Emerging Third World Powers: China, India and Brazil

by Jerry Harris

China, Brazil and India have emerged as important global powers creating political waves across Europe and the US. Not only are they becoming more assertive in transnational institutions like the World Trade Organization (WTO), their economic weight is felt throughout the world. As the Financial Times has pointed out, the rise of China and India "heralds a transformation of the global economic and political order as significant as that brought about by the industrial revolution or by the subsequent rise of the US." (FT)

The global integration of China, India and Brazil reflects their emergence as powerful modern economies. But this transformation creates tension between nation-centric class interests and the newly created relationships linked to transnationalized accumulation. This shift and its resulting contradictions constitute the dominant process in the world today. The struggle is both global and internal as each national economy is remolded to fit into the emerging global mode of production. This conflict pits descending forms of national production against rising forms of globalized capital. The old international system that arose with industrial capitalism rooted itself to building national markets, exporting abroad, using the state for economic development, creating a social contract with the working class and projecting power into the Third World for its own national monopolies. The globalist accumulation model is based on cross border mergers, foreign direct investment, transnationalized assembly lines, global labor stratification, the free flow of capital, and multilateral institutions to develop common rules on trade, finance and investments. This regime is based on the revolution in information technology that has transformed the tools of production and made possible the reorganization of capitalism on a qualitatively more integrated level.

The remolding of each national economy creates an array of contradictions between the old and new forms of accumulation. As each country transforms its social relations and institutions it enters a process conditioned by its own history and culture. Therefore uneven development determines the pace and nature of local insertion into the global economy. This process is occurring in China, Brazil and India, with ramifications for their internal class struggle as well as their place in the global order. Each of these countries now sees its national development in terms of globalization. Though they all share similar political origins in socialist ideology or state lead economics they no longer pursue the strategy of import substitution and large state protected enterprises so common in the Third World from the Bandung era through the 1970's. Although their nationalist history affects their transformation today, now state directed development is geared to global production chains linked to transnational capital.

This is not a comprador surrender to imperialism, but a developmental strategy promoted by the new political and economic elite of the transnational capitalist class. Within the political and historic context of China, India and Brazil their aim is to enlarge the middle class, create jobs for the poor, develop a technologically advanced economy and increase their political power in the international arena. But does global capitalism have the social capacity, political will and environmental flexibility to move millions of working poor to decent living standards and higher income levels? Globalization is driven by the race to the bottom in which transnationals seek out the lowest wages and most exploitive conditions. Any reversal of this accumulation strategy is highly doubtful without a revolution from below and a radical shift in thinking and power. Yet can economic growth and modernization increase the organizational and political capacity of the working masses to the point where they can independently transform society to create a more democratic and just world? And if so, what level of support should working class organizations and popular social movements extend to Third World globalists? Such strategic questions of transitional reforms and revolutionary change, framed in the context of globalization, are key concerns as the process of development unfolds.

CHINA

China's national history is deeply affected by its struggle against imperialism and the Communist revolution that leads to state directed economic development. Even under the current globalist regime Chinese leaders have been careful to retain control of their economy. So far they have avoided the pitfalls of financial speculation and the loss of capital controls that put other countries under IMF dictated structural adjustments. Chinese leaders intend to insert themselves into the global economy as fully respected and integrated members of the transnationalized capitalist class, not as indebted junior partners. They have used their control of the government and their statist experience to remold local economic institutions and jettison their communist past without losing their power. In fact, the state-owned sector still produces 68% of the GDP and employs 729 million people. Unlike their Russian cousins who lost any sense of national purpose in a chaotic surrender to the new oligarchy, the Chinese Communist Party has transformed their socialist ideology into a new national project that defines modernization in globalist terms. But their heritage of national independence, shorn of its Maoist equalitarianism and radical impulse, helps to determine their insertion into the globalist structure.

Although Newsweek complains that "lingering absurdities of Chinese communism continue to foil the multinational dream of huge profits," many of these "absurdities" are realistic concerns over national development and uncover the contradictory process of Chinese globalization. (Schafer) This nationalist/globalist dialectic is revealed in an interview with Samsung's CEO Yun Yong. When asked what it is like working with Beijing Yong replied, "Chinese officials are perhaps the most accommodating in the world to foreign investors, because their job performance is evaluated on the amount of foreign capital they attract. There are unions in China, but they don't pose serious problems." Yet Yong also explains "You cannot survive in China without becoming a Chinese company. That includes local technology development, product design, procurement, manufacturing and sales." (Lee) For Chinese capitalism the road to national development runs parallel to globalization. In fact, China's stock of foreign direct investment to GDP was 36% compared to 1.5% for Japan and 5% for India.

