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The Rise of China and Its Implications

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I would like to take this opportunity to address four related questions. First, can China rise to become a so-called “developed” country in the era of imperialism? Second, if it can, why can't other Third World countries? Third, what does the rise of China mean for the people of China? And finally, what does the rise of China mean for the people of the world?

I. Can China rise to become a so-called “developed” country in the era of imperialism?

The answer is: It might. The following are my reasons.

Although Chinese development has been heavily dependent so far on a low-tech, sweatshop-type of export-oriented industry that mostly serves the needs of multinational corporations (MNCs), this is a pattern evolving from its past 30-plus years of capitalist “reform.” China's future development will most likely be different.

On the one hand, in terms of the aggregates, China has become the second largest economy in the world, and it is the largest producer of many industrial goods, such as steel and automobiles. Some Chinese economists are predicting that China will catch-up with the United States (U.S.) in ten years, while a study by the International Monetary Fund (IMF) claims that it will take China only five years based on purchasing price parity. On the other hand, on a per capita basis, China still has a long way to go to catch-up with the developed countries. Its Gross Domestic Product (GDP) growth is driven largely by a nationwide

construction boom which is made up mostly of cement and steel. Once the housing bubble bursts, there might not be a new growth engine to replace it.

The question is, will China avoid the so-called “Middle Income Trap”? This is a phrase coined by some simple-minded economists from the Asian Development Bank (ADB) who hold a linear view of the world, and they avoid the concept of imperialism like the plague. If there is a “trap,” it is a trap that was set-up by imperialists. This is because the multinationals are not interested in true development in Third World countries. They will try everything they can to prevent a Third World country from acquiring advanced technologies so that it could move up the industrial food chain into high value-added production, thereby becoming positioned to compete with the multinationals.

Unlike most Third World countries, however, China has a well-entrenched party-state bureaucratic capitalist establishment. This party-state apparatus is determined to drive up China’s position in the world. It has been pushing an industrial policy that favors the capital-intensive, high value-added and high-tech Chinese enterprises. It is pushing Chinese industry steadily up the manufacturing food chain, weaning it away from low value-added and labor-intensive industries.

Although close to 80 percent of the industrial labor force works for the private sector, some key industries in China – such as petrochemicals, coal and electrical energy, rail and air transportation, communication networks, banking and finance services, and other monopolistic industries as well as military-related machine-building industries – are controlled by the state; this enables these industries to focus less on quarterly profits and more on longer-term projects, such as investment in infrastructural and strategic endeavors, with super-computers and the countrywide bullet train network as outstanding examples.

Just the other day, I rode on a bullet train from Beijing to Tianjin, an approximately 100 kilometer trip. It took only 30 minutes and traveled at a top speed of 350 kilometers per

hour. It was out of this world! Not even the U.S. can do what China is doing on this front, making Obama a bit nervous.

The existence of this party-state bureaucratic capitalist establishment in China is one of the key reasons I think China has a chance to rise to become a so-called “developed” country in the era of imperialism. But this “rise” will not be peaceful, as we will see in the last section of this essay.

II. What makes China different from the rest of the Third World?

In other words, why might China achieve what other Third World countries have tried and failed to accomplish – namely, get closer to becoming a so-called “developed” country? The answer is not what the proponents of neo-liberal ideology would like for you to believe.

Contrary to neoclassical theory, Chinese development shows that in the stage of imperialism, if a country wants indigenous economic development under capitalism, it first needs to break from imperialist domination so that it can have a period of independent development before entering the worldwide capitalist system. Otherwise, its own economy will be suffocated by the multinationals under the aggression of imperial powers.

After the Chinese revolution of 1949, China was cut off from the worldwide capitalist system by the blockade imposed under U.S. imperialism. But this actually did China a favor. China had to develop its own industry without any investment from the imperialist countries. It learned to build tools and machinery on its own. The significant infusion of technology in the 1950’s from the Soviet Union, without strings attached, accelerated this process. The abrupt termination of Soviet aid in 1959, which triggered three years of severe economic difficulties in China, forced the latter to become even more independent.

In almost three decades of independent socialist economic development, from the early 1950’s until the late 1970’s, China had achieved a fundamental transformation of its

economy, from a country with scarcely any manufacturing industry, to a country that had a considerable range of indigenous industries in practically all sectors of the economy.

