PROSPECTS FOR THE GLOBAL CRISIS
2013 Report on the International Situation

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CONTINUING MULTIPLE CRISES AND FACTORS FOR FURTHER DETERIORATION

THE CRISIS OF OVERPRODUCTION IN THE REAL ECONOMY AND FINANCIAL MELTDOWN WITHOUT REAL RECOVERY IN SIGHT

The most recent economic crisis began with the 2008 financial meltdown in the most developed countries, with successive quarterly dips in GDP growth (recession) and loss of jobs as its most evident indicators. Since then, the crisis and its impacts have reverberated in all regions of the world and have further crippled the capacity of most developing countries to develop further. There have been some signs of recovery, including improved financial market conditions in the second half of 2012. But generally, levels of growth and job generation "needed to drive a real global recovery" remain absent, and stronger negative factors have been pulling down the real economy.[1]

Underlying the current crises of stagnation as well as jobless growth is the crisis of overproduction, which operates in cycles of boom and bust. This crisis remains the fundamental dilemma of the capitalist economy. In such a vicious cycle, industrial firms must remain profitable by continually pushing for more production and higher demand. But in so doing, they have no choice but to cut down on labor costs to survive; the resulting low wages and underemployment eventually lead to depressed consumer spending. The resulting low demand drives the cycle into more cutthroat competition, more monopolies, more factory closures, more joblessness; and onward to efforts to recover markets and profits, and so on, in a cycle that recurs every so many years.

Sluggish GDP growth in major developed countries

In end-2012, the UN World Economic Situation and Prospects 2013 (WESP 2013) report had warned about the risk of what it called "synchronized economic downturn" across many developed and developing countries in the years 2013-2014. *(See Figure 1, with global projections for a downward scenario, and Figure 2 showing growth of GDP per capita in groups of countries.)*

Six months later, in July 2013, the UN updated its WESP 2013 report and adjusted slightly downward its baseline outlook for 2013 global growth (from 2.4% to 2.3%), warning that "several key risks and uncertainties remain, and, if not mitigated, could derail global growth again, as in the past few years." At the same time, it optimistically described the world economy as continuing to "expand at a subdued pace" and expected to "slowly gain momentum in the second half of 2013," picking up to 3.1% in 2014.

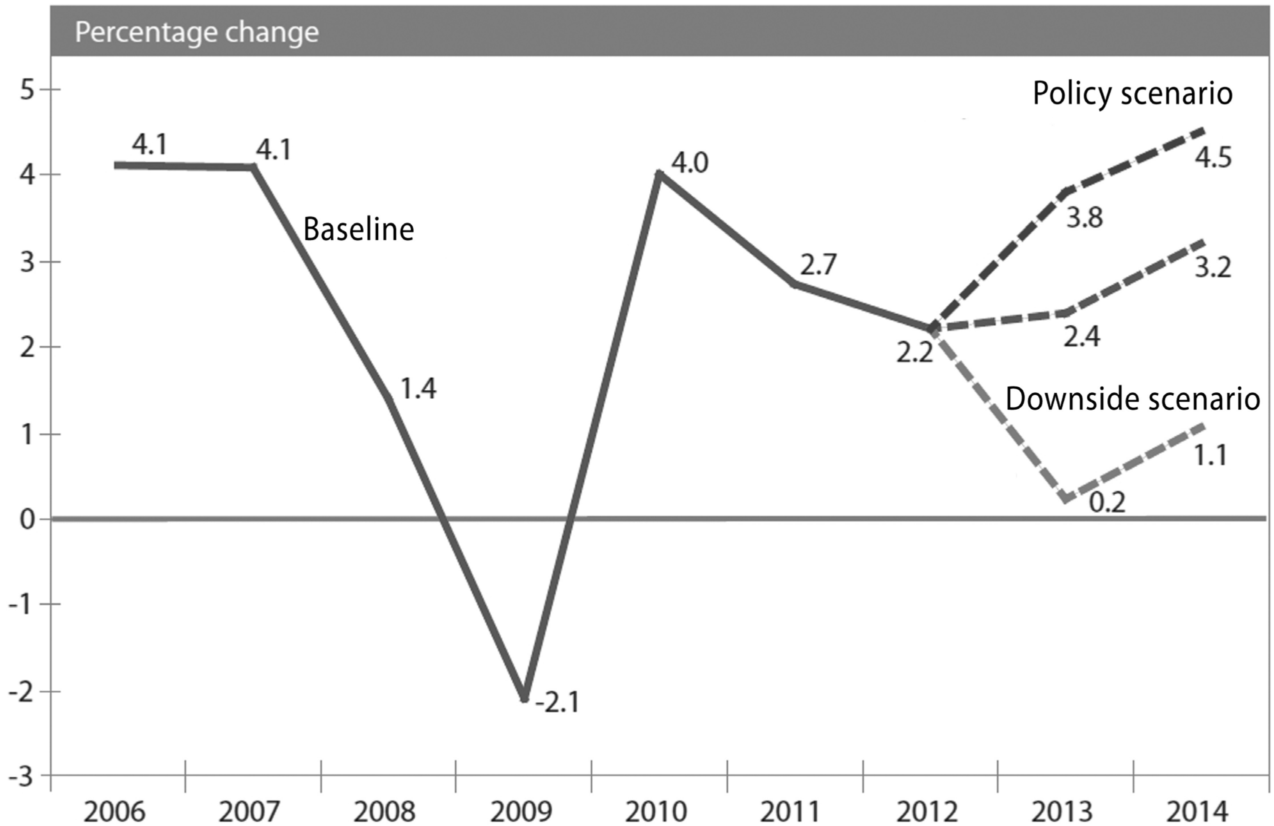
In the IMF's latest World Economic Outlook (WEO) issuance in July 2013, it also said that global GDP growth is "projected to remain subdued" at 3.1% in 2013, about the same as in 2012.[4] The chart below (Figure 3) shows global GDP growth up to Q3 2013.

It is claimed (in the UN WESP 2013, updated) that since late 2012, "several new policy initiatives in major developed economies have reduced systemic risks and helped stabilize consumer, business and investor confidence." But at the same time, the reduced risks and heightened confidence have not shown major impacts on growth in the real economy.

Deep recession in Europe despite signs of minor uptick

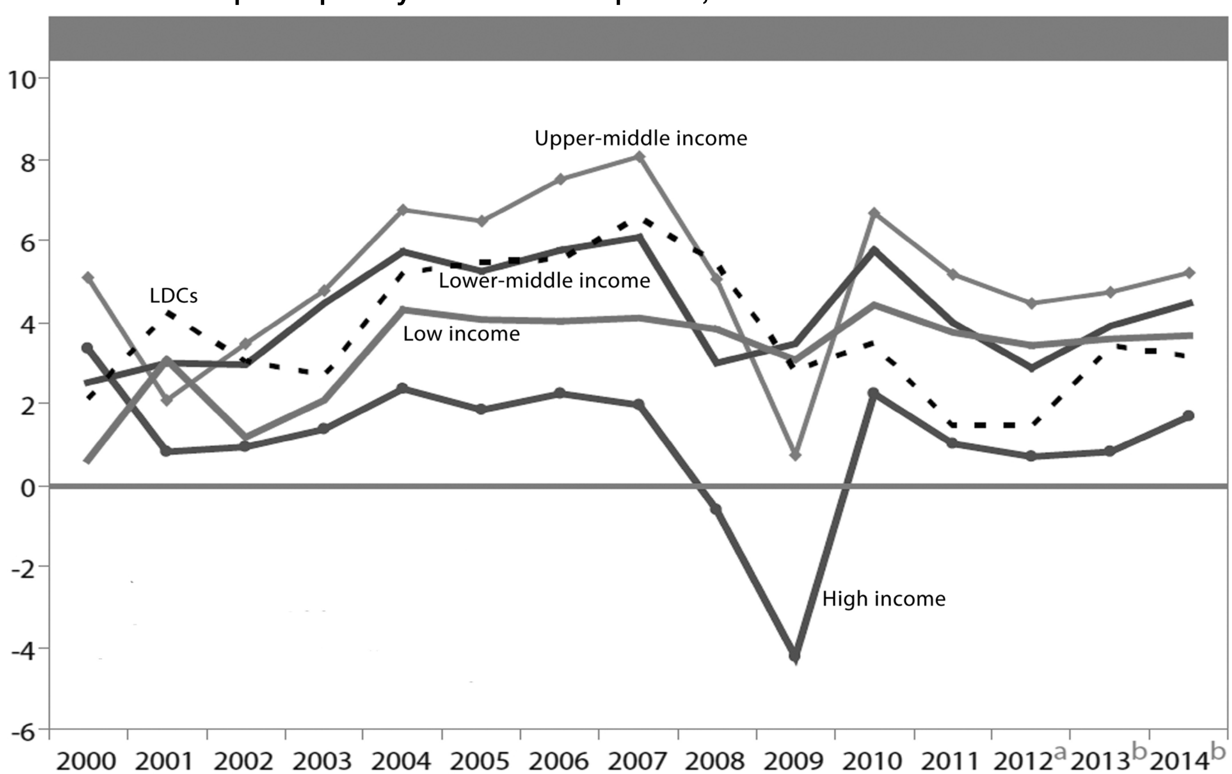
As of end-June 2013, the Eurozone has been going through its longest recession since the end of World War II. Economic activity across its 17 countries has been falling for the seventh quarter in a row, from Q4 2011 to Q2 2013. The economies of France, Spain, Italy and the Netherlands have generally shrunk. The growth in Germany, the region's strongest economy, just eked out a 0.1% growth on a quarterly basis, and shrunk by 0.2% year-on-year. Ten-year data on year-

Figure 1. Growth of world gross product, 2006-2014[2]



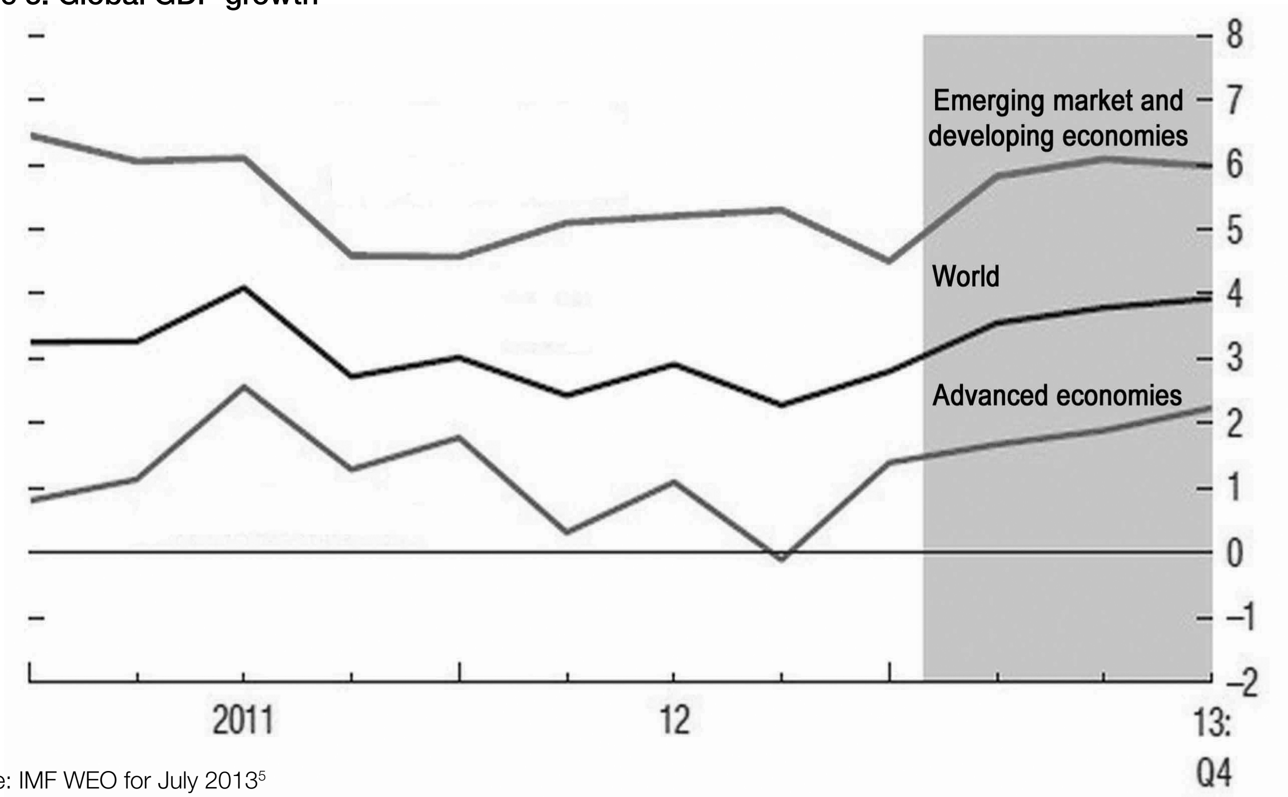
Source: UN/DESA as cited in WESP 2013

Figure 2. Growth of GDP per capita by level of development, 2000-2014[3]



[a] Estimates.
[b] UN forecasts.
Source: UN/DESA as cited in WESP 2013

Figure 3. Global GDP growth



Source: IMF WEO for July 2013[5]

Figure 4. GDP growth (year-on-year) for Eurozone and selected EU countries

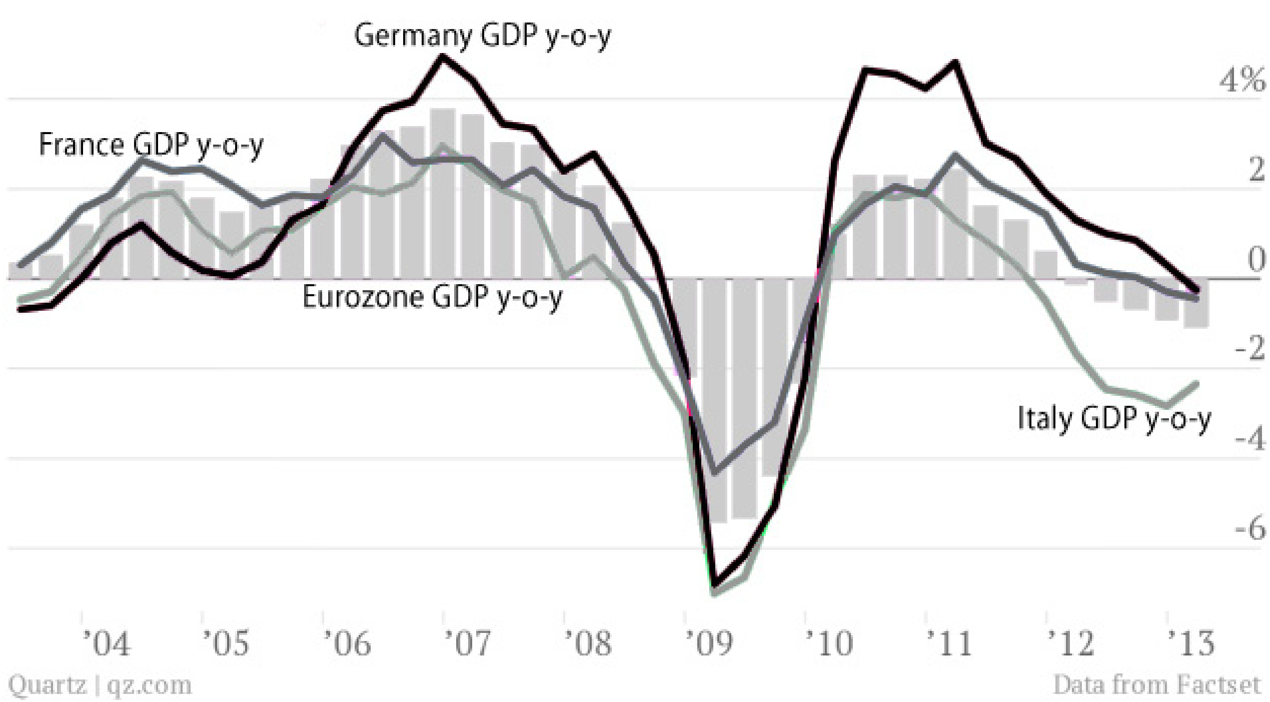


Figure 5. US, EU27 and Euro area GDP growth rates[8]

