development of world trade and production (but which, however, had forever excluded the threat of the return of the feudal specter, a threat on which thinkers, writers, teachers, politicians childishly are fed and intoxicate with it), the medieval urban Commune was a political state of small territory, formed by a large urban center with a number of villages and fields with a common elective political order, it was a *polis*, not a *municipium*. Dante had already understood how in the meeting between the Coalition members from Legnano³ and Barbarossa the fundamental element of the modern state centralized in a large territory that would have led much further than the political fragmentation and organizational and mental anxieties of "*quei che un muro ed una fossa serra*"⁴ was on his side. But the rhetorical puffers of political history when they have seen where the Palladium of Freedom rises, they have seen it all. Formula of good sons of Troy.

In the modern bourgeois state, the Roman municipality has been renewed in the pretended autonomy of the local administrations, running in general more like low camorra when they have a local model of little parliament than when the state puts its officials there.

The Marxist vision of the class struggle investigates and presents such social fact in the individual enterprise where the wage earner depends on the bourgeois boss, and the development in the national framework where the working class leads its struggle against the state, organ of the ruling bourgeoisie, to overthrow it, and in the international framework of proletarian solidarity. It has as its field and as a scene of class struggle also the Municipality and the Province or Canton, undoubtedly, but the issue is not reduced to the gossip of going to see Montagues and Capulets⁵.

Politics and Administration, the bourgeois chattered, two different fields. Silly and faithful echo, the well-off socialists pretended that in the local authorities it was useful and beautiful to contribute to pilot – the wretches were also good technicians, honest and disinterested while the opportunists of today are filibusters – the administrative barge, as soon as the classist postulates were defended in the State and in the International. Therefore, they said that the party principles could be well supported in the national political and parliamentary campaigns, while locally they should not make "political issues" but contribute to the good solution of *technical* and *concrete* problems in the interest, vaguely expressed by the workers, but also with that of the "population", of the "generality" of "our city", and the like. You want to maintain, they said, an attitude of principled opposition to the state and in parliament, to reject government mandates and alliances with other parties, but in local administrations the workers expect from us (in the end it is always the workers who expect all these things – patiently at all hours they are waiting, it is the councilors, advisors, mayors and other insects who expect nothing else than what was the dream of a lifetime) positive work for their welfare, and there is no contradiction with our socialist principles if we do good administration and if for that purpose we make agreements with other parties.

Be very careful and roll up your sleeves. Politics and administration? For the bourgeois liberal ideologist, the political sphere is that in which the opinions, the confessions, the liberal professions of political faith of the citizens play and are found,

which in formulating them question their conscience and the civil education received from the school and the press of the "free" capitalist state. The Citizen who fulfills the sacred free right and duty of voting does not question his interests nor does he remember the economic class to which he belongs, but chooses according to the political philosophemes that have most seduced him in the sentences of the candidates. From this noble field arises the supreme organ of popular government of the nation, which guides it according to the supreme principles and dictates of democratic consecration. In the lowest "administrative" field one can then, with the great Ideas on one side, deign to deal with the facts of material life, streets, canals, aqueducts and, pardon me, even sewers. The atheist and the Catholic, the republican and the dynastic can agree on the solution.

But precisely the socialist vision blows up all this foolishness, with a total overturn. The satisfaction of the material needs of the working class and its economic interests is possible only by confronting the bases of social privilege of the adversary class, built on a system of institutions and defenses that have a role in all territorial and business angles but emanate from a unitary center nestled in the political state. Every problem of the technique of production and of the administration of social activity in a narrow or broad field becomes a political problem, or rather it is a political problem, of confrontation and clash of political forces, and it is on this basis that the socialist movement builds its class organization and action.

Appeals and reasonings of this nature were enough to lead the Italian Socialist Party at the Ancona congress of 1914 to throw overboard the thesis of the famous popular administrative blocs. In spite of the reformists and opportunists it was said that there would be class struggle and class politics even in the Municipality of Milan and in that of Borgocolleferato.