The massive expansion of the Chinese economy is being driven by the huge movement of the rural population to the cities, plus an industrial revolution transforming China into the center of world production. Eight hundred million people still live in rural China, but it's predicted that over the next fifteen years 250 million will move to urban centers. That is nearly the population size of the United States. The implications for building the infrastructure necessary to accommodate such a move over such a short period of time is almost incomprehensible. The need for housing, sewage, energy and transport is akin to creating an entire nation from the ground up. This internal transformation will create a massive need for steel, coal, oil, cement and all other basic commodities and can fuel an explosive economy well into the future. Some Chinese cities already approach the size of some countries. Shanghai has a GDP of $80 billion putting it on par with Hungary, Chile and Pakistan. Tianjin, a port city close to Beijing, has attracted 3,678 companies to its economic zone including many top transnationals such as Coca-Cola, Motorola, Nestle and Samsung.

Higher urban wages are pulling many into the cities with approximately 150 million former peasants roaming from job to job. Yet many new urban workers toil for less than minimum wage, lack social benefits and suffer unpaid overtime. Nevertheless, in the countryside incomes are 65% below the average urban wage, a larger difference than existed under the Maoist farm collectives. Life in the city may be hard but urban workers still manage to send money home. Remittances contribute 40% of peasant incomes helping families to buy consumer goods like televisions and washing machines.

Beyond urban construction jobs China is molding its future to the global economy as the world's best export platform and internal commodities market. Almost every transnational in the world wants to produce and sell in China,
making it the world's third largest importer and third largest exporter. Although the US and Germany sell more goods abroad, China accounted for 60% of the world's export growth last year. Passing Japan as an exporting power China is more deeply integrated in the global production chain with 50% of its foreign sales and 29% of its industrial output generated by transnational corporations. (Wolf) China has also outstripped the US as the world's primary destination for foreign direct investments, pulling in $52.7 billion in 2003 and $480 billion since 1990. As Sumner Redstone, chief executive of Viacom says. "There is no such thing as a global strategy without China." (Larsen)

China's production chains are now the focal point around which the Asian regional economy spins. Replacing both Japan and the U.S., China has become the largest manufacturer and trading partner in an interregional market that hit $722.2 billion in 2001 and had the fastest rate of growth in the world since 1985. Recently intra-regional trade accounted for the majority of Asia's export growth, with much of the increase flowing to China. China is now Japan and S. Korea's largest trading partner. In fact, much of Japan's growing recovery depends on goods going to China. Previously idle capacity in construction machinery, steel and shipbuilding is now running at full steam. Over the last year Japan's exports to China have grown by 33.8% while exports to the US have fallen by 5.4%. (Edwards) Japan has also made huge investments in Chinese cities. In the Shanghai region they have 4,600 joint ventures with investments near $9 billion, while in Dalian another 2,500 Japanese companies have located pouring in $5.6 billion.

From a global perspective China's impact is truly staggering. In 2002 it accounted for 28% of the world's traded iron ore, 24% of its zinc, 23% of its stainless steel, 21% of its aluminum and 17% of its copper. (Kynge) China's industrial drive has also made it the largest importer of tin, platinum, chemicals and the third largest importer of nickel. When it comes to coal China is the world's largest producer and consumer and the second largest exporter. This enormous use of raw materials has reduced worldwide metal inventories and stimulated a surge in commodity prices that have jumped 40% to 200%. This created a mining boom in Japan, Australia, Canada and Brazil with transnationals like Nippon Steel, BHP Billiton and Rio Tinto riding the wave. Yet another effect is the rise in bulk shipping, with a 600% jump in rates and new orders for shipbuilders. In addition China is now the world's third largest market for cars with GM, Ford, Honda, Toyota, Hyundai and DaimlerChrysler all producing inside the country most often in partnership with local firms. Volkswagon is the leading foreign player with 30% of the market.

Key to this industrial revolution is steel. Now the largest producer and consumer of steel China pours 220 million tons, more than Japan and the US combined. Capacity for another 230 million tons is currently under construction or being planed. Such rapid growth has global repercussions large and small. The world's largest steel producer, Arcelor of Luxembourg, the world's second largest producer, LNM of the Netherlands, German giant ThyseenKrupp, and the South Korean steel conglomerate Posco all have substantial investments in China.

"LNM is a global company but we cannot be properly global if we do not have a plant in China," notes its Indian owner, Lakshmi Mittal. (Marsh) The Germans seem to agree, ThyseenKrupp is dismantling its Dortmund integrated mill and shipping it lock, stock and barrel (250,000 tons worth) to be reassembled and operated in China. Consuming 26% of the world's steel China's appetite has even filtered down to the alleys of Chicago. Junkmen picking up discarded appliances have seen a jump from $20 a load to $80 as scrape metal yards ship almost everything they get to the mainland for double the price per ton.