All of this was also made possible by the collectivization of agricultural production in the countryside. Since 80 percent of the Chinese population lived on the land at that time, agricultural surplus had to be the main source for capital accumulation in order for industrialization to prosper. Collectivized agriculture not only led to an increase in production through better utilization of land, labor, and other resources, but also provided a ready market for agricultural machinery. This mutual reinforcement accelerated the Chinese industrialization process.

When China's new elite decided to enter the worldwide capitalist economy in the late 1970's, they found themselves in a position to bargain with the multinationals to form joint ventures in many industries rather than placing the country under the total domination of the multinationals. Substantial prior economic independence made this possible.

This is the irony of history! It took a period of independent socialist development *first* – a break from the worldwide capitalist system – to make possible the indigenous capitalist development in a Third World country. Before this, it was true that only socialism could have saved China. But after China had an all-around industrial foundation, there were two roads to take. As in the case of the former Soviet Union (which was able to develop in 30 years from a backward industrial power into a superpower after World War II), both the socialist road and the capitalist road could develop in China, albeit in different ways and benefitting different classes. The elite in China chose the latter road for their own benefit.

The second ingredient that makes China different from other Third World countries lies in the fact that the Chinese revolution of 1949 was able to completely overthrow the feudal economic system in China. This was possible because it was a revolution led by the working class, i.e., by the Communist Party of China. Among Third World countries, no

revolutions under the leadership of their national capitalists were able to completely overthrow feudalism.

One of the main goals of the Chinese revolution was the “land-to-the-tiller” program. It made the entire peasantry of China a constituent part of the petit bourgeoisie, but without all of the feudal baggage and hindrance (such as the distorted incentive system under landlord rule, wherein the landlord class had a greater interest in collecting rents than improving the fertility and productivity of their land). The socialist collectivization movement that came after the land reform made the peasantry, as a whole, the true master of its destiny, both politically and economically. For the first time, the peasantry enjoyed democratic rights such as electing its own leaders and making decisions about its own land. Further, as collectives instead of as individual families, the peasantry had greater political power. Therefore, when the “reform” began in 1979, the new elite of China had to break the collectives – thereby remaking the peasantry as disorganized individuals who no longer had political or economical power – before the country was able to march down the capitalist road. Given the small-producer mentality of the peasantry, which is individualistic in nature, a large sector was ready for the capitalist road. Since each peasant family had a piece of land to farm and was able to trade their surplus produce, the indigenous capitalist market economy grew-up rapidly in the countryside.

The land-owning peasantry also provided an almost unlimited and docile labor force for the urban capitalist economy in China during this period, for the workers who came from the countryside had land to fall back on when their labor was no longer needed in the cities. Most Chinese peasants, unlike the landless peasantry in most other Third World countries, were not pushed away from the countryside due to poverty; rather, they were pulled away from the countryside due to the extra cash they could earn. This required a minimum wage just enough to lure them away from home. This vast reservoir of cheap labor makes up one of

the key ingredients for China's rapid, export-oriented capitalist development over the last 30 years.

The ingredient that makes China's extraordinary development possible is the above-mentioned party-state bureaucratic capitalist system. Investment for the long term is what is needed for rapid development in Third World countries – most importantly infrastructural development. And this is where the party-state bureaucratic capitalist system comes in. As I mentioned earlier, state bureaucratic capital is not under the pressure of quarterly profits, so that it is able to plan for longer-term projects that it sees fit.

This is precisely why the imperialist powers are pushing for neo-liberal policies of privatization around the world: private capital in the Third World is no match for the imperialist multinationals. By contrast, however, a strong state sector in the Third World makes the domination of the multinationals in a Third World country much more difficult.

Consider the difference in development between the Philippines and China as an example. Although I know little about the Philippine economy, what I can do at this point is contrast what I have seen in the Philippines with what I know from China. Since there is not a strong state sector in the Philippines, there are no resources existing independently of multinationals to invest in the infrastructure of the Philippine economy. As compared with China, the difference here is truly striking!