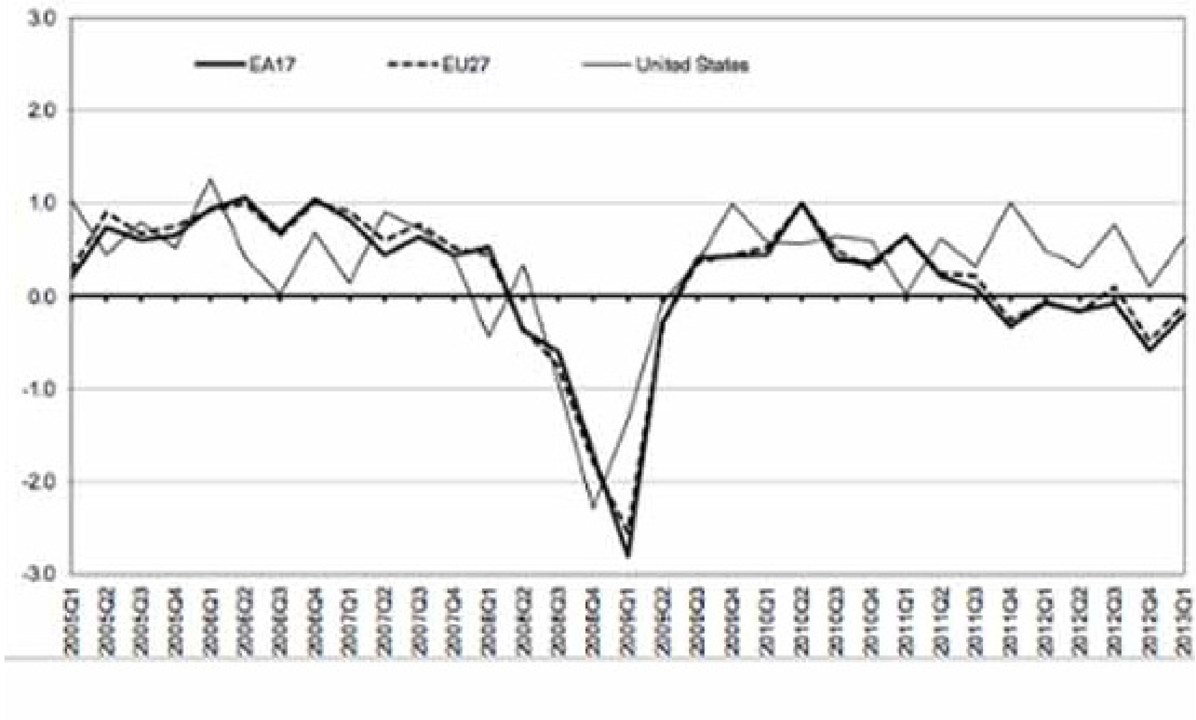


Table 1. Annual GDP growth rates of selected developed countries, 2011-2014

Developed countries	2011	2012	2013[a]	**2013[b]**	2014[a]	**2014[b]**
USA	1.8	2.2	2.1	**1.9**	2.7	**2.6**
USA*	1.8	2.2		**1.9**		**2.6**
Japan	-0.6	2.0	0.6	**1.3**	0.8	**1.6**
Japan*	-0.6	1.9		**1.0**		**1.6**
European Union	1.5	-0.3	0.6	**-0.1**	1.7	**1.3**
European Union*	1.5	-0.3		**0.1**		**1.6**
EU15	1.4	-0.4	0.5	**-0.2**	1.6	**1.3**
New EU Members	3.2	0.8	2.0	**1.1**	2.9	**2.2**
Euro area	1.4	-0.6	0.3	**-0.4**	1.4	**1.1**
Euro area*	1.4	-0.6		**-0.3**		**1.4**
Other European	1.6	1.9	1.5	**1.7**	1.9	**2.2**
Other developed countries	2.5	2.6	2.0	**2.0**	3.0	**2.7**

*GDP projections according to the European Economic Forecast Winter 2013; otherwise, data came from UN WESP Mid-year 2013)

[a] Baseline outlook (WESP at the start of 2013)

[b] Updated GDP projections (mid-year 2013)

on-year GDP growth of Europe's biggest economies—Germany, France, and Italy—are graphically shown below, superimposed on equivalent data for the whole Eurozone *(See Figure 4)*.[6]

Among the advanced economies, joblessness particularly worsened in Europe, with some countries hitting record highs in recent months. Italy's unemployment, for example, rose to 12% in end-May 2013—the worst since 1977.

A slight improvement in Q2 2013 data have led Eurozone officials to expect some sort of uptick in the second half of 2013 (some see the uptick as driven by external demand). On the other hand, other economists remain guarded since domestic demand remains weak and no other real growth drivers have clearly emerged.[7]

Tenuous and jobless growth in the US

The U.S. economy appeared to fare better compared to Europe in terms of GDP growth *(see Figure 5)*. But in fact, its recovery remains tenuous. Its annualized GDP growth rate for Q1 2013 was only 1.8% (less than the earlier estimate of 2.4%), and economists estimate that Q2 would even be lower at 1.5%.

The U.S. economy is seriously hobbled by depressed domestic demand because wages for most workers are either stagnating or declining. Between 2009 and 2012, real median wages in the US fell by 2.8% (with lower-wage workers suffering bigger reductions), whereas productivity increased by 4.5%.[9]

The latest US Jobs Report's main basis for optimism is that "new jobs" are being created. But the reason for this is that full-time jobs are giving way to part-time jobs, while the unemployment rate remains. As of end-June 2013, the official unemployment rate in the US was 7.6%, but would actually be higher at 14.3% if the all "U-6" categories are added up, including those who want a job but have stopped looking, and those who are working part-time but are looking for a full-time job.

According to the latest US Jobs Report, 58.7% of the civilian adult population (144 million out of 245 million) were working in June 2013, but only 116 million (47%) had a full time job. There may be "more jobs" technically, but that's because positions that were formerly full time are now part time, i.e., two or more people holding what used to be one job. Only 47% of Americans are employed full time.[10]

Other developed countries down to a crawl, suffering imbalances

Other developed countries are not faring any better, either. *(See Table 1. For a more complete listing, see Table 2.)*

Japan, for example, grew only 2.6% in Q2 2013 (annualized), lower than the 3% or higher annualized growth previously forecast.[11] This hampers Japan's aim to boost enough tax revenues to pay its enormous public debt, which for the first time in its history surpassed USD 10.44 trillion (1 quadrillion yen) by end-June 2013. This figure is more than 200% of Japan's GDP—by far the worst indebtedness among industrialized economies.[12]

Australia, one of the few developed economies left fairly unscathed by the global recession, had the advantage of access to a huge market—particularly having abundant minerals that China needed. (China now takes 40% of Australian exports.) Thus, like resource-rich Ireland, Canada, and Russia, the country relied on its strong raw material exports to ride out the worst crisis years. But this had led to a neglect of Australia's industrial base, leaving it with an unbalanced economy in the danger of a sudden collapse should its export markets fail.[13]

Signs of BRICS slowdown

As recent data from IMF and UN DESA show, the so-called emerging economies or BRICS (for Brazil, Russia, India, China, and South Africa) are growing more slowly than previously projected. Almost all (with the exception of Brazil) were projected to incur slow GDP growth from 2012 to 2013. The GDP growth of China, the second largest economy in the world, is projected to flatten this 2013.

Factors for this include reduced US and European demand for exports from Brazil and Russia; China readjusting its priorities towards domestic consumer spending; and other emerging markets weakened by the pullout of foreign direct investments. Quantitative easing among the most developed countries, in particular, has resulted in higher volatility of capital flows and foreign exchange rates that are wreaking havoc on emerging economies.

Table 2. Growth of world output, 2011–2014, annual percentage change

	2011	2012[a]	2013[b]	2014[b]	Change from January 2013 Forecast 2013	2014
World	2.8	2.3	2.3	3.1	-0.1	-0.1
Developed economies	1.4	1.2	1.0	2.0	-0.1	0.0
USA*	1.8	2.2	1.9	2.6	0.2	-0.1
Japan	-0.6	2.0	1.3	1.6	0.7	0.8
European Union	1.5	-0.3	-0.1	1.3	-0.7	-0.4
EU15	1.4	-0.4	-0.2	1.3	-0.7	-0.3
New EU Members	3.2	0.8	1.1	2.2	-0.9	-0.7
Euro area	1.4	-0.6	-0.4	1.1	-0.7	-0.3
Other European	1.6	1.9	1.7	2.2	0.2	0.3
Other developed countries	2.5	2.6	2.0	2.7	0.0	-0.3
Economies in transition	4.5	3.2	3.1	3.7	-0.5	-0.5
South-Eastern Europe	1.1	-1.1	1.0	1.8	-0.2	-0.8
Commonwealth of Independent States and Georgie	4.8	3.5	3.3	3.9	-0.5	-0.5
Russian Federation	4.3	3.4	2.9	3.5	-0.7	-0.7
Developing Economies	5.8	4.6	5.0	5.4	-0.1	-0.2
Africa	1.0	5.1	4.6	5.1	-0.2	0.0
North Africa	-5.6	5.6	3.6	4.4	-0.5	-0.1
East Africa	6.3	6.1	6.2	6.3	0.1	0.2
Central Africa	5.1	5.5	5.3	5.4	0.6	0.9
West Africa	6.1	6.4	6.7	6.9	0.1	0.1
Southern Africa	3.9	3.6	3.9	4.4	-0.1	0.0
East and South Asia	6.9	5.5	5.8	6.1	-0.2	-0.2
East Asia	7.1	5.9	6.1	6.3	-0.1	-0.2
China	9.2	7.8	7.8	7.7	-0.1	-0.3
South Asia	6.4	3.9	4.7	5.4	-0.3	-0.3
India	7.5	5.1	5.5	6.1	-0.6	-0.4
Western Asia	6.8	3.1	3.4	3.8	0.1	-0.3
Latin America and the Caribbean	4.3	3.0	3.6	4.2	-0.3	-0.2
South America	4.5	2.5	3.5	4.2	-0.5	-0.2
Brazil	2.8	0.9	3.0	4.2	-1.0	-0.2
Mexico and Central America	4.0	4.0	3.9	4.1	0.0	-0.5
Caribbean	2.7	2.5	3.0	3.7	-0.7	-0.1
Least developed countries	3.4	3.8	5.8	5.7	0.1	0.2
Memorandum items						
World Trade[c]	6.9	2.7	3.5	5.0	-0.8	0.1
World output growth with PPP-based weights	3.7	3.0	3.1	3.8	-0.2	-0.2

Source: UN/Desa [a] Partly estimated [b] Forecast, based on Project LINK [c] includes goods and services

Table 3. GDP growth rates for BRICS

	2011	2012	2013[b]	2014[b]
Brazil	2.8	0.9	0.9	4.2
Russia	4.3	3.4	3.4	3.5
India	7.5	5.1	5.1	6.1
China	9.2	7.8	7.8	7.7
China*	9.3	7.8	7.8	8.1
South Africa**	3.5	2.5	2.5	-

[b] projected as of mid-2013
* similar projections by the European Economic Winter Forecast
** data obtained from African Economic Outlook

Table 4. GDP growth rates for developing countries

	2011	2012	2013[b]	2014[b]
Africa	1.0	5.1	4.6	5.1
Africa**	-	6.6	4.8	-
East and South Asia	6.9	5.5	5.8	6.1
Western Asia	6.8	3.1	3.4	3.8
Latin America and the Caribbean	4.3	3.0	3.6	4.2
Least developed countries	3.4	3.8	5.8	5.7

[b] projected as of mid-2013
** data obtained from African Economic Outlook[14]

The rest of the developing world rides dangerously on unsustainable growth

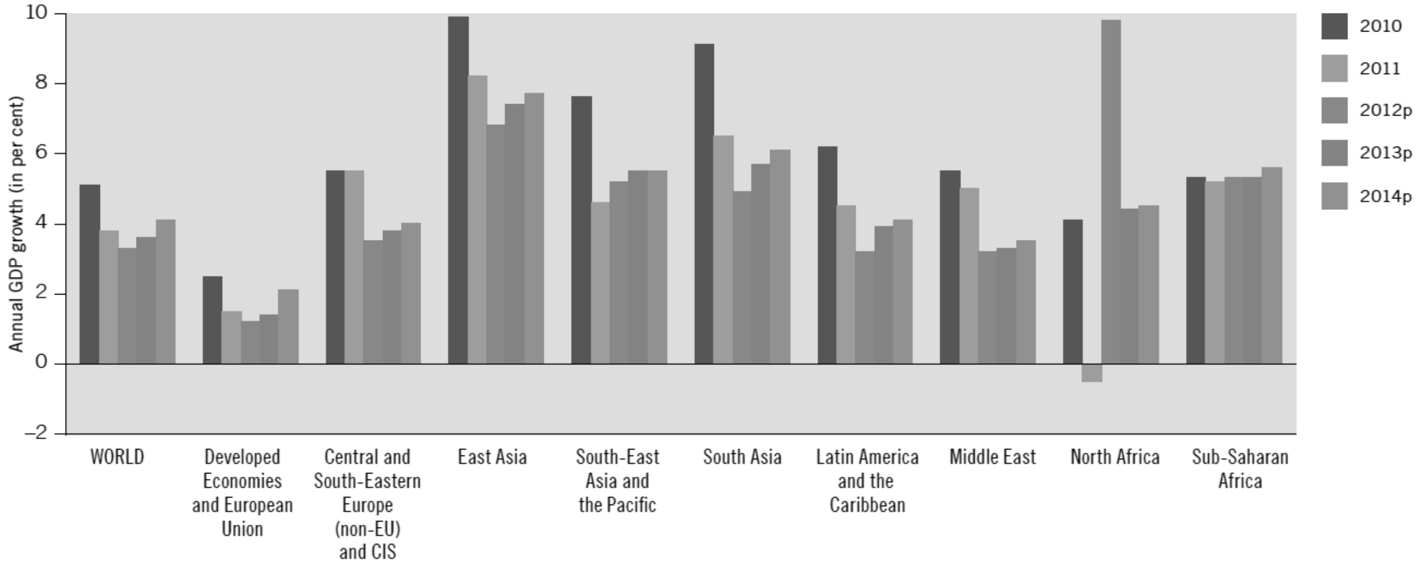
From 2008 to the present, economies of developing countries supposedly grew faster, with the two fastest-growing regions being developing Asia and Sub-Saharan Africa. The IMF is projecting that these regions will grow at 7.1 and 5.6 percent, respectively, in 2013.

Looking at the high GDP growth rates figures (both actual and projected) for Africa, Asia, and Latin America and the Caribbean may lead to a superficial conclusion that the vast majority of countries here are not directly and deeply affected by the global crises. *(See Table 4 and Figure 6.)* There is even the hype that the strongest performers—particularly in Asia and Africa—are on their way to middle-income status and to becoming the next economic miracles.