The Chinese industrial revolution has created a tremendous need for energy and accounts for 40% of the world's demand for more oil. The government's "Go Out" policy has turned China into the world's fifth largest direct foreign investor and is evident in their search for energy. State-owned oil companies hunting for oil and gas resources have made nearly 30 overseas investments totaling more than $5 billion dollars. China National Petroleum Corp has made large acquisitions including a $1.2 billion dollar deal in Sudan, a $320 million deal in Kazakhstan and a $1.2 billion dollar project now on hold in Iraq. Making long-term supply contracts China National Offshore Oil Corp has been involved in equity deals with Australia's North-West Shelf gas project and Indonesian Tangguh whose majority owner is British Petroleum.

Another area in which transnational integration is evident is the petrochemical industry. Shell has joined the Chinese corporation CNOCC in a $4.3 billion deal to create the largest joint venture on the mainland. The petrochemical complex will produce 2.3 million tons with expected sales of $1.7 billion. While the project will employ about 100 subcontractors 70% of the goods and services are coming from China. Meanwhile the United Kingdom's BP and Germany's BASF have linked up with China's largest petrochemical group, Sinopec, to build similar complexes to satisfy the growing need for industrial chemicals. (Harney)

Any analysis of China would be incomplete without a look at its growing information technology sector. About 20% of Chinese exports are considered high tech, of these 61% come from wholly foreign-owned enterprises. Among China's top exporters are Dell, Logitech and Motorola. But China is pursuing the development of national champions as well as integration with foreign transnationals. Huawei Technologies, the Chinese telecommunications giant, employs 10,000 researchers, has sales in 40 countries and joint ventures with NEC, 3COM and Matsushita. Another telecommunications company, state owned China Netcom is competing with Motorola and Nokia for the largest home mobile phone market in the world. (Dickie) When it comes to televisions, the state owned company TCL merged with Thomson from France to become the world's largest producer, and Chinese electronic enterprises BOE Technology and SVA have both entered the liquid crystal display market and are expanding abroad.

One of the most rapid areas of expansion is semiconductor and chip production, and China has the third largest and fastest growing market in the world. Semiconductors are the second largest US export to China and are expected to hit $47 billion in 2005. Although Shanghai has been the base for the emerging chip industry recent expansion to Beijing reflects its rapid rise. For example, S. Korea's LMNT is building a $1.4 billion memory chip fabrication plant in Beijing's microelectronic industrial park. The venture will raise funds globally and include S. Koreans, Taiwanese, Americans, Europeans and Japanese on its management teams. The US semiconductor company SPS is also entering Beijing with an $800 million plant that will also include global funds and an international management team. Not to be left behind Shanghai based Semiconductor Manufacturing International is staging an initial public offering in Hong Kong and New York to raise funds for its $1.25 billion plant also scheduled for Beijing. (Dickie, 2) Other recent deals include Hynix which is planning a $1.2 billion project that includes the Chinese government, Europe's largest chipmaker STMicroelectronics and GSMC of Taiwan. GSMC's owner, Winston Wong, is partnered with Neil Bush, brother of President Bush, and Jiang Mianheng, son of China's recently retired president.

China's semiconductor industry is integrated into the global production chain doing backend assembly and testing while more sophisticated work remains in foreign hands. To attract transnationals they offer cheap land, low taxes, and when necessary, seven day work weeks. But Chinese officials see this as part of a long-term strategy to higher value and indigenous based production. One example of higher end work is Microsoft's research lab in Beijing that employs 150 of the best programmers in China. The lab has already developed more than 70 technologies that are used in Microsoft products and two of the labs previous directors are now vice presidents at Microsoft headquarters in Seattle. (G. Huang)

China's strategy to advance its own economic base through globalization can be seen in its relationship to the global computer industry. The US semiconductor industry was one of China's strongest supporters for entry into the WTO. But the Chinese also impose a value-added tax of 17% on imported semiconductors that is reduced to 3% for local producers. This resulted in a WTO complaint being lodged by Washington. As noted by Rhett Dawson, president of the Information Technology Industry Council, "They are fairly unabashedly trying to grow their own industry on the technology we've developed. They have a deliberate policy." (Alden, Foremski)

On the financial side we need to look at both banking and the stock market. Mainland companies are now regularly listed on the Hong Kong and New York exchanges. Among the top Hong Kong performers of 2003 were Aluminum Corp of China growing by 391%, Maanshan Iron and Steel up by 357%, and Jiangxi Cooper up 292%. Chinese fortunes were also rising in New York with investors pouring money into telecom, airlines, petrochemical and coal mining stocks. From July 2003 to March 2004 mainland companies raised over $15 billion in equity deals with Chinese IPO's driving a hot year in Asian stocks. China's growth is also pivotal to emerging markets and any slowdown would hit commodity prices affecting Russian, South Africa, Indonesia and Brazil. Branching out to the London Stock Exchange one of China's largest infrastructure, water and sewer conglomerates, Capital One, hopes to raise $2.8 billion. Making water a commodity asset is one of the hot new markets for transnational capitalists. As a leading Chinese manager complained, water costs were too low because of Communist era controls. "One ton of tap water costs one renminbi. That is less than a small bottle of mineral water." (Kynge 2) With the current changes higher returns will certainly flow to Capital One's new global investors.

