

**SHIFTING POWER** / Critical perspectives on emerging economies  
TNI WORKING PAPERS

# CHINA RISING

**A NEW WORLD ORDER OR  
AN OLD ORDER RENEWED?**

**DOROTHY GRACE GUERRERO**



# China Rising: A new world order or an old order renewed?

DOROTHY GRACE GUERRERO

China's remarkable economic performance over more than thirty five years and its transformation into one of the world's biggest trading powers, has led many to believe that it will be the successor to the US in global dominance. The stagnation of the advanced capitalist economies and contraction of the economies in the Eurozone in recent years have strengthened the notion that the world is at a turning point in the balance of power between the advanced economies of the North and the emerging economies of the South such as China, India, Brazil and South Africa.<sup>1</sup>

The new configuration of power has increased the representation of developing countries in key and decisive processes in the United Nations, the World Trade Organisation and International Financial Institutions like the World Bank and International Monetary Bank, as well as in informal but strategic summits like the G20 group. Little attention has been given, however, to the central issue for many people in the South, which is not just China's rise or growth nor even the relative state of democracy there. The more important question is whether China and the other new actors are offering a new and better model of development that could chart economic and social progress for other developing countries?

Already a growing number of voices are pointing to China becoming a "sub-imperialist" or a "new imperialist" power that is continuing the same or more intense practices of exploitation and extraction of resources from poorer countries to enable it to join the ranks of the world's high income countries.<sup>2</sup> Given China's extraordinary success as a new economic power in the global economy, is China resuscitating a flagging and failing capitalist system? Is it giving new energy to the same unsustainable and unjust paradigm that facilitates the accumulation of wealth by a few while resulting in dispossession and pauperisation of the already marginalised and disempowered?

It is certainly the time to turn the spotlight on the implications for civil society of a global order in which China is an ever more dominant player. Various forecasts predict that China will soon surpass the US as the top global economic power.<sup>3</sup> Whether this will happen as early as 2016 as the IMF predicted using purchasing power parity as basis of analysis<sup>4</sup> or by 2020<sup>5</sup> or by 2030<sup>6</sup> according to the World Bank, most "guesstimates" agree that it will be earlier than previous assessments.

China's rise to the top does not of course mean that China will soon rule the world the way the US does. It is beset by huge challenges and contradictions: limited agricultural land and water resources to meet the needs (and demands) of its massive population and fuel its continuing growth; increasingly polluted air and water; widening income disparities, especially between urban and rural population; the inevitable collapse of unsustainable price controls on fuel and food; and massive corruption are just some of the problems that could raise people's discontent and upset the Communist Party's control. There is also a growing civil society that must be involved in global movements for justice. The fact that it makes up a seventh of the world's population, and that its social and environmental policies will impact on everyone globally, means that understanding China is more important than ever before.

## CENTRAL PRINCIPLES OF CHINESE GROWTH AND POWER

To understand China's development and its projection as a global power, it is important to both understand its history and some of the core principles and objectives that drive Chinese governing elites, both prior to 1949 and up to today.

Martin Jacques, author of *When China Rules the World*, argues that we need to understand China as a “civilizational state” and not just through a Western-originated notion of a nation state<sup>7</sup>. All over the world, the Chinese consider themselves to be part of a single civilisation with strong values of ancestor worship, *guanxi* (understanding of connections or relations), and Confucian culture and so on. Chinese understanding of race and difference is important to consider in studying how they perceive unity and identity. There are also different understandings of democracy, statehood and social relationships. Combined with strong historical lessons brought about by experiences of foreign interventions and internal conflicts, the state has managed to develop a political culture that bolsters its legitimacy in managing the economy, politics and society. This has allowed the state more freedom to implement policies affecting public life (like mega-projects from ancient Chinese Wall to present-day giant dams and high speed trains) as well as private life (one child policy, social welfare and subsidies).