When big comprador capitalists and big landlords are in power, as in the case of the Philippines, the ruling class is only willing to give resources to the state if, by doing so, they can benefit from it directly. Examples here would be funding for the military or the police, or infrastructure projects that retain the semi-feudal and semi-colonial character of the existing economy (such as export processing zones, ports, etc.). The comprador capitalists and landlords are less interested in paying for industrial infrastructures, educational institutions, or long-term projects from which they can't immediately and directly realize benefits.

Among the less-developed countries, such as the BRIC countries (Brazil, Russia, India and China), Russia is more similar to China. Both India and Brazil lack a state bureaucratic capitalist class that is able to invest for the long run, and both still have a strong feudal heritage that hinders their development.

In summary, having an independent development as its foundation, having an economy that is freed of feudal fetters, and having the ability to invest for the long-term – these are the three reasons I think China might be able to achieve what other Third World countries have tried but failed to achieve.

III. What does capitalist development mean for the people of China?

(A) Let's begin with the struggles of the Chinese working class.

The rise of China in the last three decades is in reality the rise of Chinese capitalists at the expense of Chinese workers. The new capitalist ruling class that took over state power in the late 1970's immediately did two things. First, in the early 1980's, it tried to privatize most of the former state-owned enterprises – those which were not natural monopoly enterprises – and to transform the former managers into the new owners. Second, it opened-up the coastal areas for foreign-direct investment and other capitalist enterprises.

In a short time, the Chinese working class took notice that they themselves were no longer the ruling class. For a while, the state reduced spending for longer-term investment projects, and it increased spending for the production of consumer goods in an effort to win over public sentiments to the new regime. Although such measures brought about an improvement in living standards for a large section of the urban working class, the broader and deeper result was that the position of the working class in society began to nose-dive. Workers no longer have the right to criticize their factory managers, and any disobedient actions can be considered grounds for employment termination.

The strong resistance of the working class in the state sector against capitalist development and privatization forced the new ruling class to take the transition to capitalism to the countryside – where the socialist system was the weakest, and where there was a strong petty capitalist ideology among the peasantry.

After it succeeded in dismantling the collectives in the countryside, in the early 1990's the new ruling class moved its target back to the cities. It used the private sector economy to undercut most of the state sector enterprises. After milking most of the state sector dry, managers of these enterprises also set up private enterprises of their own to compete with the very state-owned enterprises they were managing. In this way, the new elite was able to bankrupt the state-owned enterprises and break the backs of the urban working class. Workers in the state sector were also replaced with new workers from the countryside, but without any benefits or rights to their new jobs in the private sector.

In this process, however, there has been an incredible growth of the Chinese working class. This has been one of the greatest achievements of the 30 years of capitalist development in China. Some 60 to 80 percent of the labor force in China – formerly part of the peasantry – is now part of the working class.

Nonetheless, this rapid expansion of the Chinese working class has its downside as well. Although the Chinese working class has become the largest in the world, it is fractured, super-exploited, and unorganized. On the one hand, despite working class efforts to organize, the paranoid state – even moreso than owners of private enterprises – sees any workers' grassroots organization as a direct threat to its power, and it is willing to do whatever is deemed necessary to crush organizing efforts. On the other hand, many of the workers who have recently left their farming villages to join the working class are only the first generation of workers in their families. These new workers often do not see themselves as members of

the working class. Thus, the petty bourgeois ideology of self (rather than class emancipation) has hindered the growth of working class consciousness and struggle.

The rise of working class consciousness, however, is what the ruling class of China fears the most. The first wave of working class struggle was mostly over the privatization of the former state-owned enterprises in the late 1980's and 1990's. From then on, there have been other waves of working class struggles, mostly led by the new generation of workers employed in the private sector in the southern and coastal areas. They are fighting for back wages, and against sweatshop and inhumane working conditions. Having been members of this new working-class generation for an extended period of time, they no longer consider going back to the countryside as a viable option. Their wages have become their main livelihood and are no longer seen as merely supplementary to their incomes from farming. Among the private sector factories in the last few years, this has led to ever more militant struggles in the form of strikes, walkouts, and so on.

Perhaps not just paranoid, the party-state apparatus – moreso than than the private capitalists – is keenly aware of the power of working class organization, especially among a working class that was once in power. All other classes are allowed to have their own civil organizations in China, but not the working class.

