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Asia and Pacific

China's rise as a world power

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China's rapid rise as a new center of capital accumulation has increasingly brought it into conflict with the United States. The *ISR*'s Ashley Smith interviewed activist and scholar Au Loong Yu about the nature of China's emergence as a new imperial power and what it means for the world system.

One of the most important developments in the world system over the last few decades has been the rise of China as new power in the world system. How has this happened?

China's rise is the result of a combination of factors since it reoriented on production within global capitalism in the 1980s. First, in contrast to the Soviet bloc, China found a way to benefit in a twist of historical irony from its colonial legacy. Britain controlled Hong Kong up until 1997, Portugal controlled Macau up to 1999, and the US continues to use Taiwan as a protectorate.

These colonies and protectorates connected China to the world economy even before its full entry into the world system. In Mao's era, Hong Kong provided about one-third of China's foreign currency. Without Hong Kong, China would not have been able to import as much technology. After the end of the Cold War, during Deng Xiaoping's rule, Hong Kong was very important for China's modernization. Deng used Hong Kong to gain even more access to foreign currency, to import all sorts of things including high technology, and to take advantage of its skilled labor force, like management professionals.

China used Macau first as an ideal place for smuggling goods into mainland China, taking advantage of the island's notoriously lax enforcement of law. And then China used the Casino City as an ideal platform for capital import and export. Taiwan was very important not only in terms of capital investments, but more importantly in the long run was its technology transfer, first and foremost in the semiconductor industry. Hong Kong and Taiwanese investors were also one of the key reasons for rapid growth of the Chinese provinces of Jiangsu, Fujian, Guangdong.

Secondly, China possessed what Russian revolutionary Leon Trotsky called the "privilege of historical backwardness." Mao's Communist Party took advantage of the country's precapitalist past. It inherited a strong absolutist state that it would retool and use for its project of national economic development. It also took advantage of an atomized precapitalist peasantry, which had been accustomed to absolutism for two thousand years, to squeeze labor out of them for so-called primitive accumulation from 1949 through the 1970s.

Later, from the 1980s on, the Chinese state drafted this labor force from the countryside into the big cities to work as cheap labor in export processing zones. They made nearly 300 million rural migrants work like slaves in sweatshops. Thus, the backwardness of China's absolutist state and class relations offered the Chinese ruling class advantages to develop both state and private capitalism.

China's backwardness also made it possible for it to leap over stages of development by replacing archaic means and methods of development with advanced capitalist ones. A good example of this is China's adoption of high technology in telecommunications. Instead of following every step of more advanced capitalist societies, beginning first with using telephone lines for online communication, it installed fiber optic cable throughout the country nearly all at once.

The Chinese leadership was very keen to modernize its economy. On the one hand, for defensive reasons, they

wanted to make sure that the country was not invaded and colonized as it was a hundred years ago. On the other hand, for offensive reasons, the Communist Party wants to restore its status as a great power, resuming its so-called heavenly dynasty. As a result of all these factors, China has accomplished capitalist modernization that took one hundred years in other states.

China is now the second largest economy in the world. But it is contradictory. On the one hand, lots of multinationals are responsible for its growth either directly or through subcontracting to Taiwanese and Chinese firms. On the other hand, China is rapidly developing its own industries as national champions in the state and private sector. What are its strengths and weaknesses?

In my book *China's Rise*, I argue that China has two dimensions of capitalist development. One is what I call dependent accumulation. Advanced foreign capital has invested enormous sums of money over the last thirty years initially in labor-intensive industries, and more recently in capital-intensive ones. This developed China but kept it at the bottom of the global value chain, even in high tech, as the world's sweatshop. Chinese capital collects a smaller part of the profit, most of which goes to the US, Europe, Japan, and other advanced capitalist powers and their multinationals. The best example of this is Apple's mobile phone. China merely assembles all the parts which are mostly designed and made outside of the country.

But there is a second dimension, autonomous accumulation. From the very beginning the state has been very consciously guiding the economy, funding research and development, and maintaining indirect control over the private sector, which now accounts for more than 50 percent of the GDP. In the commanding heights of the economy, the state maintains control through the State-Owned Enterprises (SOEs). And the state is systematically conducting reverse engineering to copy Western technology to develop its own industries.