The government's argument that states sovereign rights trump human rights and its continuing refusal to follow Western style democracy does not mean that universal norms such as human rights, labour and environmental standards should not apply to China or don't make sense in China. The Chinese government still views human rights in strongly aspirational rather than legal terms by arguing for priority to be placed on socio-economic rights and the right to development, and continues to insist that human rights should be implemented according to a country's national conditions.<sup>8</sup> Recently, however, it did sign to a wide range of human rights treaties and has also officially accepted the universality of human rights. Of course these international moves are not always complemented by actions at home. The more interesting development, however, is the increasing number of voices in Chinese society that are beginning to question old notions of state power and practices of government officials. Many express their desires to live well, to live in a healthy environment and to live with dignity. In fact many are now organising themselves and expressing their dissatisfaction over the worsening state of the environment, air pollution in cities, deplorable working conditions and low wages, corruption, substandard quality of food and other basic commodities and the overall lack of participation in decision-making processes that directly affect their livelihood, access to and management of resources.

China kept a chauvinistic policy before 1978 and foreigners who lived and visited the country often remarked that the Chinese had a Sinocentric view and general lack of trust to foreigners. This attitude is shaped by what most Chinese explained as the humiliation they experienced with foreign domination. It also can be traced further back to a time when the Chinese elite viewed themselves to have the most advanced civilization—the name China (中国, Zhōngguó) means the land in the “middle of the universe—and considered China the cultural center of the world.” Mao Zedong called it Han chauvinism; the Hans are the dominant ethnic group in China. It is no longer a prevalent notion among current officials, nevertheless, the attitudes still prevail to some extent today.

The post-revolution period from 1949, saw huge transformation of society brought about by the mobilisation of mass movements under the direction of a single party to deliver land reform from 1950 to 1953, marriage reform in 1952, collectivisation of agriculture in 1953 and nationalisation of private industry by 1955. Some of these reforms involved terrible human costs, most notably the famine caused by the Great Leap Forward (1958-61), which led to an estimated 18-45 million deaths. At the same time, some of China's pre-1979 policies did lay the foundations for an economic and industrial infrastructure and social and educational base.

In 1978 the Chinese Communist Party took a radically different path of using markets to achieve rapid growth and catch up with the advanced economies. Deng Xiaoping, the architect of reform, described the Chinese approach as “crossing the river by touching the stones”. This well known metaphor describes the experimental nature of the reform, whereby the Party looked for areas where positive changes could be made, continued if concrete results or success were achieved and if not, reversed step-by-step.

The government’s 11th and 12th Five Year Plans (2006-2010 and 2011-2015 respectively) have focused on quality of growth, structural reforms to harness innovation and economic efficiency, and social inclusion to overcome the rural-urban divide and the income inequality gap. The goal has been to both introduce necessary reform and at the same time maintain stability. This is no easy task as Yu Jianrong, a prominent and influential scholar who heads the Rural Development Institute of the China Academy for Social Sciences (CASS), explains. Given increased conflicts of interests between various actors in national and local governments, various policy flaws emanating from differences between the clamor for reforms and the need to maintain stability, the development of information technology and the increasing consciousness of citizens about their rights, China’s political fixation with ‘stability at all costs’, Yu argues, breeds rigidity, discourages flexibility and innovation in responding to emerging social problems and, most importantly, hampers the development of more appropriate institutional responses to social conflicts.<sup>9</sup>

The Chinese regime’s determination to guarantee stability certainly shape their economic policies, particularly their overriding mission to both secure the supply of energy and other natural resources that it needs for its manufacturing exports and to expand their market to continue its growth. This relentless drive for economic growth has had implications internally (particularly social and environmental implications) as well as externally where China’s hunger for resources has led to conflicts with affected communities.

Nevertheless, China’s leaders have been very careful to distinguish China’s rise from those of colonial and imperial nations. In their discourse, they call their vision *hepingjueqi* or the peaceful rise of China and present this as underpinning their policies on trade, development assistance and cooperation. China argues that as a developing country, it shares their status with other developing countries and so portrays its trade, investment and development relations with other developing countries as being forged in the spirit of South-South cooperation. It assures its Southern partners, on many occasions and in many statements, that its rise should be seen as non-threatening because it also suffered from domination from foreign powers and therefore will not become a coloniser or dominant power to them. Chinese leaders repeatedly express that China did not seek hegemony before and will not seek hegemony now and in the future.

Chinese officials also point out that China is expanding its political influence through an institutional approach, that is, by means of international cooperation and integration into the international community. In 2007, the Chinese Communist Party under Hu Jintao institutionalized harmonious world (*hexie shijie*) as its foreign policy, a counterpart to the national policy discourse of harmonious society (*hexie shehui*).<sup>10</sup>

China’s diplomacy is presented as pushing for its core interests of safeguarding of sovereignty, security, and development. These core interests can be more usefully detailed as ensuring China’s political stability, namely, the stability of the CCP leadership and of the socialist system; second, sovereign security, territorial integrity, and national unification; and third, China’s economic and social development.