A closer look would show, however, that these relatively high growth rates were achieved through export earnings from extractive industries and agriculture, some semi-manufactures, tourism and real estate, and overseas labor remittances in some cases—which are not sustainable. Most developing-country "success stories" were not due to rapid industrialization, and were often actually attained by turning away from balanced domestic industrial development. This is particularly the case in many countries of Africa, Southeast Asia, and South Asia (less India).[15] In fact, compared to a decade ago, growth in most major developing countries has now decelerated significantly. In Asia, growth in 2012 was some five percentage points below the going rate before 2008. In Latin America, it was reduced to almost half.[16]

Particularly in Asia, a major slowdown in China and continuing recession in Japan are creating and worsening many risk factors such as lower export

Figure 6. Global and regional GDP growth estimates and projections, 2010-14 (annual % change)



Source: IMF Economic Outlook, October 2012

demand and earnings for developing-country trading partners. A recent ILO report also showed that the new recession conditions in Europe have been spilling over globally.[17]

The crisis has had a dampening effect on international trade, and therefore on the economy of many countries greatly reliant on export markets. On a global scale, projected growth in world trade declined in mid-2013 compared to projections at the beginning of 2013, with marginal 0.1% projected increase in 2014. Projections in world output growth with purchasing power parity (PPP)-based weights for both 2013 and 2014 also declined.[18] *(See Table 2, Memorandum items.)*

Critical state of the 'casino economy'

The multiple layers of continuous (now almost instantaneous) financial transactions across cities and continents—originally anchored on the real economy but increasingly detached from it and acquiring a life of its own—is also called the "casino economy" or "virtual economy" because of its fundamentally speculative and ephemeral nature. That is, it skims off extra profit from what should be the normal real value added in the production and distribution of commodities by taking advantage of the natural as well as artificial volatility of prices.

The structure of this "casino economy" gradually grew through the 19th and 20th century from its humble origins in the stock markets, commodity markets, and bonds markets. At first highly segmented and separate asset classes, in the past 40 years these markets gradually became interconnected and stacked up—like a house of cards—through the development of increasingly complex and tradeable financial instruments and derivatives of these instruments such as futures and swaps.

Such forms of finance could flow rapidly in various directions from one sector of the economy to another, indeed from one part of the world to another, creating their own momentum and seeking new profit areas. The financial flows bloat up into bubbles with no real economic activity and value creation to back them up, until the bubbles eventually burst—immensely enriching a few winners and impoverishing the rest, exactly like a casino.

The 2008 financial meltdown was a series of financial bubbles—the subprime debacle leading to bigger collapses in real estate, credit swaps and other instruments—bursting in chain reaction and resulting in the closure of several giant financial houses. To use another metaphor, it was a house of cards that collapsed of its own weight.

With the financial meltdown pulling down the rest of the world economy, the first response of most developed countries was to bail out the biggest banks and firms that were "too big to fail." This required massive public expenditures that soon led to equally massive public deficits and public debt. Yet these were not enough to reverse the trends of slowdown, recession, and anemic growth continued in the real economy in the succeeding years.

Meanwhile, financial markets have been showing an unprecedented revival, as shown by dramatic increases in indices (Dow Jones, FTSE, Nikkei) in the past twelve months. This revival is mostly being driven by the trillions of dollars that major central banks led by the U.S. Federal Reserve is pumping into the financial system. Apart from the bonds and stock markets, commodities such as agricultural products, metals, and oil have become further subject to financialization in the same relentless drive for profit.

Box 1

Global strategist Kit Juckes of Société Générale has called the post-2008 signs of recovery as "the bubble with no name (yet)". His explanation describes the pattern behind "three significant financial bubbles of the last 30 years" with an accompanying graph showing a correlation between nominal GDP and Fed policy in generating bubbles. (See Figure 7.)

Quantitative easing strategy by the US Fed, other central banks

At a certain point, European and American government policy diverged on how to handle public debt. EU focused on austerity measures (deep cuts in social spending, hefty tax hikes), which aggravated the social impacts of the crises and slowed down recovery. The US, on the other hand, went full speed ahead in pump-priming its economy with billions of dollars of new money. Hence, US federal debt went through the roof, increasing from USD 5 trillion in 2008 to an estimated USD 12 trillion in 2013.[19]

To stimulate a stagnant national economy, a central bank typically adopts a policy of buying short-term government bonds to keep market interest rates low, thus encouraging investment and consumer demand. However, even when short-term interest rates approach zero and yet fail to stimulate growth, a central bank will adopt more unconventional monetary policies.

One such key policy is "quantitative easing" (QE), in which a central bank buys long-term financial assets (government bonds, corporate bonds, mortgage-backed securities) to lower long-term interest rates. As a last resort, the central bank may also decide to buy financial assets not to decrease interest rates (if they are already too low) but to increase the money supply, as its last resort.

QE was adopted and has been consistently practiced in the past few years by at least four of the world's most powerful economies—U.S., UK, EU, and Japan (also known as G4). It is claimed, mostly by the IMF and the G4, that unconventional monetary policies such as QE greatly eased the impact of the 2008 financial meltdown, restored investors confidence, and helped revive capital flows and capital markets.

The U.S. economy, in particular, is being turbo-propped by unsustainable and QE-driven printing of dollars, with the Federal Reserve issuing USD 85 billion every month (possibly to be reduced to USD 65 billion this September). The irony is that, instead of stimulating the real economy, more than 80% of the Fed's excess reserves remain idle in private banks. These idle reserves are now gradually being turned into yet other forms of financial speculation, new bubbles that will sooner or later burst and start a new chain reaction towards another meltdown.[20]

The other G4 countries are also continuing full-blast with their QE policies. The European Central Bank (ECB) has pumped EUR 489 billion of liquidity into the eurozone since the crisis. In the UK, QE has reached 375 billion pounds. The Bank of Japan has also decided to pump USD 1.4 trillion into the Japanese economy, doubling the money supply in the next two years.

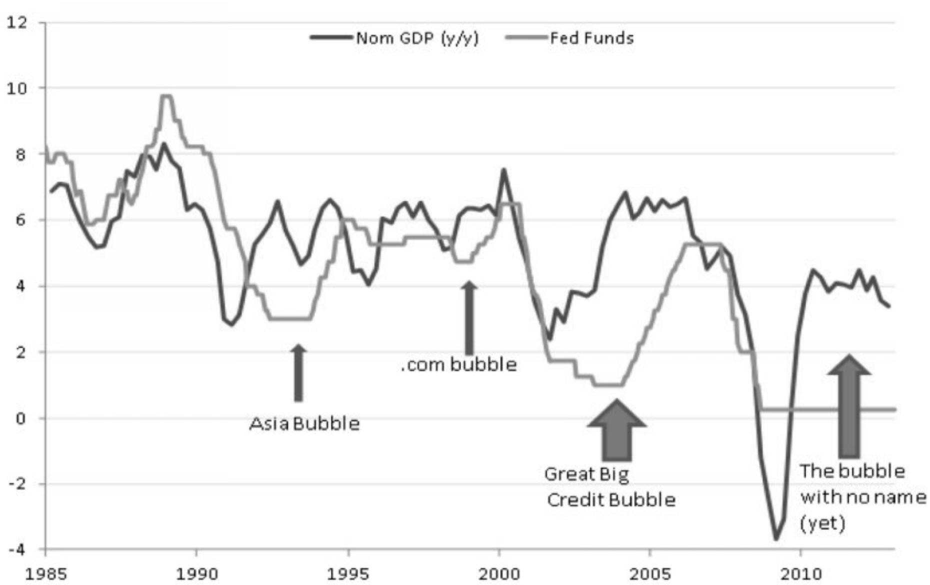
On the other hand, QE requires the massive printing of new money with all its concomitant risks such as inflation, distortion in foreign exchange rates, capital flight, and worsened income and wealth inequalities. Emerging economies are now feeling the brunt of QE's negative impacts in terms of global liquidity and volatility.[21]

More financial bubbles bloated near point of bursting

As many economists have noted, indicators of economic recovery merely show the same old up-and-down economic and financial cycles in transitory periods of uptick. They are now warning of new bubbles threatening to burst. *(See Box 1)*

Europe seemed to stabilize after ECB vowed "to do whatever it takes to preserve the euro," but there is a big worry that the recent indicators of recovering growth is mostly a bubble that will burst sooner or later.

Figure 7. The Bubble with No Name (yet)



Source: http://www.businessinsider.com/most-important-charts-in-the-world-2013-6#kit-juckes-socit-gnrale-we-dont-know-what-this-bubble-will-be-called-yet-24

As City Chief Economist Willem Buiter said: "To us, the key word about the post summer 2012 Euro Area asset boom is that most of it is a bubble, and one which will burst at a time of its own choosing, even though we concede that ample liquidity can often keep the bubbles afloat for a long time."

Meanwhile, the U.S. investor-commentator who predicted the subprime/real estate bubble (Peter Schiff) is forecasting a U.S. dollar and bond crisis in the next two years due to artificially and excessively low interest rates.[22]

While the financial markets are heating up anew and creating conditions for a new crash, the difference with 2008 is that the stakes are higher this time. This is because the central banks, having bought up enormous amounts of public and private financial assets (through QE), have become key financial market players themselves. They are at risk of collapse should a new financial shock explode in their faces. In mid-May 2013, IMF economists warned that ending QE (triggering interest rate spikes and a crash in bond prices) could result in severe central bank losses. The Fed could suffer losses equivalent to as much as 4% of GDP (USD 628 billion), the Bank of Japan could lose 7.5% of GDP, and the Bank of England almost 6%.[23]

Continuing sovereign debt crises and bailouts

As of April 2013, 41 different countries have active debt arrangements with the IMF; some are outright bailouts. Most of these loans come with very stringent conditions, which in the past the IMF imposed only on poor countries. But now more and more rich nations, such as Greece, Portugal, and Ireland are getting bailed out with IMF help, and agreeing to harsh austerity measures in exchange. But such austerity packages are now widely seen as having worse impacts than the maladies they were supposed to cure—as the IMF recently admitted in the case of the Greek bailout program.

While the bailouts may have gained some breathing space for selected businesses and banks that are deemed "too big to fail," the economies reel from one bailout crisis to the next as they fail to generate enough jobs and consumer demand. On top of this, the austerity measures have hit the poorest sectors of the population in developed and developing countries alike.

Moreover, the IMF's funding depends on five largest creditors: the U.S., Japan, Germany, France, and the U.K.—countries that are in deep debt themselves.

The world's leaders by external debt (the total public and private debt) are the European Union and the United States with over USD 16 trillion debt each.

The US national debt, in particular, has ballooned to over USD 16.5 trillion. Japan's public debt has recently reached USD 10.44 trillion. Thus these bailouts are increasingly unsustainable.

In addition, there is increasing talk of the "Cyprus bail-in" of April 2013 as a possible alternative model for handling future financial crises, wherein big banks that are too big to fail are basically allowed to rapidly recapitalize using "certain bank liabilities" that may include bank depositors' savings.[24]

Impact on debt and capital flows into developing countries

The World Bank's International Debt Statistics (IDS) 2013 report indicates that the global crises has been imparting two distinctive trends on debt and capital flows into developing countries: [25]

First, a steep drop in official lending, accompanied by a major shift to medium-term (instead of short-term) private credit. Net debt inflows to developing countries in 2011 amounted to USD 465 billion, or 9% lower than 2010. The fall was due entirely to a drop in official lending (USD30 billion as compared to USD73 billion in 2010). Net inflows from private creditors (USD 435 billion) were almost the same as in 2010, but with an important change: net short-term debt inflows shrank by 27%, while medium-term commercial bank financing tripled to USD110 billion.

Second, portfolio equity has plummeted while FDI continues to rise. Aggregate net capital flows (debt and equity combined) fell to USD1,107 billion in 2011, again 9% lower than 2010 and below the 2007 pre-crisis peak of developing countries. Measured against gross national income (GNI) of developing countries, the decline in net capital flows was from 6.2% of GNI in 2010 to 4.9% percent in 2011, and is short of the 8.5% recorded in 2007. The downturn was mainly due to portfolio equity flows plummeting to –USD2 billion compared to a net inflow of USD120 billion in 2010. In contrast, FDI continued its rise, increasing 11% in 2011 to a record high of USD644 billion.[26]

According to the World Bank IDS 2013: "Many [U.S.] corporations are holding vast amounts of cash and other liquid assets, using them neither for investment nor to benefit shareholders. These assets are largely earned and held overseas, and not subject to American taxes until the money is brought home…" As of Q3 2012, nonfinancial US firms held $1.7 trillion of liquid assets. "According to the Federal Reserve, nonfinancial corporations historically held liquid assets of 25 to 30 percent of their short-term liabilities. But this percentage began rising in 2001 and now tends to be in the 45 to 50 percent range. In the third quarter of 2012, it was 44.9 percent." Explanations for this trend range from tax evasion to increased profitability of overseas operations of U.S.-based MNCs.[27]

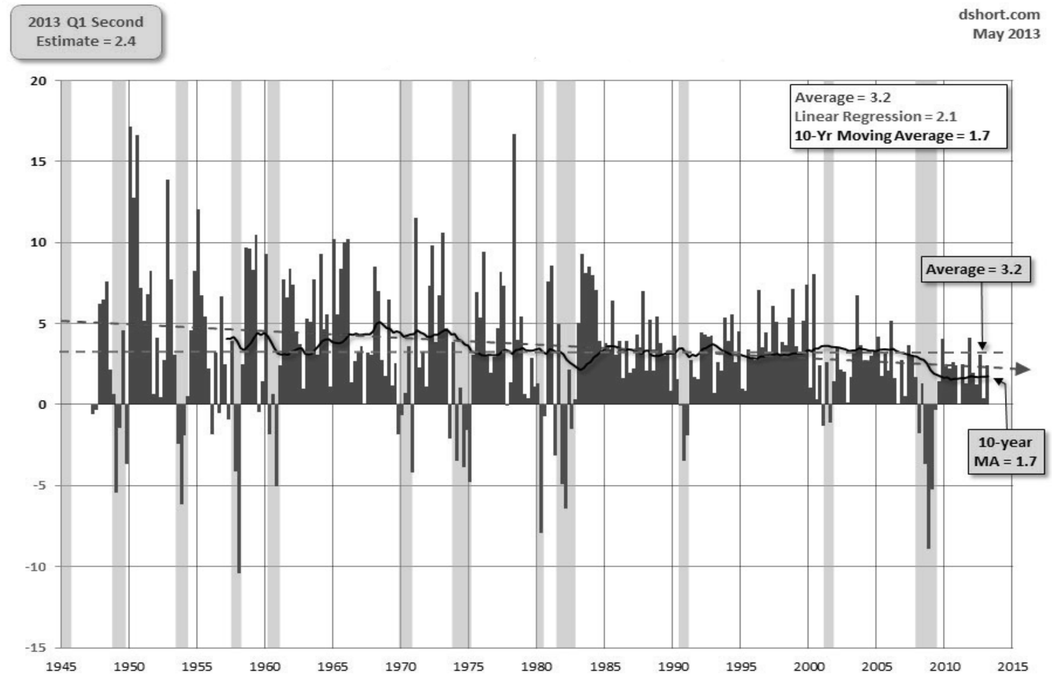
PROTRACTED DEPRESSION CONTINUES UNDER NEOLIBERAL GLOBALIZATION

In short, what the world has been undergoing in the past five years is a protracted depression in the context of neoliberal globalization, in which (a) recession and weak growth follow each other in the real economy in capitalism's historically proven periodic boom-and-bust cycles but in the context of overall decline or "depression", and at the same time (b) the ever-expanding financial or "casino" economy generates its own fluctuations, which are more chaotic and less predictable, exacerbate recession and contribute to the overall economic decline. This is clearly seen in the US data on GDP growth rates across 50 years *(See Figure 8.)*

The combination of boom-and-bust cycle with financial crashes is not new, since stock markets and other forms of financial speculation have already been standard features of advanced industrial economies since the late 19th century, and have accompanied boom-and-bust cycles since then. But this has changed with the rise to dominance of neoliberal globalization and the emergence of the fictitious economy. The US dollar was delinked from the value of gold in 1972 and the most developed countries led by the US increasingly opened up most of their economies to financialization. This is reflected in the graph below, comparing the manufacturing and finance sectors as percentages of US GDP in the past half-century. *(See Figure 9.)*