China has other advantages that other countries do not have; it is huge, not just in size of territory, but also in population. Since the 1990s, China has been able to have a division of labor within three parts of the country. Guangdong has a labor-intensive export processing zone. The Zhejiang delta is also export oriented, but it is much more capital extensive. Around Beijing, China has developed its high tech, communication, and aviation industry. This diversification is part of the state's conscious strategy to develop itself as an economic power.

At the same time, China suffers from weaknesses as well. If you look at its GDP, China is the second largest in the world. But if you measure GDP per capita, it is still a middle-income country. You also see weaknesses even in areas where it is catching up to advanced capitalist powers. For instance, Huawei mobile phone, which is now a world brand, was developed not just by its own Chinese scientists, but more importantly, by hiring four hundred Japanese scientists. This shows that China was and is still heavily reliant on foreign human resources for research and development.

Another example of weakness was revealed when China's ZTE telecom company was accused by the Trump administration of violating its trade sanctions on Iran and North Korea. Trump imposed a trade ban on the company, denying it access to American-designed software and high-tech components, threatening the company with collapse overnight. Xi and Trump eventually worked out a deal to save the company, but the crisis ZTE suffered demonstrates China's ongoing problem of dependent development.

This is the problem that China is trying to overcome. But even in high tech, where it is intent on catching up, its semiconductor technology is two or three generations behind that of the United States. It is trying to overcome that with dramatically increased investment in research and development, but if you look closely at China's huge number of patents, they are still mostly not in high tech but other areas. So, it still suffers from indigenous technological weakness. Where it is catching up very fast is in artificial intelligence, and this is an area that the US is very concerned about, not only in terms of economic competition, but also military, where artificial intelligence plays an

increasingly central role.

On top of these economic weaknesses, China suffers from political ones. China does not have a governmental system that ensures peaceful succession of power from one ruler to the next. Deng Xiaoping had established a system of collective leadership term limits that began to overcome this problem of succession. Xi has abolished this system and reinstated one-man rule with no term limits. This could set up more factional fights over succession, destabilizing the regime, and potentially compromising its economic rise.

Xi has dramatically shifted China's strategy in the world system away from the cautious one pioneered by Deng Xiaoping and his successors. Why is Xi doing this and what is their program for assertion of China as a great power?

The first thing to understand is the tension in the Communist Party over its project in the world. The Chinese Communist Party is a big contradiction. On the one hand, it is a force for economic modernization. On the other hand, it has inherited a very strong element of premodern political culture. This has laid the ground work for conflicts between cliques within the regime.

Back in the early 1990s there was debate among the top echelons of the bureaucracy over which clique of rulers should have power. One clique is the so-called blue bloods, the children of the bureaucrats that ruled the state after 1949—the second red generation of bureaucrats. They are fundamentally reactionary. Since Xi has come to power, the press talks about the return to “our blood,” meaning that the old cadre's blood has been reincarnated into the second generation.

The other clique is the new mandarins. Their fathers and mothers were not revolutionary cadres. They were intellectuals or people who did well in their education and moved up the ladder. They usually climb up the ladder through the Young Communist League. It is not accidental that Xi's party leadership had repeatedly and publicly humiliated the League in recent years. The conflict between blue-blood nobles and the mandarins is a new version of an old pattern; these two cliques have had tension for two thousand years of absolutism and bureaucratic rule.

Among the mandarins, there are some who came from more humble backgrounds like Wen Jiabao, who ruled China from 2003 to 2013, that are a bit more “liberal.” At the end of his term, Wen actually said that China should learn from Western representative democracy, arguing that Western ideas like human rights possessed some kind of universalism. Of course, this was mostly rhetoric, but it is very different than Xi, who treats democracy and so-called “Western values” with contempt.

He won out in this struggle against the mandarins, consolidated his power, and now promises that blue-blood nobles will rule forever. His program is to strengthen the autocratic nature of the state at home, declare China a great power abroad, and assert its power in the world, sometimes in defiance of the United States.