There are two opinions in the leadership on what is the best strategy for upholding such interests. The first one is based on Deng Xiaoping’s teaching of *tao guang yang hui*, or keeping a low profile in international affairs promoted by prominent political figures, such as Tang Jiaxuan, former foreign minister, and General Xiong Guangkai, former deputy chief of staff of the People’s Liberation Army. They argue that since China remains a developing country, it should concentrate on economic development. The second is the nationalist one, which is pressing for a more “can-do” foreign policy since China is more powerful now than before.<sup>11</sup>

At the same time, China adamantly asserts the integrity of its territorial sovereignty and does not allow any partner state to make official diplomatic relationships with Taiwan, the Government of Tibet in Exile or East Turkistan (Xinjiang) Independence Movement groups. This assertion of China's territorial sovereignty is also reflected in its assertions of sovereignty over disputed territories such as the Spratly islands or indeed control of the South China sea itself.

## CHINA'S ECONOMIC GROWTH: CAUSES AND EFFECTS

China's rise as a global power is largely predicated on its incredible economic growth in the last three decades. Its embrace of "free market" economic policies is frequently cited as the main cause of this growth and is used to bolster the case for neoliberal globalisation elsewhere. But the path China followed is different, and at least on economic grounds, more successful than the "shock therapy" followed by other formerly communist planned economies such as Russia.<sup>12</sup>

China did not achieve such phenomenal growth simply by opening up its economy. The first point to note is that China's pre-1978 condition wherein people already had access to land and universal health care and primary education, played an important role in the country's readiness for economic take-off in the 1980s. Indeed, social development was a major component that helped China in its early phase of transition to the market economy. Without comprehensive land reform followed by the formation of agricultural co-operatives and, later, people's communes, the reform policies after 1979 could not have been implemented successfully.<sup>13</sup> China's industrialisation was aided by rural development, safety nets enjoyed by rural families and workers and security of land tenure.

China was also extremely cautious and pragmatic in how it opened up its economy. China's reform process had four phases: First, gradual opening to the global economy and policy reformulation (from 1978–1986). From 1979 to 1984, the Chinese government established new regulations to permit joint ventures using foreign capital and established four Special Economic Zones (SEZs) in Shenzhen, Zhuhai, Shantou, and Xiamen.<sup>15</sup> The commune system was dissolved and state-owned enterprises were privatised (or corporatised) in 1984. In the second phase from 1986–1992, China developed "twenty two regulations", which created a more beneficial environment for foreign investors, whilst maintaining considerable state control to maximise benefits from this investment.

Table 1: China's Historical GDP Figures from 1978 - 2012<sup>14</sup>

Year	GDP in Millions (US\$)		GDP per capita	
	Growth Based on PPP	Real Growth	PPP	Real Growth
2012	9.7	7.8	9,185	7.2
2011	11.6	9.3	8,411	8.8
2010	11.9	10.4	7,571	9.9
2008	12.1	9.6	6,201	9.1
2006	16.3	12.7	4,759	12
2004	13.0	10.1	3,625	9.4
2002	10.8	9.1	2,891	8.4
2000	10.8	8.4	2,388	7.6
1995	13.2	10.9	1,521	9.7
1990	13.0	9.2	894	2.3
1985	16.9	13.5	506	11.9
1980		7.8	252	6.5
1978		11.7		10.2

Source: China Statistical Yearbook 2012

In the third phase from 1992–2001, China became one of the largest beneficiaries of FDI, which successfully interacted with the domestic market and made it possible to build domestic transnational corporations (TNCs). During this phase, the Chinese people experienced the rolling back of welfare state in exchange for the encouragement of foreign investment. Popular displeasure with the consequences of those reforms in part prompted the Tiananmen protests. The fourth and most recent stage has involved China's accession to the WTO and its emergence as a global trading super-power, a major exporter of capital and foreign direct investment through its own transnational companies.<sup>16</sup> By the time China joined the WTO in 2001, it had substantially liberalised its economy including amending more than 2,500 of its national laws and regulations—and repealing more than 800 others—to fulfil WTO rules.<sup>17</sup>