If the old intransigent socialist Serrati was colossally mistaken in the report on the great questions of the Third International, it was largely due to the suggestion that the conquests of these "fortresses" by the party, constituted by Town Halls, Mutual Societies, Cooperatives, which he believed could play in the revolutionary sense even if they were in the hands of gray reformists dedicated to the overused and concrete work, exerted on him. In vilifying Serrati, however, then well and truly dead, the concretists of the Turin-based *Ordine Nuovo* group not only did not lag behind, but touched the peak of virulence, not to mention venom. This did not prevent them from defending the fusion with the repentant Serrati, instead of simply re-admitting him to the ranks. But the anti-serratism of that time has prevented even less in recent times, when one of the many funambulists of post-fascism, without however taking himself seriously, manipulated a new historical-political theory – Who does not have one among those over twenty years of age? Mussolini had made a fortune with it, and they reason as in the betting pool – that is, that of the Administrative State, has not prevented, we say, Togliatti from attributing a Marxist sense and launching one of the so skillful winks of sympathy to this rude nonsense in freedom.

A further phase of the confusion between Municipality and State, especially in the definition of the doctrinal differences between Marxists and anarchists, occurred with regard to the Parisian Commune of 1871. In long years of revolutionary propaganda socialists and anarchists have well vindicated that glorious battle, but the critical contributions of Marx and Engels

³ TN: It refers to the battle of Legnano (1176) between the Lombard League and Emperor Frederick Barbarossa.

⁴ TN: "Those whom a wall and a moat enclose," quoted from Dante's Divine Comedy.

⁵ TN: A drama that stages in a love tragedy the struggle between the Guelph and Ghibelline factions, in the 13th century.

especially in the decisive clarification of Lenin's "The State and Revolution" have defined the argument. The Commune was the first example of a revolutionary state organized after having broken the traditional capitalist and parliamentary state. If it erred, it was in hesitating to break such institutions of the bourgeois regime and in not employing sufficient force and authority to crush the surviving minorities of the old ruling class. The Parisian revolutionaries conquered the municipal house and seemed to replace the ministers of the national government by a municipal power, but the historical substance lies in the foundation of a new proletarian political power that wanted to spread itself throughout France and make the working class insurrect throughout France. The arms of the bourgeois republic supported by the Germanic Prussian empire prevented the formation of this workers' state, of this first proletarian dictatorship, of which Marx and Lenin have demonstrated the unitary, centralist and non-federative nature.

If the capitalist economy now has ultranational limits, the communist economy will not be closed in narrower, corporate or municipal limits. And thus, the historical form of the revolutionary power that will guide the economic transfer until the dissolution of the State, of Democracy, of the Administration itself in the present sense (Lenin, Engels) cannot be of a narrow territorial limit. We tend to a world Commune, not a municipal one, since a municipal economy would have no sense, not even a medieval sense.

The ease of the rough, romantic and Romagnolo spirits had awakened in Mussolini, when he was still leading the Italian Marxists of the left, one of the many thoughtless sympathies for an ism that wanted to emerge with the usual pretension of

overcoming the classical Marxist directives: Municipalism. It is hard work to keep these great politicians of yesterday and today away from their bad habit of pecking in all directions, from thinking that for stale camaraderie everything makes a good broth. Even administrativism... brrr!

TODAY

The slogan of the Stalinist parties regarding the Municipalities seems to be this: in the central political bodies everything is allowed, but in the local ones even more is allowed. As an example, the bloc together with the anyoneists. We do not want to venture inaccuracies but if we had the possibility to compile all the lists from Castiglione Messer Marino to Pieve Porto Morone, we believe that we would find Stalinist blocs with monarchists, Christian democrats and mysists. And the Central's slogan is only one: do not give up your posts. *Enrichissez-vous!*⁶ A major municipalist success story has been reported with the Stalinist mayor of the small French town of Vallauris⁷, that has celebrated with impeccable style the marriage of the century. This one did not smell the odor of feudalism, what do you know. The press of the rudest city in the world, New York, came out ten minutes later to say in eight columns that Rita found it "magnificent".

Mayors, deputies, ministers, union officials and party bosses, all work in series and in agreement with the aim of making the world proletariat, from event to event, the "cocu magnifique" - the magnificent cuckold⁸ - of history.

We hope, however, to see them one day pierced by those horns.



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⁶ TN.: Get rich! In French in the original.

⁷ TN: refers to the marriage of Rita Hayword and Prince Ali Khan in 1949.

⁸ TN: *cornuto* in the original. Literally, "horned".