But after the crisis over ZTE, Xi conducted a bit of a tactical retreat because that crisis exposed China's persisting weaknesses and the danger of too quickly declaring itself a great power. In fact, there was an outburst of criticism of one of Xi's advisors, an economist named Hu Angang, who had argued that China was already a rival to the US economically and militarily and could therefore challenge Washington for leadership in the world. ZTE proved that it's simply not true that China is on par with the US. Since then, a lot of liberals came out to criticize Hu. Another well-known liberal scholar, Zhang Weiying, whose writings were banned last year, was allowed to have his speech officially posted on line.

There was already hot debate among diplomacy scholars. The hard-liners argued for a tougher stand in relation to

the US. The liberals, however, argued that the international order is a “temple” and as long as it can accommodate China’s rise, Beijing should help build this temple rather than demolish it and build a new one. This diplomatic wing was marginalized when Xi chose to be more hard-line, but recently their voice has reemerged. Since the conflict over ZTE and the trade war, Xi has made some tactical adjustments and retreated slightly from his previously brazen proclamation of China’s great power status.

How much of this is just a temporary retreat? Also, how does China 2025 and One Belt One Road factor into Xi’s longer-term project of achieving great-power status?

Let me say clearly that Xi is a reactionary blue blood. He and the rest of his clique are determined to restore the hegemony of China’s imperial past and rebuild that so-called heavenly dynasty. Xi’s state, the Chinese academy, and the media have churned out a huge number of essays, dissertations, and articles that glorify this imperial past as part of justifying their project of becoming a great power. Their long-term strategy will not be deterred easily.

Xi’s clique is also aware that before China can achieve its imperial ambition it has to eliminate its burden of colonial legacy, i.e., take over Taiwan and accomplish the CCP’s historic task of national unification first. But this will necessarily bring it into conflict with the US sooner or later. Hence, the Taiwan issue simultaneously carries both China’s self-defense dimension (even the US acknowledges that Taiwan is “part of China”) and also an interimperialist rivalry. In order to “unify with Taiwan,” not to speak of a global ambition, Beijing must first overcome China’s persistent weaknesses especially in its technology, its economy, and its lack of international allies.

That’s where China 2025 and One Belt One Road come in. Through China 2025 they want to develop their independent technological capacities and move up the global value chain. They want to use One Belt One Road to build infrastructure throughout Eurasia in line with Chinese interests. At the same time, we should be clear that One Belt One Road is also a symptom of China’s problems of overproduction and overcapacity. They are using One Belt One Road to absorb all this excess capacity. Nevertheless, both of these projects are central in China’s imperialist project.

There has been a big debate on the international left about how to understand China’s rise. Some have argued that it is a model and ally for “third-world” development. Others see China as a subordinate state in an American informal empire that rules global neoliberal capitalism. Still others see it as a rising imperial power. What’s your viewpoint?

China cannot be a model for developing countries. Its rise is the result of very unique factors I outlined previously that other third-world countries do not possess. I don’t think it’s wrong to say that China is part of global neoliberalism especially when you see China come forward and say that it is willing to replace the US as a guardian of free-trade globalization.

But to say that China is a part of neoliberal capitalism doesn’t capture the whole picture. China is a distinctive state capitalist power and an expansionist one, which is not willing to be a second-rate partner to the US. China is thus a component part of global neoliberalism and also a state capitalist power, which stands apart from it. This peculiar combination means it simultaneously benefits from the neoliberal order and represents a challenge to it and the American state that oversees it.

Western capital is ironically responsible for this predicament. Their states and capitals came to understand the challenge of China too late. They flooded in to invest in the private sector or in joint ventures with the state companies in China. But they did not fully realize that the Chinese state is always behind even seemingly private corporations. In China, even if a corporation is a genuinely private, it must bow to the demands put to it by the state.

The Chinese state has used this private investment to develop its own state and private capacity to begin to challenge American as well as Japanese and European capital. It is therefore naïve to accuse the Chinese state and private capital for stealing intellectual property. That's what they planned to do from the beginning.

Thus, the advanced capitalist states and corporations enabled the emergence of China as a rising imperial power. Its peculiar state capitalist nature makes it particularly aggressive and intent in catching up and challenging the very powers that invested in it.