Global investment banks are also looking towards internal Chinese stock markets which are expected to become the second or third largest in the world by 2010 with a capitalization of two trillion dollars. Foreign firms need to partner with local investment banks but are limited to 33% ownership and no more than 49% in the future. Morgan Stanley, JP Morgan, UBS, Credit Suisse First Boston and Deutsche Bank are among the major players today. Although most investment banks would prefer to operate on their own without domestic partners, a Chinese investment banker notes, "Some of our competitors believe they can outsmart the regulators and circumvent the rules, but they have no chance of succeeding because regulators want to breed a domestic investment banking industry, not facilitate a smash-and-grab raid by the foreigners." (Guerrera) Again we see Chinese strategic plans for partnership, not subservience, through a careful mixing of national development with globalist's practices.

One of the biggest changes in China is the transformation of its banking system with the help of global financers. A foreign advisory council was formed to help the banking ministry draw up its plans that includes: Sir Edward George, former governor of the Bank of England; Gerry Corrigan, former president of the New York Federal Reserve; Andrew Crockett, former general manager of the Bank of International Settlements; David Carse, former deputy chief executive of the Hong Kong Monetary Authority; and Sir Howard Davies former head of the UK's Financial Services Authority. Focusing on China's biggest state banks the intent is to clean up bad debt, overhaul management systems, impose strict corporate governance standards and then sell stakes to strategic investors including some listing on stock exchanges. The four biggest banks hold 70% of China's banking assets. Morgan Stanley is expected to do the initial public offering for China Construction Bank, Goldman Sachs and UBS will do the IPO for Bank of China and Credit Suisse First Boston is expected to list the Industrial and Commercial Bank of China. Among the major cross border investors in the Chinese banking sector are HSBC, Citigroup, BNP Paribas, Credit Lyonnais and International Finance Corporation the private sector arm of the World Bank.

China's rapid economic growth also has political dimensions. It has a central role in the Asian Pacific Economic Council, the UN Security Council and growing influence in the WTO. For decades China has promoted a polycentric view of world power depending more on its soft power than military might. This was evident during prime minister Wen Jiabao's trip to the Europe when French president Jacques Chirac formally agreed with China to "foster the march towards multipolarity" in order to "oppose any attempt at domination in international affairs," a clear reference to the US. (Bork) During its Maoist period the emphases was on promoting independence for the Third World and the political influence of Chinese Marxism. Today China's economic ties make it a major stakeholder in international institutions and its industrial growth is a model for developing countries

The Chinese insertion into the global economy has in many ways rejected the Washington Consensus that dominated thinking in the 1990s and is prevalent at the IMF and World Bank. Wen Jiabao's new policies, developed out of think tanks after the 1997 Asian crash, are what Joshua Cooper Ramo has termed the "Beijing Consensus." This strategy takes a cautious approach to privatization, free trade and capital markets, all hallmarks of neo-liberal globalization. Instead China is seeking coordinated development that attempts sustained growth, political independence and a new social contract with an emerging middle class. As Ramo notes, "it is the power of a model for global development that is attracting adherents at almost the same speed as the US model is repelling them." (Ramo)

But China's modernization is defined within global accumulation and production. The emergence of the Chinese transnational capitalist class is built on foreign integration at home and abroad. Chinese specialists Yasheng Huang points out that "China has chosen to rely on foreign investment more heavily than on nurturing domestic private companies as a source of development and trade…Through FDI China runs a huge processing operation for the world on behalf of multinational corporations." (Y. Huang) Nevertheless, many of these corporations operate through joint ventures helping to create the basis for the Chinese to integrate into the transnational capitalist class.

This strategy adheres to the foundation of Third World independence developed out of the Chinese revolution, but has recast it as a model for insertion into the global economy. It is a model highly attractive to other Third World globalists seeking full partnership in the transnational economy. Even US globalists have contrasted the Chinese path to the unilateralists and protectionist policies growing in America. Commenting on Bush's policies that labels China a "strategic competitor" former Reagan trade negotiator Clyde Prestowiz writes "China appears to be winning the competition with its good global citizenship, while the US is increasingly a candidate for the 'rouge nation' label." (Prestowitz) Worried about "xenophobic American Congressmen" Stephen Roach, chief economist for Morgan Stanley, notes, "No one said globalization would be easy. But in the end, it sure beats the alternatives. Thank you, China, for showing the way." (Roach) Such is the recognition of transnational capitalists of China's importance to globalization.