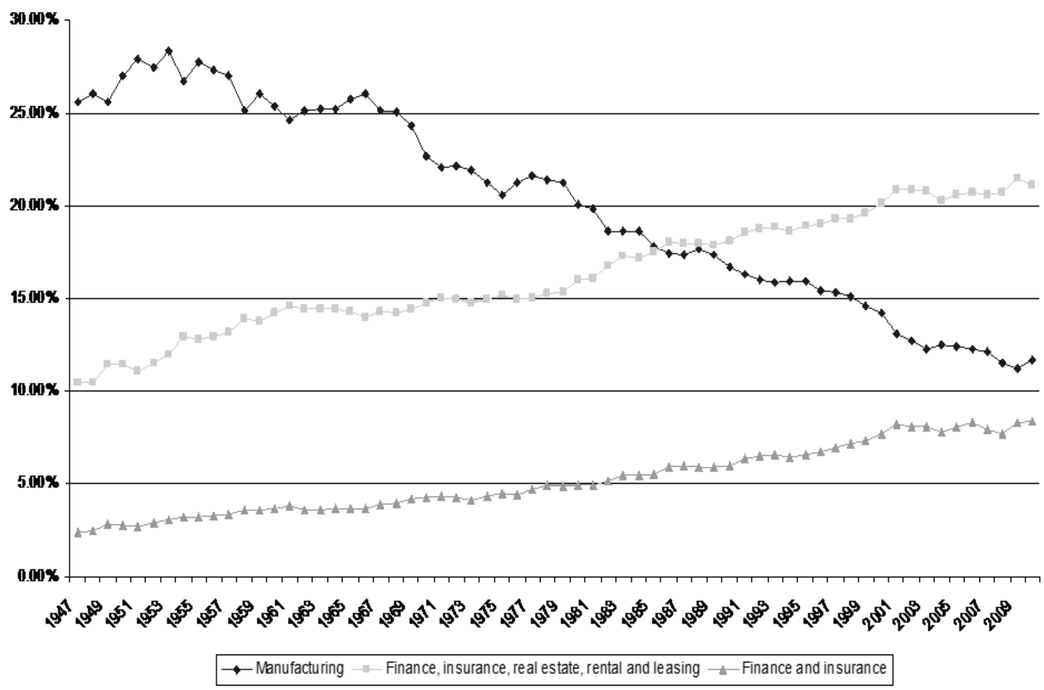
Comparing the impact of financial derivatives to the total world economic output, many economists now acknowledge that the level of financial derivatives has skyrocketed since the 1980s, and the "unwinding" if not sudden bursting of these derivatives present risks to the overall economy that are much greater and more unpredictable than what occurred during the Great Depression in the 1930s. *(See Figure 10.)*

Figure 8. Real Gross Domestic Product, Recessions Linear Regression and the 10-Yr MA



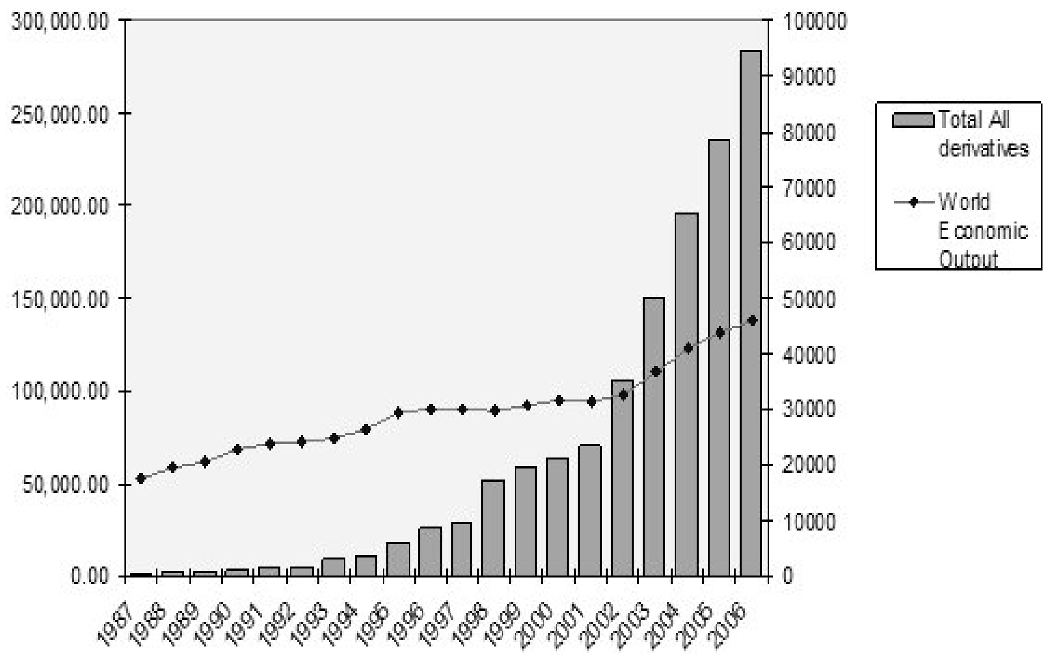
Source: http://www.financialsense.com/contributors/doug-short/gdp-q1-third-estimate-at-one-point-eight-percent

Figure 9. Manufacturing and Finance as percentages of GDP 1947-2010



Source: Bureau of Economic Analysis (http://bea.gov/industry/gdpbyind_data.htm)
as cited in The Current Moment website, July 2011[28]

Figure 10. World GDP and Value of Derivatives



Source: The Market Oracle[29]

CRISES IN CLIMATE, ENVIRONMENT AND RESOURCES

Climate change

Climate change is being pushed nearer to thresholds of irreversibility by relentless volumes of greenhouse gas emissions, aggravated by developed countries' refusal to make drastic changes and commitments based on internationally agreed targets.

2012 was among the warmest years on record (either 8th or 9th warmest, depending on the dataset used) according to the National Oceanic and Atmospheric Administration's most recent State of the Climate report—again confirming the unmistakable signs of global warming. It was the hottest year on record in the continental US; Arctic temperatures increased twice as fast as the rest of the world. *(See Figure 11.)*

Average global sea level reached a record high in 2012—the highest peak so far in a 20-year trend of rising sea levels since 1993.[30] *(See Figure 12.)* At the same time, ocean temperatures (both in the top half-mile and on the surface) also remained near record highs.

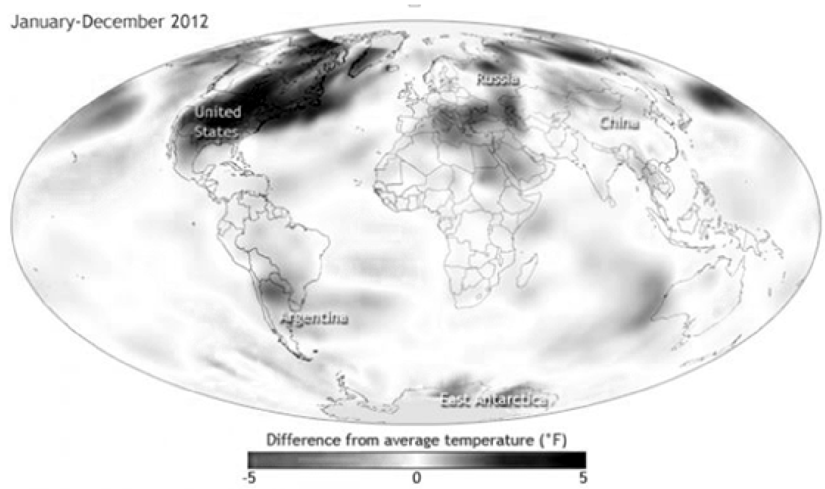
Finally, carbon emissions in 2012 were also at the highest ever in human history, with 9.7 billion tons released into the atmosphere. This, according to Mother Jones, is the equivalent of one-tenth the weight of every living thing on earth.[32]

Another recent study also emphasized that even if global GHG emission reduction targets were suddenly implemented in full today, the time lag in its mitigating effects on global warming would still be counted in decades. This means that even with a successful Kyoto Protocol extension, current climate change would still trigger harsher and more frequent heat waves in the next 30 years. The study projects that extreme heat waves (such as those that hit the U.S. in 2012) will by 2020 affect some 10% of the world's total land area—double today's figure.[33]

Other environmental crisis

The world's peoples are also faced with a tangle of other environmental disasters on top of or linked to the climate crisis. These include the cumulative and complex impacts of GMO crops and products on food chains and health of humans and other species, which are now increasingly documented; relentless expansion of large-scale industrial methods of agriculture; continuing problems with nuclear power technologies;

Figure 11. January-December 2012 difference from average temperature



Source: "2012: A Year of Broken Records," Mother Jones.

and worsening impacts of fracking (a very destructive method of petroleum mining by pouring water to sucking out fossil fuels from shale deposits). Supposed techno-fixes offered by big corporate science are proving worse than the problems they were supposed to cure.

The single-most extreme example is the worsening aftermath of the three nuclear-plant meltdowns in Fukushima, Japan, particularly the spread of radioactive water that is now contaminating wide swaths of the Pacific Ocean. According to Japan's Ministry of Economy, Trade and Industry, about 300 tons of radioactive groundwater flow into the Pacific Ocean daily. Since the meltdown crisis started in March 2011, some 20 to 40 trillion becquerels of radioactive tritium has leaked into the Pacific.[34]

Crises in food, energy, and resources

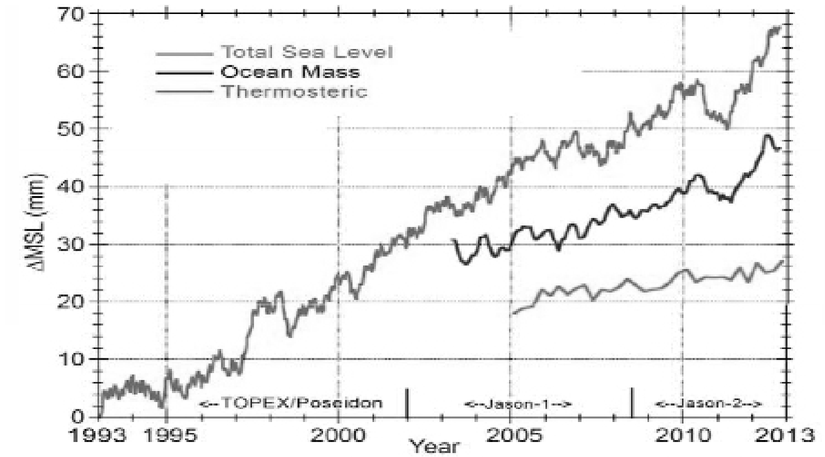
In recent years, high food prices have become the "new normal." Despite lower demand and a slight decline in cereal prices due to stagnant economies, food prices remained high or volatile. This is mostly the result of financial speculation in agricultural commodities, which has become an increasing arena of neoliberal globalization—as a series of UNCTAD papers as well as the UN Special Rapporteur on the Right to Food have officially asserted. The speculation has spilled over to not just commodities but to farmland and irrigation water sources.[35]

In addition, losses from the more unpredictable natural calamities due to climate change are contributing to the price and supply volatility. For example, the US drought in 2012 (the worst in 50 years, and which has persisted in nearly 20% of the country up to 2013) drove up maize prices to record levels, while heavy rains in Argentina and Russia affected wheat supply and prices. In October 2012, the UN warned that failing harvests in the US, Ukraine and elsewhere "have eroded [world grain] reserves to their lowest level since 1974," and that extreme weather events this year could trigger another major food crisis.[36]

The FAO recently offered a more positive food outlook for 2013-2014 in terms of increased production, declining imports, and slight drops in high prices,[37] but the basic underlying drivers that triggered the crisis, such as financial speculation and environmental pressures, continue unabated. At the same time, the response of some Southern governments (such as India, Indonesia, MENA countries) of strengthening their consumer food subsidy programs is again earning the ire of the World Bank.[38] *(See Figure 13.)*

Increasingly, the combined pressures of financial speculation in commodity futures, competition for depleted or drastically reduced resources, the impact of climate change and environmental problems, economic rivalries among nations as well as the disruptions of war and political instability, are pushing up price hikes and volatility of supply in other raw materials such as fossil fuels and water.

Figure 12. Sea level rise in the past 20 years[31]



Average global sea level reached a record high in 2012. Total sea level has increased at an average rate of 3.2 mm per year since 1993.

Figure 13. World Bank Food Price Index[39]

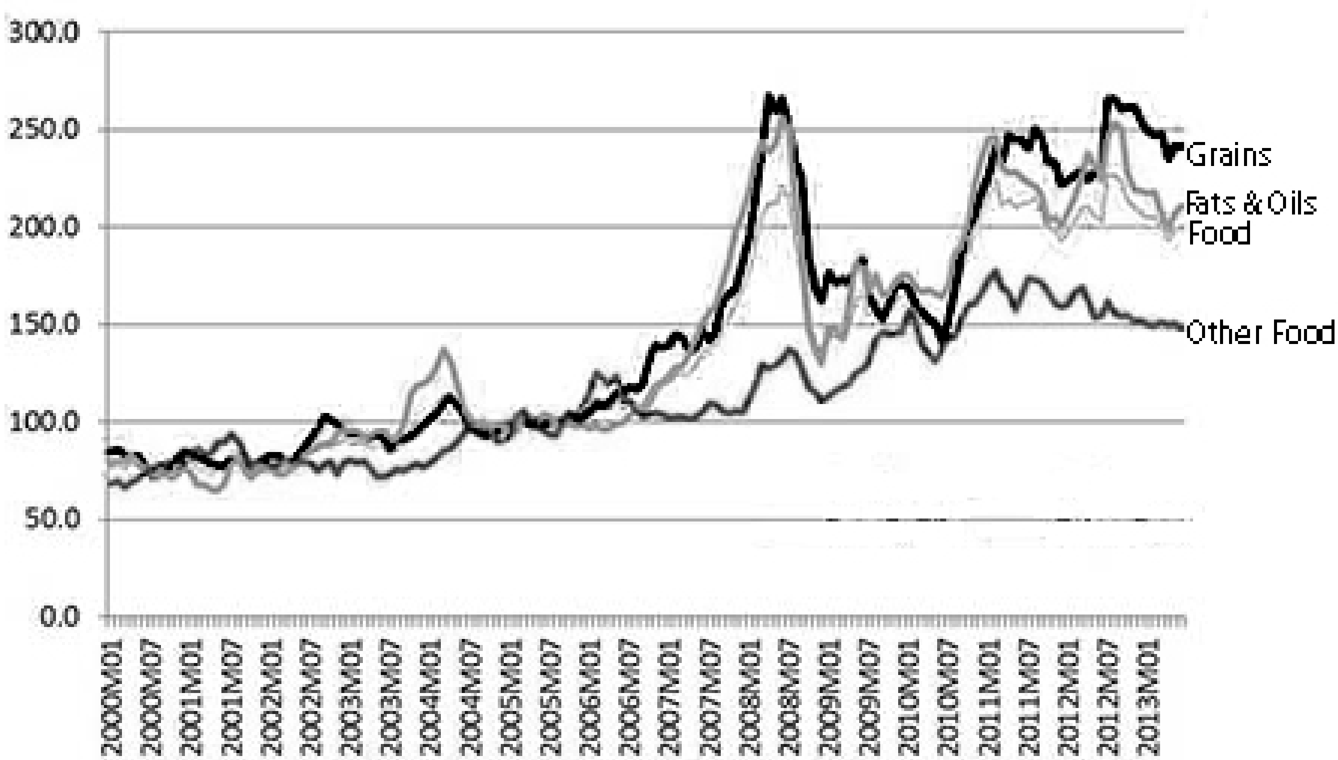
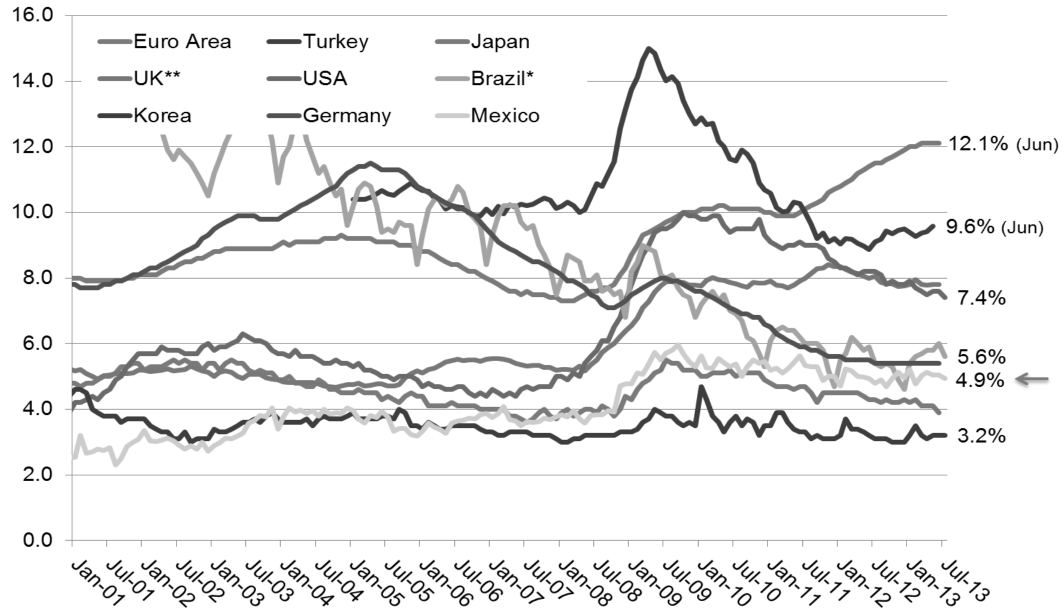