The repeated shut-down of websites which support working class struggles is just one of the many signs of the state's paranoia, fear and insecurity. Due to this persistent media blockade, it is not at all unusual for people situated outside of China to be aware of more cases of Chinese working class struggles than those of us living inside the mainland.

(B) We now review the struggles of the Chinese peasantry.

Traditionally self-sufficient peasants are rapidly disappearing in China. They are either becoming workers in the cities – causing a depopulation of the countryside – or they

are becoming agricultural workers employed in agribusiness enterprises in other parts of the country.

The earlier struggles between the peasantry and state capital were focused mainly on agricultural taxes. After years of increasingly intense struggle between the two, the state finally gave up on tax collection a few years ago due to the high social and economic costs of the tax collection; what's more, the state even began to provide small, token agricultural subsidies to the farmers.

The current struggles are mostly focused on forced relocation programs around the perimeter of cities. As urban areas expand, local governments try to grab the peasants' land at dirt-cheap prices. Disregarding repeatedly "stern" warnings and "prohibitions" from the central government, the local governments force the peasants to relocate, or "upgrade" to apartments, and then auction-off the land to real estate developers; consequently, the developers don't have to face the peasantry directly. The land sales have also been a bloodline for many local governments, contributing more than 50 percent of their revenue. This robbery has become one of the most contentious struggles between the state and the peasantry for the last few years, leading to widespread and violent clashes around the country.

(C) Finally, we consider the internal contradictions among the Chinese capitalists.

The dominant section of the Chinese capitalist class is the party-state bureaucratic capitalist class, for it controls all state-owned enterprises, and it is the holder of state power. Unlike the situation in most capitalist countries where the state bureaucracy is accountable to private capitalists – such as in the United States – the party-state bureaucracy in China is accountable to no one but itself.

This bureaucratic party-state structure lacks internal cohesion, however. The regime is a very fragile one. Officials within the regime do not have security within the system. Their

“right” to fatten themselves from the same trough as other officials in the club, and to live off the surplus value of the Chinese working class, depends on their membership within the party-state bureaucracy. The rules of the game are thus vastly different from the marketplace; everything depends on the personality of the officials above, with each individual official having a different set of unwritten rules to follow. Fierce competition between officials – for higher positions within the bureaucracy and for bigger shares of the pie – often leads to charges of corruption. With a high risk of getting kicked out of the club at any time, no one is secure. Only by transferring the wealth of the state into their own hands will they feel secure; hence the drive for ever more privatization in China.

Meanwhile, the other section of the Chinese capitalist class, the private capitalists, has witnessed an incredible growth in the last 30 years, now making up an increasingly significant share of the *Fortune*'s list of the world's billionaires. Nonetheless, the link between the bureaucratic and private capitalists is a murky one. On the one hand, the party-state bureaucratic capitalists and the private capitalists need each other to prosper, as in the case of real estate development; furthermore, they are often from the very same families. On the other hand, the growing strength of the private capitalists will tip the balance between the two. The private capitalists have been demanding to have a political power to match their economic power, and thus they are seeking to have an increasing voice within the Chinese political system.

And yet, unlike functioning capitalist democracies, in China there is no platform for this struggle to unfold. Therefore, the real threat to the party-state bureaucratic regime at this time is not from any outside forces, but rather the threat of implosion, as in the case of the former Soviet Union.

The clashes between the party-state bureaucratic capitalists and private capitalists that typified the so-called “color revolution” in Eastern European countries might someday come to China.

IV. What does the rise of China mean for the people of the world?

China is the largest economy not under the control of the U.S. Other economic powers, such as Germany or Japan, which have U.S. military bases, cannot be considered truly independent of the U.S. Thus, how much economic development the U.S. will “allow” China – and for how long – will be an issue confronting the two countries.

China has an incredible appetite for worldwide resources due to the rapid development of its industries. Although dominated by multinationals in many industrial sectors, China’s drive for more resources, such as oil and iron ore, will inevitably bring it into conflict with U.S. domination.