INDIA

For decades India followed a statist developmental model established by Jawaharlal Nehru and the Congress Party. This resulted in a large civil service employment base, state sponsored industries with a strategy of import substitution, backed by a non-aligned foreign policy. In addition to the Congress Party this policy was generally support by two large electoral reformist Marxist organizations, the Communist Party of India and the Communist Party of India (Marxist). To encourage national cohesion Indian identity was cultivated as a composite of many faiths co-existing under a secular state.

This nationalist model of development was challenged by the rise of the Bharativa Janata Party (BJP) under the leadership of Atal Behari Vajpayee. BJP combines Hindu ethnic nationalism with neo-liberal economics. This mixture of narrow nationalism with a globalist economic outlook is particular to India. The BJP arose out of Rashtriya Swayamsevak Sangh (RSS) an extremist Hindu organization modeled on the Italian fascist movement. It was a member of the RSS who assassinated Mahatma Gandhi, an act celebrated in the streets by Hindu nationalists.

Vajapyee has urged BJP towards less extremist policies but nevertheless under his government there were widespread and violent attacks against Muslim and Christian communities carried out by BJP members. Yet on the international stage Vajapyee moved to relax tensions with Pakistan, deepen economic ties to China and joined Brazil in a robust promotion of Third World economic concerns in the WTO. At home the BJP set out to privatize India's large state owned industries and cut the federal bureaucracy in typical neo-liberal fashion. But the BJP's global strategy undercut some of its nationalist appeal. With a focus on the advanced urban economy and the small emerging IT middle class, agricultural reforms that would benefit India's great rural poor majority were ignored.

The results were millions of poor and working class Indians giving a surprise victory to the Congress Party in the 2004 elections. But the Congress Party is also committed to bringing India into the transnational economy. As noted by Wipro Vice Chairman Vivek Paul, “Let’s remember that Congress was the architect of reforms a decade ago and the first to turn away from the old centralist system. That is a great comfort.” (Luce, Marcelo) The appointment of Manmohan Singh to prime minister and Palaniappan Chidambaram as finance minister has reassured transnational capitalists that India will continue on its path towards global integration. As finance minister in the previous Congress government the Oxford educated Singh was the first to push neo-libreral reforms. Chidambaram is also a Western educated economist from Harvard who as a lawyer represented some of the largest transnational corporations operating in India.

But the Congress Party has positioned itself as neo-Keynesian globalists rather than neo-liberals. This has committed the party to a more cautious approach to privatization while promising to help the rural economy by building new roads and irrigation projects. This would bring India closer to the “Beijing Consensus,” particularly with the strong electoral showing for the CPI (M) and other Marxist parties who are critical of the IMF and the selling of profitable state owned companies. Singh has already abolished the ministry of privatization and has ruled out the sale of some major state owned companies in the oil, gas and energy sector. The central government still owns 240 state companies and foreign direct investment only accounts for 0.7% of the GDP compared to 4.2% for China and 3.2% for Brazil.

Communist influence worries global investors who complain India’s labor laws are too restrictive and fear the new government will fail to make it easier to fire workers and hire temporary labor. In 2003 transnationals contributed only $4 billion dollars in foreign direct investment compared to $50 billion in China. “We can forget labour reform for the time being” says Subir Gokarn chief economist of Crisil, India’s largest domestic credit rating agency. But global capitalists shouldn’t be overly worried. The CPI (M) has governed West Bengal for over 20 years where IBM is one of the state’s largest investors. As Jon Thorn, manager of the India Capital Fund of Hong Kong says, “If Bengal is good enough for IBM then the rest of India should be okay for equivocating foreign investors.” (Luce, 2)

It was the millions of rural poor that put the Congress Party back into power. But reforming the agricultural sector to fit the global economy would cause widespread displacement of small farmers that dominate the countryside. India has subsidized local food production to insure supplies for their population, and about 58% of the national workforce is still on the land. Only 40% of India’s farmland is irrigated with little mechanization and few large-scale farms, and the World Bank estimates that India accounts for 40% of the world’s poor living on less than a dollar a day. Increasing agricultural productivity eventually means larger farms, more machines and diversification of crops to serve the international food market. Such reforms would throw millions off the land and into the cities. But the industrial sector and infrastructure simply don’t have the ability to absorb such a massive structural shift. Unless the Congress Party and its left allies can devise a different strategy it is doubtful they will be able to avoid future political upheavals from the rural masses.