Figure 14. Unemployment rates for selected developed and middle-income countries, July 2001 – July 2013

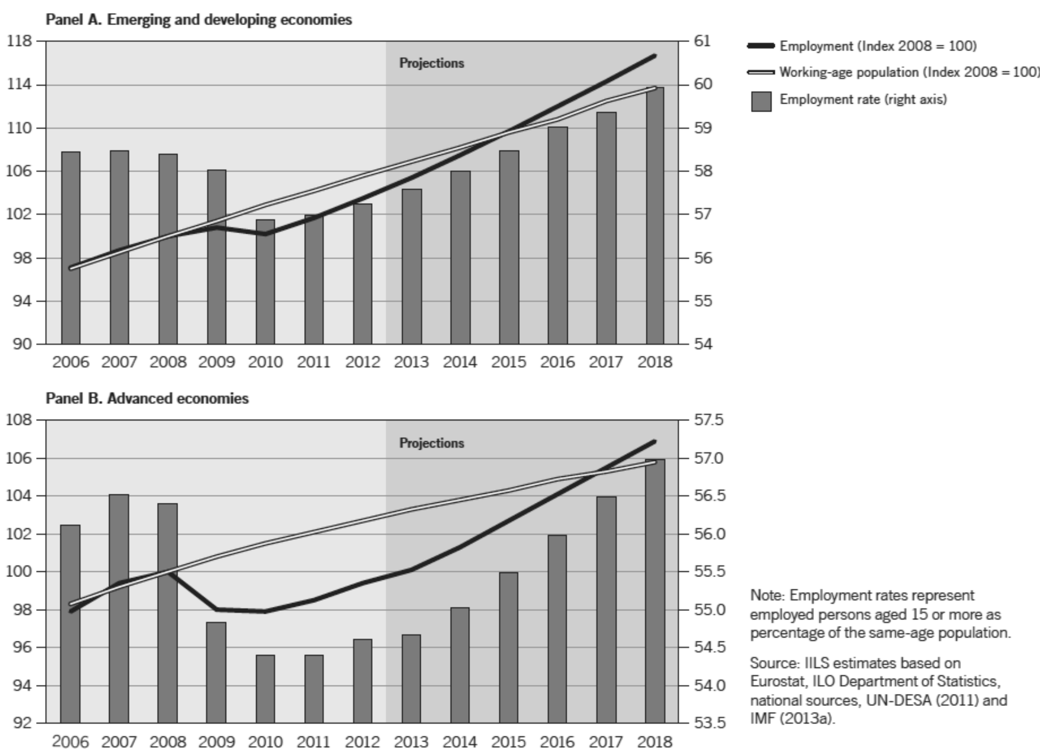


* The Brazil series is not seasonally adjusted.

** The UK series is a three-month moving average.

Source: Statistical agencies, TransEconomics, as cited in Source: La Carpeta Monetaria (Sept 3, 2013)[40]

Figure 15. Working age population, total employment and employment rate (actual and projected, 2006-18)



Source: ILO-IILS World of Work Report 2013

DIRECT IMPACT OF CRISES ON THE PEOPLE

Unemployment, loss of income

Although the epicenter of the continuing global crisis in recent years has been in the most developed economies, its social impact has been truly global. As an ILO 2013 special report said, the advanced economies may have accounted for half of the total increase in unemployment of 28 million since 2008, but the crisis has had "significant spillovers into the labour markets of developing economies as well." *(See Figure 14.)*

An accumulated total of 197 million people were without a job in 2012. Significantly, 3 out of 4 newly unemployed in 2012 came from outside the advanced economies, with marked increases in East Asia, South Asia, and Sub-Saharan Africa. Globally, some 39 million dropped out of the labor market, while the global jobs gap since 2007 has risen to 67 million.

Despite the prospects of growth in 2013-14, the number of unemployed worldwide is expected to rise by 5.1 million in 2013 (bringing the total to 202 million), and by another 3 million in 2014. *(See Figure 15 for labor force and employment projections.)*

The report explicitly acknowledged the direct role of fiscal austerity programs in employment and wage cutbacks, and that macro imbalances have been passed on to the labour market and weakened it to significant degrees.[41]

The other key messages of the ILO 2013 report include the following:

- Policy incoherence has led to heightened uncertainty, preventing stronger investment and faster job creation
- The continuing nature of the crisis has worsened extended unemployment spells and labour market mismatches, intensifying downside labour market risks.
- Job creation rates are particularly low, as typically happens after a financial crisis
- The jobs crisis pushes more and more women and men out of the labour market
- Youth remain particularly affected by the crisis

According to another ILO annual report, *World of Work 2013*, global unemployment is expected to approach 208 million in 2015, compared with slightly over 200 million now.

Employment rates in advanced economies will remain below pre-crisis levels until after 2017, while those in emerging and developing economies "will recover sooner, returning to pre-crisis employment by 2015."[42] It acknowledges that the risk of social unrest is rising as inequality worsens and unemployment continues to climb, and it will be "a major global challenge for the years to come".

Worsening poverty, hunger and inequalities

Growing unemployment, wage and benefit cutbacks, and loss of livelihood opportunities are all contributing to a generalized loss of income for big sections of the population in most countries. Despite claims by the IMF and World Bank that MDG 1 on reducing poverty (in terms of halving the number of people living on $1.25 daily) had been achieved globally, the truth is that multidimensional poverty remains a severe global problem.

For example, in the most recent Multidimensional Poverty Index (MPI) released just this March 2013, the Oxford Poverty and Human Development Initiative (OPHI) reported that a total of 1.6 billion people continue to live in multidimensional poverty. This is more than 30% of the combined population of the 104 countries covered by the study. The report also said that at the present rate, the best-performing countries may be able to halve their MPI "in less than 10 years and eradicate it within 20"—certainly a very slow rate.[43]

More evident than ever, both in the developed and developing countries, is the phenomenon of worsening income and asset inequalities. Small elites of rich people are getting richer (both as individuals and corporations), while the vast majority of poor people—especially those who belong to marginalized minorities—are becoming poorer. Even in supposedly affluent societies with a robust middle class such as the US, wealth gaps have widened especially since 2008 and the middle class has been shrinking.[44]

MONOPOLY CAPITAL'S STRATEGIC EFFORTS TO OVERCOME THE CRISIS

Basic continuation of neoliberal policies and mechanisms

In the framework of neoliberal globalization, monopoly capitalist states such as the US and elsewhere in the West, in their aim to stave off recessionary crisis and later ensure quick recovery, have been responding in a way that basically combined five approaches:

First, through bailouts of ailing banks, other financial institutions, and selected giant corporations considered "too big to fail".

Second, by pump-priming measures targeted at reviving the real economy, for example, by increasing public expenditures for infrastructure and major industrial development projects, by artificial infusion of new capital to stimulate production and consumption, and by issuing government bonds.

Third, when skyrocketing budgets and immense public deficits turned into huge sovereign debts, by imposing austerity measures and related efforts in their attempt to defuse the debt crisis. The working class and other poor people suffer direct hits from these measures, which include deep cuts in wages and benefits and other essential areas of social spending such as education and health.

Fourth, through further expansion of financial markets and creating new instruments mostly derivatives to increase profit-making and recover losses by taking advantage of bailouts made to banks and other financial enterprises. More and more exotic derivatives and other instruments are being created in expanding to financialization of natural resources such as agricultural land, water bodies and seas for aquaculture, and even raw lands and waters under environmental management schemes and other services that are eventually financialized.

Fifth, by more aggressive big business tactics towards investment and market expansion within and across countries, concentrating on Southern countries with lower labor costs, and subcontracting, among others.

Meanwhile, these powerful states assiduously defend the same basic economic and financial policies of neoliberalism that caused or aggravated the recessionary crisis in the first place. They pursued only those paltry reforms in secondary fiscal and financial issues, which in effect constituted a mere slap on the wrists of a few criminal speculators and some con-artists—intended to keep financial speculation within manageable bounds but not to impose real and strict regulation. Such reforms included cursory responses to issues dear to the hearts of most investors themselves, such as tax havens and capital flight.

A growing popular clamor led by social movements promoting social protection in the face of crisis, on one hand, and ending neoliberal globalization on the other, periodically exploding into massive protests, have been met with deceptive and defensive propaganda if not outright fascist attacks by police and intelligence agencies. Even proposals from mainstream economists for return to a modicum of economic regulation and protection remain unheeded.

Instead, the US and its big-power allies have been adopting new strategic approaches to cope with the multiple crises while continuing to seek and pursue all avenues of gradual recovery.

Some of these strategic approaches have been filtered into UN processes such as the UNFCCC and post-2015 (along with the parallel process of SDGs), carefully packaged to project a broad international consensus and to rebuild the framework of multilateralism. But lurking behind these processes are efforts by the imperialist powers to ensure the continuing dominance of monopoly capital and neoliberal globalization.

Corporatizing development: role of private sector in development (PSD)

Private sector development (PSD) is a relatively recent policy goal directed to Southern countries by wealthy Northern countries intended to expand the role of business in development, indeed, to corporatize vast areas of development that were previously the exclusive turf of the state, its public agencies, and multilateral agencies.

PSD has an antecedent in the push for privatisation under the Washington Consensus: privatisation and its corollaries of liberalisation and deregulation go back to the 1980s and the structural adjustment programs. The more recent push for a greater role for PSD has likewise corresponded with the rise of neoliberal globalization and a decline in Northern donor funding for the poorest countries in the world, again associated with an economic slowdown for wealthy countries. A corollary for the increasing promotion of the role of the private sector is the diminution of the role of the state in development.

When the World Bank was reorganised in 1993, PSD became an "organisational principle" and explicitly placed at the center of its activities. In 1995, the OECD produced the "Support of Private Sector Development" paper, which also placed PSD at the center of development cooperation, claiming universal consensus that the roles of state and market have changed. Next, in 2002, the World Bank authored a PSD strategy that encapsulated the overarching rationale for an investment climate-led PSD approach. Poverty reduction was solidly anchored on PSD, a paradigm which was subsequently promoted as a development policy principle by a host of UN organisations and agencies, donor states and other multilateral institutions. PSD discourse was matched by an increased level of funding from across states, multilateral and bilateral agencies that was to continue through the 1990s and on into the 2000s.

At the 2012 G20 meeting in Mexico, the summit outcome document repeatedly emphasized the importance of private-sector investment particularly in infrastructure projects, food security initiatives, and inclusive green growth in developing countries.[45] There was a similar upholding of the role of the private sector in the outcome document for the Fourth High-Level Forum on Aid Effectiveness, in Busan, Korea, at the end of 2011. And a key concept raised at the UN Conference on Sustainable Development held in Rio de Janeiro in June 2012, the Green Economy policy, focused mainly on private funding, with public finance relegated to "being a catalyst, early stage investment provider, co-sharer of risk and guarantee of public infrastructure and services".

The main components of PSD are the following:

- Supporting a sound investment climate in developing countries as the most crucial factor in "sustaining growth and fighting poverty."
- Providing public financial support to the private sector under the banner of supporting PSD. In 2010 external investments to the private sector by IFIs exceeded USD 40 billion. By 2015, the amount flowing to the private sector from donor governments and multilateral agencies are projected to exceed USD 100 billion, which would represent almost one-third of external public finance to developing countries.
- Replacing ODA with private capital. This started in the 1990s in the form of a strong tailing-off in ODA disbursements from OECD countries, combined with a marked rise of private capital flows to developing countries.
- Direct policy advice to developing country governments on key areas such as privatization and FDIs.
- Promoting private-public partnerships.

A Profit-driven 'Green Economy'

The UN Environment Programme (UNEP) launched its Green Economy (GEI) initiative in October 2008 as one of nine UN Joint Crisis Initiatives in the wake of the global crisis. 2008. Under the GEI, a Global Green New Deal (GGND) recommended a package of public investments and supporting policy and pricing reforms for kick-starting the green transition. In a parallel move, the OECD also issued its Green Growth Strategy also in response to the global crisis.

The Green Economy Initiative merely focuses on "getting the economy right" by shedding off capitalism's worst "brown" or dirty industries and adopting to more manageable "green" industries. It promises green growth and green jobs but only presumes that the transition to green will somehow reduce poverty. In short, the GEI is simply exploring pathways by which big business can take the lead in the transition to green while retaining its royal profits. Worse, it does so by encouraging the further privatization, commodification, and even financialization of nature.

Gradually, industry by industry, sections of monopoly capital are now appreciative of the GEI as a combination of two related strategies: on one hand, it can harness the role of innovation and high-tech to spur recovery of industry; and on the other hand, it can develop a new process or movement of neo-colonial exploitation funded through public-private investment in the guise of climate change funding and payment for ecosystem services.[46] This has led a number of developing country delegations at the Rio +20 Summit to consider green economy as a new structural adjustment policy.

Strategic focusing on Asia

As the protracted depression continues to linger, the big Asian economies are taking on a more strategic role of spurring the global economy. This role is being played by China, South Korea, and first-tier South East Asian countries (and to a certain degree India and Australia), which are relatively better off economically. Even Japan, stagnant for decades now, still has substantial economic clout. These countries are able to stimulate sluggish consumer spending and international trade, and to support the large appetites of foreign investments and even of speculative financial markets. A modicum of prosperity and consumer capacity also supports a degree of middle class growth, which in turn tends to dampen class conflicts and strengthens perceptions of democracy and political stability.

This strategic role of Asia is increasingly reflected in the competing efforts of the US and EU to craft various bilateral and plurilateral pacts in East and South Asia, such as the Free Trade Agreements (FTAs) being negotiated by EU with India and the ASEAN. Russia is also aggressively elbowing into the region to strike its own deals and expand its own economic sphere of influence.

This strategic role of Asia, now clearly appreciated by the US and its allies, is at the core of what is being hyped as the "Asian Century"—a catchword that is partly economic truth, partly investment hype, but in any case represents a geopolitical shift of focus. It is also reflected in heightened US-EU interest in regional structures of governance such as the APEC, ASEAN and East Asia Summit. On the other hand, the strategic refocusing is hindered, in the case of the US, by its deep involvements in the Middle East, and by economic troubles in the case of EU.