Another sphere of contention concerns the rules of the game for the worldwide capitalist economy, which were established by the U.S. to benefit itself. China has two choices: either it follows in the footsteps of Japan or Germany and becomes a submissive lackey of U.S imperialism, or it challenges this domination whenever it can. Whereas the ruling classes of Japan and Germany accepted the domination of the U.S. after their defeat in World War II, the new ruling class of China is more likely to challenge U.S. domination. China wants to change the rules in its favor, and thus it will sooner or later come into conflict with the U.S.

The stated approach by the Chinese regime to its development strategy is *tao guang yang hui*, literally meaning to “hide one’s swords and build one’s strength.” It is obvious that China is biding its time rather than following Japan’s model of being an obedient player in the game set up by the U.S.

As in the case of the Jewish people who were being exterminated during World War II – yet, the Zionists later became the oppressors of the Palestinian people under the state of Israel – China is entering a transitional period in which it is no longer an oppressed nation; furthermore, it is potentially becoming an oppressor nation. Confronted with the choice between fighting *against* hegemony and competing *for* hegemony, China often chooses the latter. A strong sense of nationalism in China, combined with growing industrial might under capitalism, is pushing it in the direction of imperialism.

China has made the first move towards imperialism. It has sent warships to the Middle East on the pretext of protecting its shipping vessels from Somali pirates. It is building the first of many aircraft carriers. Its aggregate investments outside of China will soon surpass the investments it receives from the rest of the world. Instead of uniting the Third World against U.S. imperialism, China is acting like a bully to its neighboring countries, and it is trying to become a junior partner of the U.S. in world domination.

The U.S. is very conflicted about the rising economic power of China. On the one hand, it needs the cheap labor for its multinationals in China. On the other hand, it sees China as a potential threat to its “top dog” position in the world. Imperialism is not merely a bad choice that some people make. A large “developed” capitalist country is an imperialist country based on the logic of capitalist development. And a “developed” capitalist China is no exception. In order to be “developed,” China will sooner or later have to come into conflict with the current status quo. Eventually this will lead to inter-imperialist war, although not necessarily between China and the U.S. It will be a war about who is to be the top dog among all developed imperialist countries: the U.S., European countries, Japan, Russia, or China. It is too early to tell how the powers will line up, but the domination of the world by the U.S. for another 50 years is highly unlikely. The fall of the U.S. will not be peaceful, and the rise of China or the reemergence of Russia will not be peaceful either.

As long as there is imperialism, there will be war; it's only a matter of time. The only reason that there hasn't been an inter-imperialist war for almost 70 years is that, so far, there hasn't been an imperialist power strong enough to challenge U.S. domination since World War II. This will not last forever. The United States is thus far the greatest imperialist power the world has ever seen. It will also be the last superpower in the world. Unlike the replacement of British imperialism by the U.S. as the dominant imperialist power after World War II, in the nuclear age, with the power to destroy the world many times over, U.S. imperialism is determined not to allow any power to challenge its hegemony. It will not go down without a nasty fight.

But go down it will. It is inevitable. The decline of U.S. imperialism is unstoppable. Its industrial infrastructure is falling apart due to the parasitic nature of imperialism. The U.S. cannot help but rely more and more on its military rather than its economic might to maintain its superpower status. Exporting inflation – by flooding the world with U.S. dollars to keep the U.S. economy afloat, while the rest of the world pays the price, and then renegeing on its debt through the falling value of the dollar – is just the latest example.

While the U.S. is going down, the rise of China will even more upset the balance of power in the world, provided that China's fragile party-state bureaucratic capitalist regime does not implode. Upholding nationalism is one means for the regime to keep itself alive, and currently this nationalism is on the rise.

Sooner or later, the shifting balance of power will lead to a war. Like Mao said, either a worldwide revolution will stop the inter-imperialist war, or the war will lead to a worldwide revolution. The First World War led to the first working-class state, while the Second World War gave birth to a socialist camp. If there is another inter-imperialist war, it will have educated the peoples of the world – including the people of the U.S. – about the true evils of capitalism. They will have realized that in order to free humanity from the destruction of

inter-imperialist wars, they will have to overthrow imperialism. And in order to overthrow imperialism, they will have to overthrow capitalism. They don't have much choice. The next inter-imperialist war will bring down the capitalist system worldwide – once and for all! All the nuclear weapons the U.S. possesses will be useless when facing a revolt of its own people!

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