India’s main insertion into the global economy comes from its rapid advance in information technologies and pharmaceuticals. It’s a high-end strategy that has attracted much attention, particularly as India became the choice for offshoring IT jobs from the US. This model is the opposite of China's massive integration based on low wage manufacturing. In fact, India's industrial base lags far behind China offering fewer opportunities for foreign direct investment. While India's factory wages are low they are still above Chinese standards. China has 100 million workers in its manufacturing sector compared to just nine million in India. This gap shows up in their export figures that in 2003 were $318 billion for China and just $60 billion for India. But China's strategy has created a greater urban economy attracting millions caught in rural poverty and is more effective in creating a wider consumer base. For example, China sells 35 million televisions a year compared to six million in India and its internal market is three to four times larger than India's. (Luce and Kynge)

But India shines with its outstanding world-class education system in information technology and business, and its estimated that India's middle class has grown to 150 million people. Although currently the IT sector only employs one million workers future projections of growth predict a rapid rise. US studies show that within four years IT outsourcing will be a $57 billion a year industry employing four million and responsible for 7% of India's GDP. In 2003 India had 52% of the global revenues from outsourced IT work and 46% of the employment. Currently 442 foreign companies outsource contracts greater than $1 million dollars to India. In the US, IT employment may lose from 25% to 47% of its jobs to India including software development and maintenance, IT documentation, software reengineering and systems management. (Wired) India's lead over China is also apparent with $10 billion worth of IT exports compared to $1.5 billion from its northern neighbor. Moreover, 15 Indian technology companies accounted for 40% of China's IT exports. In return China is investing into India with Huawei building a $100 million plant in Bangalore.

US transnationals have also entered India, some of the biggest investors include General Electric, Intel, Cisco, IBM and Dell. Although outsourcing to India has caused a political uproar in the US most corporations see it as a temporary outcry caused by the presidential contest. In the midst of the controversy IBM acquired Daksh e-Services, the third largest call center in India. This deal was concluded just two weeks after IBM scored a ten-year contract to manage the technology needs of Bharti Tele-Ventures, one of India's biggest telecommunications group. In 2003 there were 37 cross-border mergers in India's business process outsourcing sector worth $289 million and the pace of acquisitions continued in 2004. In turn some of India's biggest IT firms such as Wipro, Infosys and Tata are making acquisitions inside the US, Mexico, Australia and the Philippines.

Outsourcing has become an important part of global production chains and allows transnationals to cut their costs and increase their profits. As S. Golpalakrishnan, Infosys' chief operating officer points out; outsourcing "is one form of globalisation that enables companies to get high quality resources at lower prices." (Taylor and Yee) That point is driven home in Washington by the lobbying efforts of the National Association of Software and Services Companies, a New Delhi trade group that includes both US and Indian IT corporations. As Jerry Rao, its vice-chairman argues; outsourcing "is as important to services as what Henry Ford did to manufacturing." (Roberts and Yee)

Another area of rapid growth is auto components and engineering. India is expected to join China, Brazil and Mexico as a major global sourcing center for manufactured components although most production is based in the lower skill range such as forging and casting. These companies are linked into the global supply chain locked into companies such as Maruti.

Majority owned by Suzuki of Japan, Maruti is India's largest manufacturer and has 300 odd subcontractors churning out parts. The world's largest component manufacturers, Visteon and Delphi have also set-up operations sourcing to Ford, Volvo and GM. But the best Indian companies have become global competitors even expanding abroad through numerous acquisitions. Tata AutoComp Systems has 12 joint ventures with Europe, Japan and the US, and is opening a plant in Germany to make parts for France. Bharat Forge, the world's largest maker of front truck axles has two operations in Europe and generates 75% of their sales from overseas.

All this economic growth has attracted foreign portfolio investments with inflows growing to $7 billion in 2003, up from just $739 million the year before. The Bombay Stock Exchange and the National Stock Exchange are among Asia's best performers with investments spreading out beyond the technology sector to consumer goods, energy, banking and commodities. The danger for India is that $1.5 billion are in short-term funds that can quickly flee if investors get nervous over left influence in the government or if profitable opportunities appear elsewhere.

India's global links are also reflected in its integration into the Asian hub.
Interregional trade is growing faster than NAFTA or the EU with electronics and computers key components of this activity. Transnationals outsource different stages of work to various Asian countries in a production chain where high-end work is done in Singapore, South Korea and India and assembly in China. But while the Asian economy is surging forward it doesn't act as a regional economic bloc with a pan-Asian institutional and political framework. Rather its part of a global economy fused with transnational corporations that are deeply integrated into the regional trade flows. As pointed out by Jonathan Anderson, chief Asia economist for UBS; "It's integration in the production chain; it's not integration of Asian domestic economies." (Mallet) With intra-regional trade at $722.2 billion and trade with NAFTA and the EU at $728.2 billion, Asia and the West have built an integrated economy with co-dependence and partnership welded into the system.

BRAZIL

The Workers Party (PT) offered a new road forward in Brazil and was a model for much of the Latin American left. A broad based political party with solid roots in the working class it was intent on winning electoral state power while staying connected to mass democratic struggles. Furthermore it remained firmly socialist in its orientation and its leader, Luiz Inacio Lula da Silva, seemed to embody working class aspirations.