Closely related to the strategic focusing on Asia is the Trans-Pacific Partnership Agreement (TPPA), a comprehensive trade deal being cooked up by the US. The countries involved in the TPP negotiations are Australia, Brunei, Chile, Canada, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and even Japan. The deal is so shrouded in secrecy that even the US Congress remains in the dark, while representatives of US multinationals are "being consulted and made privy to the details of the agreement."

If signed into law, the TPPA would empower MNCs to bypass national laws and courts and urge its own supra-national courts (supervised by the World Bank and UN) to impose neoliberal policies and standards—even US laws—in a wide range of trade questions, including medicine, agriculture, intellectual copyright, and so on. The US hopes for the TPPA to gain momentum until it becomes a fait accompli and pries open all remaining trade restrictions by Asia-Pacific states.

New WTO approach in Bali

The Doha Development Round under the WTO was a deal breaker, considering both the impact of implementing WTO and the implications of further liberalization under the new proposed provisions. The failure to conclude the Doha Round is symptomatic of the crisis—the intensity of protests and public opinion against it, the tenacity of developing-country positions, and the hardline US-EU demands and positions. Despite the efforts of the G7 and the G20—and the UN itself—to sell it, the Doha Round's demise has been finally accepted by the WTO.

In its stead, a new Ministerial is scheduled in December 2013, which will attempt to pick up the pieces of the different failed efforts to expand the WTO since the first Ministerial in Singapore in 1996. Many issues arising from Singapore through Cancun and Doha are being considered again for debate and possible negotiation. While people's movements persistently call for an end to the WTO as one of the emblematic symbols of neoliberal globalization, here come the imperialist powers redoubling their efforts to revive and re-gear the WTO for further expansion.

CRISIS FUELS CONFLICTS AROUND THE WORLD

The global situation is getting more complex but the underlying major contradictions remain influential, giving shape to significant trends. Due to the global crisis, there is growing social turmoil, political unrest, and people's resistance as well as armed conflicts all over the world.

It is evident that the biggest conflicts today are between the handful of major world powers and the majority of developing countries. Cracks are also growing among the developed countries, as they jostle each other in trying to defend and expand their own spheres of influence. Amidst all these, the peoples of the world in their billions are stirring up in city streets and rural villages and fields to reassert their rights.

INTENSIFYING REALIGNMENTS AND CONFLICTS

'Multipolar' transition

From a post-Cold War unipolar world dominated by the United States for two decades, global politics has gone through significant realignments at the start of the new millennium. This can be characterized as a "multipolar" transition in which positions and actions of other big powers did not often coincide with the US position. This situation contains factors that may eventually trigger more realignments and even polarization of hegemonic spheres.

The world's biggest powers (especially the US, UK, EU, and Japan) remain dominant and coordinative in global multilateral bodies and processes such as the United Nations (especially in the Security Council), the OECD, Bretton Woods institutions (IMF, World Bank), WTO, and NATO. The US-led big powers are redoubling efforts to forge new multilateral and bilateral agreements towards the further opening up and tying down of underdeveloped countries in key economic areas as well as security.

Yet, despite the resources at their command, these global powers have been unable to overcome the multiple crises or even to fully agree on ways of coping. Thus, even though the G7 maintain overall domination, realignments among them, as well as among less-developed or underdeveloped countries, on major global economic, financial, trade, and security issues are leading to heated rivalries not just in the form of economic competition and diplomatic jostling for spheres of influence but also increasingly through aggressive military positioning and arms race.

New powers add to the multipolar situation

The so-called BRICS (Brazil, Russia, India, China and South Africa) are the emerging or new powers which contend with the G7 powers by their new-found strength in economy through production, natural and human resources, besides geo-political clout. This political-economic power is relative, however, to the crisis that has hit the global powers and except for China and Russia, pales in comparison to the G7. Each of the new powers face specific advantages as well as challenges as they grapple with the effects of the crisis besides other social, political and other issues. This has increased the phenomenon of increasing regionalism—influenced to a large degree by these powers as their spheres of influences, organized into such formations as Mercosur, the Shanghai Cooperation Organization, and the Caspian Sea Alliance.

Another element of the shifting multipolar geopolitics is the increasing assertiveness of developing countries already bolstered by the growing strength of G77 + China in the United Nations. This has resulted in many snags in global diplomacy leading to notions of a "crisis of multilateralism" affecting UN and other process. This notion is premised on the domination of the G7 powers in multilateral process and there is no such "crisis of multilateralism" per se, but rather a "crisis" of the diplomatic status quo as evidenced in the demise of the Doha program of the WTO and the deadlock on the Kyoto Protocol extension in the UNFCCC COP negotiations.

The US-EU tandem

Although the US remains the biggest economic and military power globally, it continues along the path of economic decline; it also faces fast-changing loyalties and increasing challenges by other global and regional powers. The European Union is also struggling to stay afloat, with the Eurozone being partly crippled by recession and a sovereign debt crisis.

The US and EU (which have the largest trade and investment relationship in the world) clearly share many common economic and security interests. In early 2013, the two unveiled plans to open talks on a comprehensive Transatlantic Trade and Investment Partnership. They also remain close partners in key geopolitical issues, especially in the Middle East, in relating with Russia, and in combined counter-terrorist action, despite some differences on reshaping NATO objectives.

However, there are growing differences between the US and EU on the issue of data privacy and online espionage. The US thinks the EU has been too soft on cyber-pirates and whistleblowers such as Wikileaks, while EU has complained against the US directing its NSA surveillance against EU agencies. The two also have conflicting policy positions on selected issues in the area of human rights and climate change.

Resurgent Russia

World Bank data as of mid-2013 show that Russia's economy has become Europe's biggest and the fifth largest worldwide in terms of GDP (behind the US, China, India, and Japan). It has overtaken Germany, joined other countries with high national income per capita, and is planned to join the OECD in 2015.[47]

Among Russia's advantages are that its government has been budget deficit-free since the late 1990s (in 2012, its deficit was a mere 0.1% of GDP); its total foreign debt is insignificant (10.5% of GDP in 2012) compared to the huge debts of other countries like the US and Japan; and Europe greatly relies on its energy sources. Although Russia's growth for 2013 is forecast at a low 2.5% (IMF estimate) compared to China's 7.8% and India's 5.6%, this is still higher than the expected 2013 growth for the U.S. and the Eurozone.[48]

Russia's armed forces number less than 1 million and have deteriorated since the peak Soviet strength in 1986. However, the country's economic growth during most of the 2000s allowed it to revive military spending, restructure its armed forces, and improve their quality.[49]

The Collective Security Treaty Organization (CSTO) led by Russia has positioned itself to be NATO's rival in the Central Eurasian belt. Based on its end-2010 summit decisions, the CSTO is building a collective peacekeeping force, gearing up to undertake "out-of-area" operations, and effecting "foreign policy coordination" among its members (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan). The CSTO is trying to expand its influence to South Asia by preparing to play a major role in post-2014 Afghanistan and by seeking better ties with Pakistan.[50] It is also projecting its power to East Asia through the Shanghai Cooperation Organization (SCO, see further below).

Rivalries between Russia and US-EU

After earlier efforts during Obama's first term to "reset" US-Russia ties, the two superpowers have reverted back to near-Cold War tensions—fueled by Putin's return to power in May 2012 and NATO's preemptive plans against "possible Russian aggression." Since then, US and Russia have repeatedly clashed: first on Middle East policy (particularly on Syria and Iran), then on the buildup of US-NATO missile defense systems in Europe and the Pacific, and most recently on Russia granting temporary asylum to Snowden.[51]

The Cold War-like posturing between US and Russia is most alarming in the form of saber rattling—whether thinly veiled as a series of large-scale military exercises, or official threats of military intervention—in areas that are already flashpoints of armed conflict. In particular, the US-led plans to trample on Syria and Iran are gaining momentum.

NATO has become more aggressive with its post-Cold War eastward expansion. This began in the Balkans and has steadily advanced to the Black Sea, the Caucasus, Central Asia and Afghanistan. NATO has embraced Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden as members, in order to isolate Russia in the region. (*For details of the NATO-CSTO rivalry, see the Asia-Pacific Journal: Japan Focus.*[52]*)*

Such moves are in line with the broader US strategy of tightening its control over the entire Asia-Pacific region, protecting its strategic interests there while containing similar efforts by Russia as well as China. Russia has obviously been responding to US-NATO moves in a tit-for-tat manner in all fronts—economic, diplomatic, and military. The US and NATO are also wary of a potential Russia-Iran-Turkey troika (the so-called "coalition of the rejected") or of Iran and Turkey joining Russia and China in the Shanghai Cooperation Organization (SCO).[53] This may lead to the consolidation of the SCO and the Caspian Sea Alliance into a bigger, stronger eco-geopolitical alliance of greater Eurasia.

Japan, Japan-US ties

Japan remains the world's third largest economy and the main US ally in the Asia-Pacific region. In recent years, however, it has been beset by continuing recession, political instability, and the long-term impacts of the March 2011 earthquake, tsunami, and Fukushima nuclear disaster. By end-2012, it had entered its fifth recession in 15 years. Although the Japanese economy showed signs of fragile recovery in the first half of 2013 with the help of a huge stimulus package, analysts fear the onset of another recession in 2014.[54]

Japan's economic problems have been accompanied by repeated changes in political leadership since 2007, even as the LDP's recent win brings the country into an even closer partnership with the US. The Abe leadership has expressed its interest to join the US-led TPP and to support the US rebalance to Asia by flexing its own military muscle.[55]

The US looks at its ties with Japan—its main post-World War II ally in the Asia-Pacific—in terms of economic and security priorities: as its second largest trade and investment partner, as buffer against an increasingly assertive China, and as added pressure point on North Korea. Despite the transfer of a big US Marine contingent to Guam and the unresolved issue of relocating the Futenma Marine Corps Air Station, the US continues to enjoy strategic basing rights in Japan in line with the forward deployment of 49,000 US troops and other military assets throughout the Asia-Pacific.

In April 2013, the US-initiated TPP free trade agreement talks completed discussions with Japan, which was invited to join the talks. The US views Japan's joining the agreement as crucial in enhancing the credibility and viability of the TPP, which is a core component of the US rebalance towards Asia-Pacific.[56] On the other hand, Japanese big business is wary of TPP's limits, and appears more interested in regional FTAs such as a China-Korea-Japan FTA.[57]

China's growing clout

After decades of fast growth, China has become the world's second-largest economy, largest merchandise exporter, second-largest merchandise importer, second-largest FDI destination, largest manufacturer, and largest holder of forex reserves. Since 2008, however, its economy weakened relatively in most respects despite expansionary policies that shielded it from the worst impacts of the crisis. From an average 9.2% annually from 2008 to 2012, its real GDP growth rate slowed down to 7.8% in 2012 and is projected to retain this pace in 2013.[58]

It is to the advantage of both the US and China that their trade and investment ties expand further. The US is pushing China to further dismantle its state enterprises, so that Western multinationals can enjoy wider leeway and assurances in exploiting that vast country's huge market, human resources, and natural resources.

China's military capability has also developed by leaps and bounds since the mid-1990s, driven in part by its inability to counter US military power and threat of direct intervention during the 1995-1996 Taiwan Strait crisis. Based on its 2008 white paper on defense, China expects to lay a solid defense foundation by 2010, scale up to high military technology by 2020, and reach full military modernization by mid-century.[59]

China has gradually evolved a comprehensive economic, political, diplomatic and military strategy for defending what it considers its core interests (which include Tibet, Taiwan, Xinjiang, and the South China Sea) and for extending its so-called "soft power" globally.[60] A key aspect of this strategy is the "String of Pearls" framework, which structures China's maritime power in concentric layers from its homeland all the way to the outlying regions of Asia-Pacific (the "string of pearls"). China is now rapidly building up a strong and modern naval force with long-range defensive and offensive capacity, which this String of Pearls framework requires.[61]

In this context, China and Russia are increasingly finding common interests in East, Central, West, and South Asian affairs. The two powers, which compose the core of the Shanghai Cooperation Organization

(SCO), are keenly aware of the US "pivot to Asia" strategy and are also scaling up their own military cooperation and joint large-scale military drills. The Chinese and Russian armed forces have conducted large-scale joint exercises on land ("Peace Mission 2013" in the Urals) and sea ("Joint Sea 2013" in the Sea of Japan)—indicative of stronger military cooperation and capacity for overseas operations. Increased cross-border mobility between the two countries is also indicative of stronger economic and social ties.

Japan-China ties are currently strained by disputes over the Diaoyu islands in the East China Sea and a resurgent Japanese militarism with US backing. However, both countries have expressed interest in a China-South Korea-Japan FTA or similar trade axis outside the ambit of the US-led TPP.[62]

China has gone all out to woo the ASEAN in the face of territorial disputes in the South China Sea, particularly with the Philippines and Vietnam over the Spratleys and related island groups, by pushing for "joint exploitation of the South China Sea for mutual benefit." It maintains particularly strong bilateral ties with Cambodia, Laos, and Sri Lanka through strategic cooperative partnerships, but is also expanding ties with other countries in Indochina and South Asia.[63]

The ASEAN countries are collectively one of China's largest trading partners, and could become one of the largest free-trade regions. Thus, China has been seriously pushing for the creation of a China-ASEAN Free Trade Area (CAFTA) in addition to a China-ASEAN Strategic Partnership, and broader trade frameworks as well such as the ASEAN 10+3 and the RCEP, as a counter-balance against the US-led TPP.[64] China has also repeatedly offered removing trade barriers to the republics of Central Asia. The use of "soft power" in China's long-range expansion of trade, investment and aid elsewhere in the world is best seen in the case of Africa.[65] The US is clearly wary of these Chinese initiatives.

All the big powers, including the US, Russia, Japan, and China, view the vast territories covering the East China Sea and South China Sea as strategic in terms of natural resources (oil, natural gas, industrial minerals), shipping, and military bases. Thus the dominant trend is still for the big powers to work towards (and gain the most from) the peaceful resolution of territorial disputes in the region, while China seeks to preserve its strategic interests around its borders.

Central and South Asia

Central Asia—the region surrounding the Black Sea and the Caspian Sea, and which includes the Caucasus—is one of the most strategic areas of the globe due to its vast oil and gas deposits, mineral reserves (including gold), vital land routes between Europe and East Asia (the "New Silk Road"), and its role as geopolitical bridge between Russia and China, and southward to Turkey, Iran, Afghanistan, and the Indian subcontinent.

After the planned "drawdown" of US forces from Afghanistan in 2014, Central Asia may tend to be less central although still consequential to US foreign policy. Political instability within and between Central Asian states is becoming a growing problem. Russia (as leading state in the CSTO), China (as co-member in the SCO), and to some extent India, are all exerting efforts to expand and consolidate their spheres of influence in the region.[66]

Curiously, despite a decades-long crusade against the so-called Al-Qaeda and Islamic extremist groups, both the US-NATO and Russia-CSTO camps are now invoking similar "terrorist threats" in order to justify their political intervention and military build-up in the region. Based on the past experience of the Taliban and Chechnya, it is very likely that the big powers will in fact support, fund, and use these Islamic extremist groups to help destabilize and discredit their rivals.[67]

Middle East and North Africa

In the Middle East and North Africa, the US and its allies (NATO, Israel, Saudi Arabia) consistently act in the context of a common geopolitical strategy: that of consolidating their neo-colonial hegemony in this region by systematically and aggressively dismantling all kinds of opposition—whether these are Arab states which it considers politically belligerent such as Iran, insurgency movements, or legal and unarmed anti-imperialist mass movements—in the guise of intervening in humanitarian disasters, hunting down terrorists, and preventing nuclear proliferation.