In the US there is increasingly a consensus between the two capitalist parties **that China is a threat to American imperial power. And both the US and China are whipping up nationalism against each other. How would you characterize the rivalry between the US and China?**

Some years ago, many commentators argued that there was a debate between two camps over whether to engage China or confront it. They called it a struggle between "panda huggers versus dragon slayers." Today the dragon slayers are in the driver's seat of Chinese diplomacy.

It is true that there is a growing consensus among Democrats and Republicans against China. Even prominent American liberals bash China these days. But many of these liberal politicians should be blamed for this situation in the first place. Remember that after the 1989 Tiananmen Massacre it was liberal politicians like Bill Clinton in the US and Tony Blair in Britain that forgave the Chinese Communist Party, reopened trade relations, and encouraged massive investment flows into the country.

Of course, this was about padding the ledgers of Western multinationals, which reaped super profits from exploiting cheap labor in Chinese sweatshops. But they also genuinely, if naively, believed that increased investment would lead China to accept the rules as a subordinate state within neoliberal global capitalism, and "democratize" itself in the image of the West. This strategy has backfired, enabling the rise of China as a rival.

The two camps of panda huggers versus dragon slayers also find their theoreticians in academia. There are three main schools of the foreign policy establishment. On top of that, all three schools have their own panda huggers and dragon slayers, who could also be called optimists and pessimists. Within the optimist camp, different schools argue different perspectives. While the liberal internationalists thought that trade would democratize China, by contrast, the realists argued that even if China had its own state ambitions to challenge the US, it was still too weak to do so. The third school is social constructivism; they believe international relations are the result of ideas, values, and social interaction, and like the liberals, believe economic and social engagement would transform China.

In the past, most of the American establishment bought the optimist liberals' case. The liberals were blinded by their own belief that trade could change China into a democratic state. China's rise has thrown all of the optimist schools into a crisis because their predictions about China have been proven wrong. China has become a rising power that has begun catching up and challenging the US.

Now it is the pessimist camp of these three schools that is gaining ground. The pessimist liberals now believe that Chinese nationalism is much stronger than the positive influence of trade and investment. The pessimist realists believe that China is rapidly strengthening itself and that it will never compromise over Taiwan. The pessimist social constructivists believe that China is very rigid in its own values and will refuse to change.

Yet if the pessimist school is now proven right, it also suffers from a major weakness. It assumes US hegemony is justified and right, ignores the fact that the US is actually an accomplice of China's authoritarian government and its sweatshop regime, and of course never examines how the collaboration and rivalry between the US and China

occurs within a deeply contradictory and volatile global capitalism, and along with this a whole set of global class relations. This should not surprise us; the pessimists are ideologists of the American ruling class and its imperialism.

China is moving in an imperialist trajectory. I'm against the Communist Party dictatorship, its aspiration to become a great power, and its claims in the South China Sea. But I don't think it's correct to think that China and the US are on the same plane. China is a special case right now; there are two sides to its rise. One side is what is common between these two countries—both are capitalist and imperialist.

The other side is that China is the first imperialist country that was previously a semicolonial country. That is quite different from the US or any other imperialist country. We have to factor this into our analysis to understand how China functions in the world. For China there are always two levels of issues. One is the legitimate self-defense of a former colonial country under international law. We should not forget that even as late as the 1990s US fighter jets flew on the southern border of China and crashed into a Chinese airplane, killing its pilot. These kinds of events naturally remind Chinese people of their painful colonial past.

Britain until recently controlled Hong Kong, and international capital still exerts enormous influence there. An example of Western imperialist influence just came to light recently. A report revealed that just before Britain withdrew from Hong Kong, they disbanded their secret police and reassigned them into the Independent Commission Against Corruption (ICAC). The ICAC enjoys huge popularity here as it makes Hong Kong a less corrupt place. But only the head of the Hong Kong government, formerly chosen from London and now chosen from Beijing, appoints the commissioner, while the people absolutely have no influence over it at all.