Winning the presidency on his third try Lula has surprised many by following an orthodox economic policy that has made the IMF and international investors unexpectedly happy and prevented the rapid withdrawal of capital. As in China and India, PT leaders see Brazil's best hope for development as an integral part of the transnational economy. There is no hint of the nationalist developmental policies of the 1960s, nor radical changes to empower workers. Rather the new government has maintained steady but cautious programs to help the poor while applying its most innovative strategies to expand Brazil's place in the global economy. Lula's strategy is to increase the bargaining power of developing countries to become stronger and perhaps equal partners with the industrialized North. As Brazil gains greater leverage within the transnationalized economy the hope is for a downward distribution of economic benefits to improve the life of the working class and poor. Rather than a neo-liberal model of globalization this would be similar to the "Beijing Consensus" or neo-Keynesian strategy.

Since winning the presidency Lula has been the most active Third World leader attempting to readjust globalization by developing a power bloc of developing nations. He put together an alliance known as the G-20 with Brazil, India and South Africa at its core. This alliance demanded a host of concessions on agricultural and governance issues at the WTO meeting at Cancun eventually leading to a collapse of negotiations. Since then a lot of hard bargaining ensued.
Taking on the hotly contested issue of agricultural subsides Brazil challenged the US in a WTO case over cotton growers. The US hands out $3 billion dollars to just 25,000 cotton farmers depressing world prices from 12% to 25%. This harms not only Brazil but also some of the poorest countries in Africa.
The WTO gave Brazil a victory when it ruled US subsidies caused "serious prejudice" to producers. This may set the stage for important compromises at WTO Doha meeting and open the door for further cases against US and European farm subsidies.

The Financial Times called the cotton program "one of the most offensive agricultural subsidy programmes in the world" and noted that the ruling "serves a useful reminder that multilateralism, which looks more than a little forlorn in other contexts, is still alive and kicking in international trade. That the US is forced to confront the egregious effects of its domestic agricultural policies by an international agreement is remarkable and welcome." (FT, 2) Clearly transnational capitalists are applauding Brazil's effort to curtail nationalist US economic policy and see it as a counterbalance to US military policy.

The Brazilian government followed their WTO policy into the Free Trade Areas of Americas meeting in Miami. This was an attempt by the US to extend NAFTA to the rest of Latin America essentially opening up the continent to further economic integration in a manner benefiting northern transnational corporate powers. Once again Brazil, along with Argentina, walked out of the meeting refusing to sign an agreement. Although the US pressured other countries to join, the victory rang hollow because Brazil and Argentina represent two-thirds of South America's economic output. Lula continued to push his agenda and in a later meeting with Argentine president Nestor Kirchner both presidents demanded more room for national economies to balance growth with funding social needs. Pursing this strategy further Brazil signed a trade pact with India and South Africa to offset the domination of industrialized nations. Commenting on the importance of the agreement Tarun Das, executive director of the Confederation of Indian Industry stated, "It's an important new dimension to India's repositioning in the world." (Marcelo)

Lula and the Workers Party have put forward the most articulate political position for the Third World globalist's economic and social policies. These new directions come from experiencing the disastrous results of the Washington Consensus that led many countries to near ruin. Lula's view of a polycentric world based on fair and equitable trade is not a rejection of globalization or transnational capitalism. In fact, many Western globalists have long recognized the need to build a fully integrated political regime that gives fair room to transnational capitalists from the developing world. The superpower nationalism of the Bush administration has created deep divisions in the world and Lula has seized this as an opportunity to shift the politics of globalization. President of the Workers Party, Jose Genoino, explains the strategy, "With the end of the cold war and a new US foreign policy, the world has acquired a unilateral nature, with the imposition of pre-eminence of US interest. The discord…has created lines of force favoring the formation of a multilateral world. Brazil's ambitions is aimed at consolidating blocs of forces, producing new significant actors on the continental level and in areas of global relations." (Greider, Rapoza)

The Workers Party not only represents the Brazilian left, it also has cabinet ministers who come directly from industrial and agricultural corporations. This includes vice-president Jose Alencar, an industrialist from the Liberal Party. Unlike the old pro-US comprador capitalists only 2% of Brazil's business leaders give Bush a positive rating. Many see the strategy of the Workers Party to increase Brazil's position in the global economy allied to their own aims. This reflects the growth of the Brazilian transnational capitalist class as it expands its power and reach. "Brazil has become a world-class competitor in several sectors – steel, mining, banking, aeronautics, as well as pulp and paper," says Marcelo Kayath, co-head of Latin American equities with Sao Paulo's investment bank CSFB. (Colitt)

This global presence is reflected in the growth of Brazil's most competitive corporations. Some of the biggest developments and mergers include: Belgium owned AmBev and Interbrew merging to form the world's largest brewer; Petrobras, South America's largest company and one of the world's top ten oil transnationals expanding throughout Latin America, Africa and the Middle East and along with Sinopec from China jointly exploring for oil in Asia, Ecuador and Iran; Embraer, the world's fourth largest aircraft manufacturer entering into a joint venture with China Aviation Industry Corp; and the Gerdau steel corporation acquiring important assets in the US, Canada and Latin America.