The popular uprisings and political upheaval in many countries in the Middle East and North Africa, which started with the so-called "Arab Spring" in early 2011, have led the US and Europe to adjust accordingly and coordinate more closely their foreign policies (including trade and investment, aid, debt relief, and security policies) in the region. However, the US and Europe are far from united on how to manage and resolve deeply problematic issues such as Iran, Syria, and the Israeli-Palestinian conflict.

Egypt. The anti-Mubarak mass protests in early 2011 resulted from more than 20 years of IMF reforms, which opened up the Egyptian economy to foreign trade and investments but at the same time eroded agricultural self-sufficiency and impoverished the people. Egypt's economy and financial system went into tailspin, and its social programs collapsed.

The ouster of Mubarak in the midst of the "Arab Spring" was carefully managed to ensure the continuity of the US-backed Egyptian state, especially its military component and continued neoliberal economic policies. The rise to power of the Muslim Brotherhood and Morsi's presidency were not flukes—they were conditional on preserving elite rule and Washington and IMF prescriptions, as implicitly stated in an August 2012 press conference by IMF's Christine Lagarde and Egyptian Prime Minister Kandil.

In pursuing already-discredited reforms, this time rehashed for Egypt's "political and economic transition," Morsi's policies merely worsened the crisis, thus triggering even more massive street protests powered by grassroots mass movements. As the gargantuan rallies increasingly took on a militant anti-US tone, the US and Wall Street gave the go-signal for the Egyptian top military brass to stage the July 3 coup d'etat and overthrow Morsi. The new US-backed fascist military junta quickly consolidated its rule by launching a bloody series of massacres to discourage street protests, by using the Muslim Brotherhood as its convenient scapegoat, and by releasing Mubarak from prison.[68]

Iran and Syria. After decades of bellicose posturing against Iran, the US-NATO alliance imposed even more drastic economic sanctions ostensibly to curb its nuclear ambition. As a result, Iran has been increasingly fenced out of world energy markets and forced to find alternative ways to sell its oil and gas and keep its economy afloat. In this context, the recent Iran-Iraq-Syria gas pipeline deal allows Iran better access to EU markets and helps break the US-NATO-Israel stranglehold.[69]

The Syria-Iraq-Iran alliance is viewed by the US-backed Sunni monarchies (e.g. Saudi Arabia and Qatar) as rivals in terms of energy production and leadership of the Islamic world. The US views Syria and Iraq as crucial allies of Iran not just in petroleum politics but in broader Middle East geopolitics. At the same time, the US has always backed Israel's long-standing effort to destroy Iran as its main regional economic competitor and military rival.

Thus, the US, Israel and their NATO allies are not only using local Syrian mercenaries and foreign fighters from nearby countries to scale up conditions of civil war in Syria[70], but are pushing to internationalize the war particularly after the Syrian government forces' alleged use of toxic gas against rebel-held areas. The US is readying air strikes against the Assad regime (and trying to mobilize its NATO allies and get Security Council authorization) on the pretext of protecting civilians under the "Responsibility to Protect" principle. The US-NATO alliance is trying to apply in Syria the lessons derived from their intervention that led to the overthrow of the Qadhafi regime in Libya. Many political analysts also see that the bigger US aim, on top of wielding its big stick and installing a new puppet regime in Syria, is actually to position US-NATO forces in preparation for an aggressive war to destroy neighboring Iran.[71]

Sub-Saharan Africa

In the context of the global crisis, the role of Africa has taken on a new focus in the past decade for investment especially in natural resources including agriculture and minerals. Especially in the past two years, Africa has become the apple of the big powers' eye, with mainstream economists referring to it as the emerging, rising, or hopeful continent. It has become a major market of consumer goods, and a big target of foreign capital inflows especially in extractive industries and agriculture.[72]

At the same time, and paradoxically, the continent especially sub-Saharan Africa remains mired in the deepest levels of poverty (close to 50%, changing very little from 52% in 1981), chronic hunger (around 30%), income inequality (with Gini coefficients close to 45%), and high levels of wage unemployment.[73]

At the same time, the region is constantly beset by social unrest, political instability in the form of fragile states, and widespread armed conflict. Persistent although localized domestic or cross-border armed conflicts, often made more complicated by long-standing tribal rivalries and foreign meddling, affect at least a dozen African countries, from Mali in West Africa and Congo and DRC in Central Africa to Somalia in East Africa.[74] The big powers led by US (through its AFRICOM) are riding on and even fomenting these internal and inter-state conflicts to reestablish and consolidate their neocolonial hold.[75] The US-led powers are particularly worried about China's growing economic presence and political role in Africa.[76]

South Africa, as an emerging economy and the strongest in the whole continent, has started to flex its economic and political muscles, both within its traditional sphere of influence encompassed by the Southern Africa Development Community (SADC), which it chairs, and also within the BRICS bloc (with South Africa hosting the 2013 Fifth BRICS Summit). One important trend to watch is the growing closeness between South Africa and Russia. The two countries recently produced a wide range of agreements, including a declaration on strategic partnership, cooperation in communications, and joint construction of nuclear plants.[77] Not to be outdone, China is also working with South Africa in specific areas of trade (with China as SA's biggest trade partner), financial (particularly in capital markets), and other economic cooperation.[78]

Latin America and the Caribbean

Analysts recognize the seeming fundamental shift in Latin America and the Caribbean from the "banana republic" period that culminated in the era of openly fascist dictatorships in the 1970s and 1980s, to the current period in which elected governments are the norm. Behind the democratic experiment (in some cases, democratic façade), however, are seething conflicts between local elites and impoverished peoples, and continuing if mostly covert US intervention.

In recent years, Cuba and the Bolivarian states (left-leaning populist governments in Venezuela, Bolivia, and several others) have maintained their basic economic viability and social support, despite relentless attempts by the US and its local allies to undermine their stability.

A distinct trend in recent years has been the growing inter-state ties among LAC countries. These are shown by the Community of Latin American and Caribbean States (CELAC, 33 member-countries), the Union of South American Nations (UNASUR, 12 member-countries), and the Bolivarian Alliance of the Americas (ALBA, nine member-countries). These regional organizations offer alternatives to US-initiated FTAs and are an additional platform for LAC countries to independently relate with other countries such as China and EU and to counteract US meddling.

The US, which has historically treated Latin America and the Caribbean as its "backyard" starting with the 19th century Monroe Doctrine, maintains huge economic, political and security interests in the region. Apart from its long-standing problematic relations with Cuba and Venezuela and uneasy ties with the OAS[79], the US top agenda in the region includes the participation of LAC countries (especially Chile, Mexico and Peru) in the Trans-Pacific Partnership talks, and consolidating political and military ties with key countries in the guise of fighting drug trafficking and violent crime (e.g. in Mexico), counter-insurgency (e.g. in Colombia), and post-disaster operations (e.g. in Haiti).[80]

THE US PIVOT TO EAST ASIA, INCREASING MILITARISM AND ARMED CONFLICTS

The US pivot to East Asia

The US imperial power is already overstretched, and is further strained by the impacts of the global economic crisis on the US homeland and the many troubles that US intervention has stirred up in many parts of the world. Yet in recent years there has been an increasing US military presence in the East Asia region, with particular concentrations in Japan, the Korean peninsula, the Philippines, Guam, Singapore, and Australia. This trend is now known by the popular name "US pivot to Asia."

In the fall of 2011, the Obama administration announced a strategic approach of expanding and intensifying its already major role in the Asia-Pacific, in order to reassert its dominance in the region and to counter the growing presence and influence of China (and Russia and possibly even India, to some extent) even as it keeps a strong warlike presence in the Middle East and elsewhere in the world.

Some aspects of the so-called "rebalancing" or "pivot" have already been pursued by the previous Bush administration and during Obama's first term, such as closer ties with ASEAN and the launching of TPP. But the recent policy shift is most dramatically seen in the military pivot to East Asia and Southwest Pacific regions. The concrete objectives are: to protect current US dominance over the shipping lanes from the Indian Ocean to the South China Sea; to defend the chokepoints in case they are closed by hostile states (e.g. Iran for the Strait of Hormuz); and to prevent other potential threats from rival powers and hostile states from undermining US economic, political, and military interests in the region.

In this respect, it is understood that underlying the pivot is a broader geopolitical theater that includes the Indian Ocean and coastal states surrounding it. There is also the premise that the pivot will not be constrained by reductions in the US defense budget.[81]

Thus, despite its downsized defense budget, the US plans to implement a long-term strategic transfer of forces to Asia-Pacific destinations from 2011 to 2020. These include air power (tactical aircraft, bombers); US Army troops and US Marines; and high-tech weaponry. The US has implemented a rotating scheme, which will eventually involve some 2,500 US Marines. By 2020, the US Navy intends to increase the deployment of its naval assets in Asia-Pacific to 60% (from the current 50%).

This pivot also includes strengthening the US military presence based in Japan (especially its strategic missile force) and supporting Japan in its dispute with China over the strategic Diaoyu and Dokto islands. The US already has strategic joint operations with Australia, and is eyeing wider access to Vietnam's Cam Ranh Bay facilities. The South China Sea dispute is another good excuse for the US pivot to Asia as well as a potential leverage in its diplomatic dealings with countries involved in the dispute. However, most analysts agree that the US at present wants not war but stability in Southeast Asia to create the space to implement its TPP strategy.[82]

On the diplomatic front, Washington is also fast-tracking its strengthening of military ties with ASEAN countries, including former enemy Vietnam and formerly blockaded Myanmar. It is planning to host its first meeting with ASEAN defense minister in Hawaii in 2014. It is also pushing for redefined VFAs or basing arrangements with countries such as the Philippines.

It is clear that the US is determined to re-entrench itself militarily in the Philippines, a former colony and former host of two major US bases. Manila and Washington are in the middle of talks for an "increased rotational presence" and extended base access of US troops in the Philippines. Manila hopes that increased US troop presence will help modernize Philippine armed forces (which it has continuously done) and provide support in a possible military standoff with China over an off-and-on boundary dispute in the South China Sea (on which the US is quiet).

Supporting the US pivot is Japan, with a growing right-wing trend in government that wants to revive the old Japanese empire and military strength. The US-Japan tandem plays up the notion of a China-Russia military alliance and threat, and uses this as reason for holding their own frequent and large-scale military drills in Northeast Asia.

The increasingly brazen US military presence in East Asia has already began to stir up the outrage of people in many Asian countries, who still remember its military aggression in the Korean peninsula and the Taiwan straits in the 1950s, in Indochina until the mid-1970s, and its continuing maintenance of bases in the Philippines, Guam and other Pacific territories.

Obama policy shift: 'End of the war on terror'?

Obama's reelection campaign promise was that he would draw down US combat operations overseas. In reality, he has continued and in some respects even expanded the same "war on terrorism" policies initiated by Bush. These include warrantless surveillance on non-American subjects and targeted killings (including drone attacks) by the CIA.

In mid-May 2013, Obama created some media splash by declaring that "the war on terror must end." The harsh reality, however, is that he ended up only with minor policy adjustments that gave additional weight to political policy tools in relating with Islamic states, tightened regulations on drone attacks and targeted killings, and pushed for a more clearcut shift from a law-of-war paradigm to a law-enforcement paradigm in the conduct of the US "war on terror."[83]

The US-led NATO forces are scheduled to complete their withdrawal from Afghanistan by end-2014. Like in the case of Iraq, the Afghanistan drawdown—if it pushes through—will likely unleash a new round of political unrest and insurgency both within Afghanistan and in neighboring countries of Central Asia and South Asia. Ironically, this will again be indiscriminately branded by the big powers as extremism, terrorism, and separatism, which can become the basis for another cycle of military intervention.

Meanwhile, instead of drawing down US forces from the entire Middle East, the Obama administration is merely shifting its tactical focus and modes of intervention, by continuing to support proxy states (such as Israel), deploying covert troops and mercenaries for proxy wars (as in Syria), and launching precision strikes through drones (as in Afghanistan, Pakistan and elsewhere) and large-scale attacks (as what it threatens to launch against Syria).

All in all, since the Cold War ended, the US and its NATO allies have continuously carried out hostile acts against perceived enemy states and threat groups throughout the world using a very broad spectrum of economic, political, and military options. Such acts include covert and special ops (including drone strikes, targeted killings, and false-flag attacks), blockades, sanctions, diplomatic bullying, show-of-force military exercises, use of mercenary forces and proxy armies, support of client fascist regimes, and outright wars of aggression.

Their covert and overt forces strike almost everywhere—from the Balkans and Eastern Europe, to the Middle East and Africa, from Central and South Asia all the way to East Asia and the Pacific, in addition to Latin America and the Caribbean which the US considers as its backyard. They are also using other non-military or law-enforcement pretexts, such as anti-drugs, anti-human trafficking, anti-organized crime, and disaster relief operations, to camouflage their operations and real targets.

Japan's born-again militarism

Japan's post-war constitution includes a provision to maintain only purely defensive forces, apart from a self-imposed ban on the right to exercise collective self-defense with its military allies. Since the 9/11 attacks, however, the US became increasingly eager for Japan to flex its own military muscles at least in the Asia-Pacific, especially with Washington hobbled by defense budget cuts.

The new Abe government seems enthusiastic with reviving Japanese militarism, as it wants to build its own clout and leverage US support in its boundary disputes with China. In recent years there have been more frequent joint US-Japan military exercises. Japan is also strengthening alliances with other Asian nations (including India and the Philippines) in order to contain China.[84]

The military industrial complex and the arms trade

There has always been a direct connection between economic downturns and the trend for increased militarism and military spending. Armed conflicts between countries, as well as large-scale domestic violence, have long tended to flare up in times of intense economic and social crises.

More to the point, a number of huge business conglomerates have direct interests in the growth of defense-related industries. In 2011 alone, the US Department of Defense allotted USD 100 billion in contracts with top five largest defense contractors: Lockheed Martin, Boeing, General Dynamics, Raytheon, and Northrop Grumman—about the same amount spent on the entire US federal education budget for the same year.

These companies share another trait: they hire former Pentagon top brass through the so-called "revolving door" system. In the 2009-2011 period, for example, 70 percent of the 108 newly retired top-level generals and admirals took lucrative jobs with the defense industry. (Up from 50 percent between 1994 and 1998, but a bit lower than 80 percent in 2004-2008 at the height of the US war in Iraq.)[85]

Thus, while the rest of the global economy suffered from doldrums in recent years, military spending has continued to bloat up. The whole world's military expenditures in 2012 are estimated to have reached USD 1.756 trillion, corresponding to 2.5% of world GDP. A handful of military powers are spending the largest sums. In 2012, for example, the 15 countries with the highest military spending accounted for over 81% of the total. The US is responsible for 39% of the world total; China is a poor second at 9.5%; China, Russia, UK, and Japan combined (the next biggest spenders after US) spent only 21.6%.

The US and other developed countries, which are mostly the biggest military spenders, are also the biggest arms traders, suppliers, and military aid givers to armies worldwide. The US, Russia, France, UK and China (who are also the five permanent members of the UN Security Council), together with Germany and Italy, accounted for around 85% of the arms sold between 2004 and 2011.[86] Worldwide, some USD 45-60 billion worth of arms deals are closed yearly—with three-fourths sold to developing countries. Leading arms industries justify this by saying that arms production "creates jobs" and that if they did not sell to undemocratic regimes, "someone else would."

Indeed, a SIPRI report in 2004 presented the irony of a yawning gap between the world's total military expenditures and funding to alleviate poverty and promote development.[87] In fact, the entire budget of the United Nations and all its agencies and funds pale in comparison to the world's total military expenditures.[88]

The continuing strategic arms race

The bizarre outcome of the supposed post-Cold War era is that the strategic arms race is continuing. The US maintains its nuclear missile defense structure in Europe, although Obama hedges on the policy question of whether to increase or reduce it. While the US claims that its missile systems are a shield against possible nuclear attack by Iran, Russia appears to be the real target. Russia accuses the US-NATO program of planning to crawl right up its western and southern borders.