Beijing was very concerned that the ICAC could be used to discipline the Chinese state and its capitals as well. For example, in 2005 the ICAC prosecuted Liu Jinbao, the head of the Bank of China in Hong Kong. It appears that Beijing is trying hard to take control of the ICAC, but the public is kept in the dark about this power struggle. Of course, we should be happy that the ICAC goes after people like Liu Jinbao, but we must also recognize that it can be used by Western imperialism to advance its agenda. At the same time, Beijing asserting its control will mean consolidation by the Chinese state and capitalists, something that will not serve the interests of the Chinese working masses.

There are other colonial holdovers from the past. The US basically maintains Taiwan as a protectorate. We should, of course, oppose China's threat to invade Taiwan; we should defend Taiwan's right to self-determination. But we must also see that the US will use Taiwan as a tool to advance its interests. This is the downside of the colonial legacy that motivates the Communist Party to behave in a defensive manner against American imperialism.

China is an emerging imperialist country but one with fundamental weaknesses. I would say that the Chinese Communist Party has to overcome fundamental obstacles before it can become a stable and sustainable imperialist country. It is very important to see not just the commonality between the US and China as imperialist countries, but also China's particularities.

Obviously for socialists in the US, our principal duty is to oppose US imperialism and build solidarity with Chinese workers. That means we have to oppose the relentless China bashing not only on the right but also among liberals and even the labor movement. But we should not fall into a campist trap of giving political support to the Chinese regime, but with the country's workers. How do you approach this situation?

We must counter the lie used by the American right that Chinese workers have stolen American workers' jobs. This is not true. The people who really have the power to decide are not the Chinese workers but American capital like Apple that choose to have its phones assembled in China. The Chinese workers have absolutely zero say over such

decisions. Actually, they are victims, not people who should be blamed for job losses in America.

And as I said, Clinton, not China's rulers or workers, was to blame for the export of these jobs. It was Clinton's government that worked with China's murderous regime after Tiananmen Square to enable big American corporations to invest in China on such a massive scale. And when jobs in the US were lost, those that appeared in China actually were not the same kind of jobs at all. The American jobs lost in auto and steel were unionized and had good pay and benefits, but those created in China are nothing but sweatshop jobs. Whatever their conflicts today, the top leaders of the US and China, not workers in either country, put today's wretched neoliberal world order in place.

One thing we have done here in the US is help to put on tours of Chinese workers on strike so that we can build solidarity between American and Chinese workers. Are there other ideas and initiatives that we can take? There is a real danger of nationalism being whipped up in both countries against workers in the other country. It seems overcoming this is very important. What do you think?

It is important for the left in the rest of the world to recognize that China's capitalism has a colonial legacy and that it still exists today. So, when we analyze China and US relations, we must distinguish those legitimate parts of "patriotism" from those whipped up by the Party. There is an element of common-sense patriotism among the people that is the result of the last century of imperial intervention by Japan, European powers, and the US.

It does not mean that we accommodate to this patriotism, but we must distinguish this from reactionary nationalism of the Communist Party. And Xi is certainly trying to whip up nationalism in support of his great power aspirations, just like American rulers are doing the same to cultivate popular support for their regime's aim to keep China contained.

Among common people nationalism has been declining rather than rising because they despise the Chinese Communist Party, and more of them now don't trust its nationalism, and hate its autocratic rule. One funny example of this is a recent opinion poll that asked if people would support China in a war with the US. Netizens' response online was really interesting. One of them said, "Yes, I support China's war against the US, but we first support sending the members of the Political Bureau to fight, then the Central Committee, and then the entire Chinese Communist Party. And after they either win or lose, we at least will be liberated." The censors, of course, immediately deleted these comments, but it is an indication of the deep dissatisfaction with the regime.

That means there is the basis among Chinese workers to build international solidarity with American workers. But that requires American workers to oppose their own government's imperialism. Only that position will build trust among Chinese workers.

American imperialism's threats are real and known in China. The US Navy just sent two warships through the Taiwan Strait in a clear provocation to China. The American left must oppose this militarism so that Chinese people understand that you oppose the US imperialist agenda on the Taiwan question—although one should also acknowledge Taiwan's right to purchase arms from the US. If the Chinese people hear a strong voice of anti-imperialism from the American left, they could be won over to see our common international interests against both US and Chinese imperialism.

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