The Brazilian-Chinese relationship has developed with particular importance and speed. One of the most important joint ventures includes Companhia Vale do Rio Doce, the world's largest iron ore producer, China's biggest steel producer Baosteel and the world's largest steel company Arcelor. Their joint venture agreement is to build an $8 billion steel plant to serve Brazil's car industry. In addition CVRD has entered into agreement with two companies for coal production inside China. Agricultural and animal exports to China have also surged forward at breakneck speed to include soybean, milk, coffee, beef and chicken while other areas of growth cover computer software, textiles and copper. Bilateral trade has quadrupled since 2000 with China becoming Brazil's third largest trading partner and importing $4.5 billion worth of goods. All this benefits transnationals that are invested in Brazil, particularly in the large soybean trade that includes Cargil and Archer Midland Daniels from the US.

In return Chinese capital is flooding into Brazil. As Edmar Cid Ferreira, president of Banco Santos notes, "The Chinese are looking for long-term suppliers of food and technology and we have both. They're coming to us to set up joint ventures." (Colitt, 2) This was underscored by China's acceptance into the Inter-American Development Bank, a move that would allow Chinese companies better access to infrastructure contracts and to cement its growing commercial influence. Both Brazil and Argentina were important backers of China's membership.

This growing economic and political relationship was confirmed by Lula's visit to China which included 450 Brazilian business representatives. Celso Amorin, Brazil's foreign minister noted that the growing relationship could be part of a "reconfiguration of the world's commercial and diplomatic geography." (Lapper) Fifteen value added business sectors were targeted including medical equipment, software, cars, meat and processed fruits. The attraction for Brazilian corporations are labor costs that run a third lower than the average in Brazil and raw materials that are 20 to 30 percent cheaper. As Jose Rubens de la Rosa, chief executive of Marcopolo explained, “It’s almost an obligation for a Brazilian company that wants to be a global player to be in China.” (Wheatley) In addition China and Brazil have agreed to $4 billion dollars in joint investments for infrastructure improvements to expand Brazilian railways, roads and ports.

The trip took a political turn when Lula and Chinese premier Wen Jiabao appeared at the Shanghai Poverty Conference sponsored by the World Bank. Both leaders demanded better deals on trade and aid from rich nations. Lula has positioned his trip to China in strategic terms stating “We want this relationship to be a paradigm for South-South relations.” (Colitt, 3) Later Lula pushed this idea even further suggesting an alliance that would include China, Brazil, India, South Africa and Russia to balance US and EU influence. But this South-South strategy is different from that articulated in the 1960s as part of the non-aligned movement’s attempt to free their countries from the choke-hold of imperialist relations. The new South-South paradigm is designed to carve out a stronger position within the global system with access to foreign direct investments, transnational capital, global production chains, cross border mergers and acquisitions, and greater political recognition. This developmental strategy envisions a trickle down effect with wealth spreading to a larger middle class and eventually creating better conditions for workers and the poor.

Just how far this strategy can be pursued is an open question. As Lula continues courting transnational capital with conservative monetary policies, hoping their confidence will grow and their investments will increase, the patience of Brazil’s working class is diminishing. Although the government has passed progressive labor reform and taken some initiative with land redistribution most supporters have criticized the Workers Party for moving too slowly and doing too little. Unemployment has actually increased while the government’s effort to create jobs has had minimal effect. With growing unrest Lula may not have enough time to unfold his full strategy.

CONCLUSION

Third World globalists have developed a distinct vision of globalization based on the appeal for greater equality and fairness. Yet class differences are widening with gaps in wealth growing in China, Brazil and India. The middle class has expanded but improvement in the social position for the masses lags far behind. To raise the standard of living for the working class and poor means undermining the very element that attracts global investments and makes Third World globalists competitive --- large amounts of cheap labor. Although the strategy may include important advances in health care, education and meeting basic food requirements, when it comes to work one of the most consistent demands of transnational capital is to weaken labor laws, undermine unions and lower wages in a competitive in a race to the bottom. This has always been a fundamental contradiction in the capitalist system, the need to expand the market while at the same time lowering the cost of labor. The answer is not just an anti neo-liberal agenda, although that may well do under the present political circumstances. Globalization needs to be challenged at a more fundamental level of equality and justice. Such a challenge may indeed come from a better-fed and educated working class. Thus if the Beijing Consensus is a transition point towards a deeper social transformation it will play an essentially progressive role. But if it is simply a strategy to integrate Third World capitalists into the new global economic order it will ultimately be of limited use in the struggle for a new world.

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