(Land-based NATO missile defense systems are planned for deployment in Romania right across the Black Sea in 2015, in Bulgaria at an unspecified date, and in Poland near the Russian border in 2018, in addition to some 30 US Navy ships equipped with long-range interceptor missiles. Russia fears that the US may be encouraged to launch a nuclear first strike if its NATO missile shield program develops enough capacity to neutralize the expected Russian retaliatory strike.)[89]

Although Russia had already withdrawn its tactical nuclear weapons from Europe nearly 20 years ago, the US intends to retain similar weapons in Europe, with Pentagon even planning an upgrade by 2030. There are 180 B61 US nuclear bombs deployed in Europe, and Obama, in his 2014 budget proposal, wants to upgrade these bombs and make them more accurate.[90] The US has also built nuclear arsenal storage facilities at 13 airbases in six NATO member countries.

At the same time, Russia is building a new 100-ton missile “able to overcome any missile defense system” and has lined up 16 experimental launches of various types of ICBM. Russia has already launched its first of a planned eight Borey-class nuclear submarines, and has an ambitious Navy expansion plan up to 2020.[91]

In April 2013, the Pentagon said it was deploying a missile defense shield to Guam supposedly in response to the Korean peninsula crisis in March. Russia decried the move as a threat to the strategic balance of power in the Asia-Pacific.[92]

In disarmament talks with Russia, the US focuses on a further reduction of strategic offensive nuclear weapons but refuses to include the issue of tactical nuclear weapons and the missile defense shield. Russia, on the other hand, insists that the nuclear disarmament process should cover all areas. Meanwhile, all big powers are opening up new arenas for the arms race, such as cyber-warfare (or what China calls information warfare) and militarizing outer space through military-grade satellite systems.

Liberation wars and insurgencies

Increased militarism and aggressive actions foisted by the major global powers on smaller and weaker countries, against all kinds of “threat” groups, and sometimes among themselves by proxy—all these are becoming fertile ground for the smaller and weaker nation-states as well as anti-imperialist, progressive, and revolutionary movements within them to launch people’s struggles for national liberation and democracy.

Popular wars of national liberation are intensifying and expanding. These include the long running mass-based armed struggles or popular insurgencies such as those in the Philippines, Colombia, Kurdistan, India and other South Asian countries, those where recently the US and NATO have carried out or threaten to launch blatant wars of aggression, as in Iraq, Afghanistan and in other territories held by a foreign military occupying power, such as in Israel-occupied Palestine.

RISING TREND OF FASCISM; THE NATIONAL SECURITY STATE

Increasing militarism throughout the world, with the imperialist powers as the main wellspring, is tightly intertwined with the rising trend of fascism and attacks on human rights both within the imperialist heartland (or global North) and in the vast territories of the Third World (or global South). The fascist trend is expressed at various levels: from brazen efforts to expand and to mainstream fascist political movements and parties with Nazi affinities, to the actual rise to power of ultra-Rightist or neo-conservative governments and elite-backed military dictatorships.

These are typically accompanied by systematic campaigns to reduce or reverse previous gains in democratic governance and human rights legislation and practice, to justify the reinstitution of police-state schemes, and to whip up various ultra-reactionary racist, xenophobic, and chauvinist trends through mass media, schools, the Internet, films, computer games, and other cultural vehicles.

The growth of the national security state

The trend of fascism continues to rise worldwide, and its worst features are becoming more evident than ever even in the supposed bulwarks of Western democracy, namely the US and Europe. Alarmingly, various US legislation—the PATRIOT Act, the Protect America Act, the Military Commissions Act, and the FISA Amendments Act—have expanded the legally allowable state actions (on top of secret and illegal operations) that restrict basic civil liberties and human rights in the guise of counter-terrorism. With the continuing exposés divulged on NSA espionage by Edward Snowden and other whistleblowers, it is now evident more than ever that the US has become a national security state, closely followed by the UK.

Even worse, the scale of secret US operations divulged by a whole series of whistle-blowers shows an immensely huge potential for its monopoly capitalist class to extremely centralize the key machineries of state power in the hands of a neo-conservative, militarist, and fascist clique.

A similar trend of rising fascism can also be seen in other developed countries, in emerging economies, as well as in developing countries especially those long ruled by fascist dictatorships and military regimes supported by the US and its allies.

Impacts on human rights

The US, which in the past prided itself as the global champion of human rights, has been showing more of its fangs not just overseas but within its homeland. It has a fast-growing record of domestic human rights violations, on top of its bloody international record of launching interventionist wars, supporting fascist dictatorships, and serving as principal arms supplier in other countries.

The NSA spying scandal and previous similar exposés reveal not merely massive violations of US citizens' privacy rights, but other countries' national security as well as their citizens' rights. Surveillance is increasingly serving as prelude to actual attacks on people and their rights—especially now that drone technology is applied both for surveillance and actual kill operations.

Within the US homeland, abuse of ordinary citizens by police, FBI, and Homeland Security operatives are on the rise, on top of increasing cases of violent dispersal of protest rallies. Racial discrimination, hate crimes, and abusive treatment of immigrants are as prevalent as ever. The notorious record of US federal prisons as well as increasingly privatized state prisons is already well known. The US is among the world's most heavily armed populations, with more than 100,000 people gunned down yearly. Yet increasing crime is made a reason to expand the forces and functions of the national security state.

A growing consensus of U.S. citizens and political groups—from left to right civil libertarians—now assert that the war on drugs is increasingly victimizing innocent civilians because of botched drug raids and careless police work, and has become much deadlier than the drugs themselves.

The worsening crises in the various realms of society give rise to distinct currents of ideological thought and cultural patterns, including such ultra-reactionary currents as chauvinism, racism, religious bigotry, sexism and fascism. Some mainstream media become complicit partners of fascism, having been caught red-handed engaged in black propaganda and disinformation campaigns in the service of the national security state and its unjust wars. Others have become unwilling victims of fascism, especially in the midst of recent media exposés on police-state intrusions into private communications.[93]

RISING LEVELS OF PEOPLE'S RESISTANCE

In the face of the global crisis and attacks on their hard-won rights and erosion of past gains, vast numbers of people are launching mass resistance all over the world. In the most industrialized countries, the workers, youth, women and migrants are fighting to defend their gains in wage and living conditions. Capitalist countries crippled by debt crises, such as Portugal, Italy, Greece and Spain, are affected by widespread and militant general strikes and massive demonstrations. At the same time, the most persistent and evident mass struggles are found in the underdeveloped countries, where the workers, peasants and other sectors are the most exploited and oppressed.

WIDESPREAD MASS UNREST

Throughout the first half of 2013, a wave of anger rose up and began "sweeping the cities of the world" (in the words of The Economist). The otherwise staid publication even compared 2013 to the 1848 revolutions that swept Europe and to the 1968 and 1989 upheavals that also shook the region. Comparing the 2013 mass upsurge with the 2011 Occupy protests, which were high profile but did not mobilize millions, the magazine noted that this time "the protests are fed by deep discontent."[94]

A distinctive trend in the first six months of 2013 is that the most dramatic mass upsurges have broken out in what are called emerging or middle-tier economies, in addition to the Eurozone countries that have been battered by austerity programs and debt crises.

India

In India, big protest actions had risen to the forefront earlier in 2011, fuelled by working-class strikes and middle-class frustrations with corruption, on top of a growing Maoist armed revolution in the countryside. At the end of 2012, big protests verging on riots were fuelled by public outrage on the lack of state protection of women's rights, triggered by the brutal gang rape of a young woman in a public place.

February 2013 All-India general strike

At the start of 2013, the Indian working class took to the frontlines: 100 million workers and other toiling people joined a nationwide general strike on February 20-21, 2013, accompanied by massive demonstrations, which completely shut down many parts of the country, and crippled the banking and insurance sectors, industrial production, and educational institutions. The massive protest was triggered by the government's plan to open up the retail, insurance and aviation sectors to foreign capital and by a recent price hike on subsidized diesel.

Both private and public sector unions joined, and many unorganized workers as well. The strike was called by 11 central trade unions and independent federations of workers and employees to demand, among other things: state protection of the right to organize; a stop in the use of contract labor and job outsourcing; and a raise in the minimum wage.[95]

Brazil

In Brazil, the massive demonstrations started as a mass protest against bus fares. It soon turned into an avalanche, reaching more than 1 million people on June 20, 2013. The protests gradually expanded into a much wider range of issues, reflecting deep public dissatisfaction with the pseudo-Leftist government's anti-people policies that worsened corruption, poor public services, high costs of living, and profligate spending for the World Cup sports event. The street demonstrations, which peaked in mid-July, were the largest since the ouster of the military dictatorship in 1985. Involved in the mobilizations were workers, student youth, urban poor communities, and the urban middle classes. From the start, the government responded with police brutality, which further incensed and politicized the people.[96]

Egypt, MENA

The Egyptian people sustained their large-scale mass movements throughout 2012 and the first half of 2013, in the midst of intense political turmoil and regime change. The Morsi regime, swept into power after Mubarak's ouster in 2011, had conceded to most IMF dictates and merely continued elite rule, thus failing to respond to intense public demand for substantial reforms. The protests culminated in a three-day uprising from June 30 to July 3—involving millions of people in the streets of major cities demanding Morsi's ouster. The political paralysis was quickly defused by a US-backed coup; the newly installed junta quickly launched a bloody suppression campaign against all kinds of opposition.[97]

Elsewhere in the Middle East and North Africa, such as in Tunisia and Bahrain, mass protests continue to simmer beyond the "Arab spring" period in 2011.[98]

Europe

In the Eurozone, millions of people continue to rise up over worsening unemployment and harsh austerity measures imposed by governments, amid recurrent sovereign debt crises. Widespread mass discontent has led to massive street protests, general strikes, and other forms of civil disobedience in recent years.

The protests are particularly intense in Mediterranean countries such as Italy, Greece, Portugal, and Spain. In Portugal, a million people took to the streets on September 15, 2012.[99] This was followed by a two-day general strike in Greece on November 6-7. Workers' unions across Europe then launched a coordinated general strike on November 15; violent clashes between police and protestors erupted in some cities.[100] Protest actions became increasingly common in Italy, Greece, Spain, France, Belgium, Switzerland, Germany, and Turkey.

In Portugal, for example, a succession of general workers strikes paralyzed entire industries and services in November 2011 and March 2012. The strikes were directly in protest against the austerity measures and labor reforms implemented by the government as imposed by the IMF, EU and ECB (also known as the Troika). This led up to the largest-ever demonstrations against the hated Troika on September 15, 2012, involving from 600,000 to a million protestors in 40 cities—the largest ever in Portuguese history.[101]

Similar mass protests are hounding governments in the eastern peripheries of Europe such as Turkey and Bulgaria, with specific issues sparking mass actions that rapidly grew into much wider protest movements that are converging into a generalized state of political turmoil that threaten strongman regimes in the region.[102]

At a more spontaneous level, violent riots occurred in Sweden in May 2013 (reminiscent of earlier riots in the U.K. in 2011), as the youth and other unemployed spontaneously sought varied channels of mass discontent.

United States

In the US, mass protests are being sustained at smaller scales but remain widespread. They are addressing a wide range of advocacies such as workers' rights, women's rights, anti-war, prisoners' rights (such as the hunger strike in California prisons and support of the hunger strike in Guantánamo), government surveillance, police brutality, migrant rights and violence against minorities, GMO, and mining practices known as fracking, among many others.

July-August 2013 strikes in the US fast-food industry. On August 29, US workers in the fast-food industry staged a one-day strike in 60 cities across the continent. The strike, accompanied by local marches and demonstrations, was the largest thus far in a 10-month campaign that began with 200 workers striking in New York last November, and which spread to Detroit and Chicago in July. The strikes are calling for better wages (USD 15 per hour, from the current USD 7.25, one of the lowest in the developed world) and the right to unionize.[103] Similar protests have been spreading through America's most marginalized, vulnerable, and low-wage workforce in the retail and other service industries.[104]

The US anti-war movement has taken on a sharp focus on Syria in recent weeks, as the Obama administration lusted for military intervention and moved to mobilize its NATO allies after failing to get Security Council authorization.

WIDENING PEOPLE'S MOVEMENTS

Many analysts view the character of the post-2008 people's movements generated by the global crisis as "middle-class-led" revolutions, usually providing the example of Latin America (e.g. Brazil), the so-called Arab Spring (e.g. Egypt), Turkey, and Bulgaria among others. Many of these movements, indeed, are characterized by a heterogeneous mix of participating sectors, with the middle class with its media tools as usually the most articulate.

Increasing activism of workers

Underneath the superficial or transitory leadership of middle-class sectors is the fast-rising activism of big masses of workers and semi-employed, both in the developed and underdeveloped countries. In many countries beset by economic crisis and rocked by political turmoil, workers through their unions and other organizations are providing the muscle for massive demonstrations. Furthermore, as shown by the general strikes in Europe (November 2012) and in India (February 2013), and the South Africa miners' strike, the workers' movements all over the world are increasingly rediscovering their capacity for independent action.[105]

Student and youth

All over the world, youth went on the march in a global wave of university uprisings and other student protests against the rising cost of higher education. In 2012, thousands of students went on coordinated strikes in Chile, Quebec, United Kingdom, the U.S., Australia, India, the Philippines, and other countries. In 2013, these streams of campus activism continued to converge with other grassroots movements.

Peasants and rural poor

Especially in the vast global South, the hundreds of millions of peasants and other rural poor (including rural women and indigenous peoples), as well as the teeming millions in urban poor ghettoes, are also rising up but in less media-dramatic although more persistent modes of action. Throughout the world, and on an almost daily basis, rural and urban communities are opposing state-sponsored demolitions and evictions, fighting land and resource grabs versus corporate intrusions, and initiating their own direct democratic action to protect and promote their independent livelihoods. Of distinctive significance in recent years are the extensive and sustained peasant mass actions in Latin America, South Asia, and Southeast Asia.

Anti-imperialist struggles

Increasingly, popular grassroots movements and political movements in many countries are converging into a broad anti-imperialist movement with a global scope of reach and coordination. This movement is consistently in the frontlines of mass actions protesting imperialist wars of aggression and interventionist actions, WTO and IMF impositions, fascist violence and elite misrule in the imperialist homeland, and also in support of struggles for national liberation, democracy and genuine development in the developing countries. There are ongoing global and regional campaign against imperialist aggression in MENA and East Asia, against the WTO, and against MNC land and resource grabs.

CHALLENGES FOR CIVIL SOCIETY ORGANIZATIONS AND PEOPLE'S MOVEMENTS

Civil society organizations which are generally associated with advocacy efforts and struggle for reforms and the people's movements which are more broadly engaged in a wider range of struggles for social transformation both confront challenges in the face of the protracted economic crisis, intensifying climate crisis, and growing global instability and conflict.

On one hand, people's organizations need to address the effects of the global crisis on the people and their communities, whether in fighting for jobs and livelihoods, demanding better social protection, reducing poverty, and improving their lives as a whole. This is intrinsically linked to nationally specific social, economic, political and other issues as peoples organizations struggle for social and national transformation in each country.

On the other hand, CSOs and people's movements face more challenges at a higher level, in addressing worldwide concerns and policy issues that all countries need to contend with such as poverty and inequality, climate change and environmental disasters, conflict, militarism, and war. CSOs and people's movements are calling for development justice as a catch-all demand that covers not just eradicating poverty and inequality at their roots but also covers the general calls for distributive justice, climate and environmental justice, and economic justice.

Worldwide policy efforts are being made by countries and international organizations to forge a transformative agenda for sustainable development after 2015 with the end of the Millennium Development Goals. But the greater challenge is to push governments to take a progressive agenda for social transformation, end imperialist domination and rebalancing development cooperation and international relations, and work for peace and solidarity for the recovery of the planet.

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