China followed the Japanese approach of managing the process and regulating the entry of foreign firms, while simultaneously preparing local companies for the transition. The Chinese approach was always piecemeal, partial, incremental, often experimental, and characteristically without large-scale privatisation.<sup>18</sup> In the early stage of reform, foreign industries were allowed in to enable Chinese companies to learn modern labour and management skills, as well as accessing higher levels of technology. This gradual type of reform and focus on development of local industries and human capital—contrary to the prescriptions of neoliberal institutions and advisers such as the World Bank and the International Monetary Fund—allowed the government to retain its role as a stabilising force in the transition and enabled it to facilitate a measured de-centralisation of investments and privatisation of enterprises.

Table 2: FDI Shares as percentage of gross fixed capital formation

	1980	1985	1990	1995	2000	2005	2010	2012
China	0.10	2.10	3.50	15.00	10.00	7.70	4.20	3.30
Hong Kong	—	—	16.30	14.40	158.10	110.20	173.50	118.20
Taiwan	—	—	3.40	2.20	6.10	2.00	2.70	3.40
Developing Countries	15.34	26.27	17.19	34.46	18.12	—	45.20	52.00
East Asia	11.23	14.85	4.00	8.40	18.00	9.60	6.80	5.10
EU	2.50	2.60	6.00	7.30	40.10	18.20	12.60	8.60
US	3.00	2.50	4.80	4.50	16.10	4.30	9.50	7.10
Japan	0.10	0.20	0.20	0.00	0.70	0.30	-0.10	0.10
South Africa	—	—	—	5.20	4.40	16.10	1.70	6.10
Brazil	3.40	3.80	1.00	3.00	30.30	10.70	11.60	15.10
India	0.20	0.20	0.30	2.20	3.40	3.30	3.90	4.30
Russia	—	—	—	2.50	6.20	9.50	13.30	12.00

Sources: World Investment Report 2008; World Investment Report 2013

\* FDI flows are investments by foreign enterprises made during a period of time and measured by calendar or tax year. It measures the cross-border funds that finance FDI. They do NOT include foreign investment that is financed domestically in the host country, nor any change in valuation.

Despite the high levels of state control, foreign direct investment was attracted in unprecedented volumes to China due to its low tax rates, low rent, cheap resources, low wages, absence of genuine trade unions, no-strike laws and so on. China's combination of relative freedom for capital with repression of labour made it highly seductive to transnational companies. The result was that FDI into China grew thirty-fold between 1990 and 2010. In the first half of 2012, China surpassed the US as the world's largest recipient of global foreign direct investment (FDI) in the first half of 2012.<sup>19</sup> As China's economy expanded and a wealthy and middle class emerged, it became an even more attractive proposition for multinationals determined to access an untapped market.

Table 3: Annual Inward Foreign Direct Investment Stock 1980 -2011 (in millions US\$) <sup>20</sup>

Year	China	Developing Economies	China's share of developing country FDI %
1980	—	297,319	
1985	900	373,891	.21
1990	4,455	517,200	.86
1995	17,768	874,292	2.03
2000	27,768	1,735,488	1.60
2005	57,206	2,712,820	2.10
2010	298,411	6,256,066	4.76
2011	365,981	6,625,032	5.52

\* FDI stocks measure the level of cumulative FDI stock of capital investment by foreign enterprises at a single point of time. Measures of FDI stocks take account of new investment and disinvestment. They can also change due to changes in the value of the existing stock of foreign owned assets.

There are great pressures from inside and outside China to liberalise even more. For even today, decades after the start of its liberalisation process, the government still directs 70 per cent of all investment spending in the country and keeps control over companies in the strategic sectors of energy, telecommunications, shipping and defence industries. And while it has liberalised product markets, it continues to largely control factor markets: setting the prices for labour, land, capital, resources and the environment.<sup>21</sup> China may be considered an economic success story, but it is certainly not a Washington or neoliberal success story.

## RESULTS OF CHINA'S GROWTH

Since it started the programme of market reforms in 1978, China has sustained an average economic growth of ten per cent every year, for thirty years. China's Gross Domestic Product was worth \$7298.10 billion in 2011, which is roughly equivalent to 11.77 per cent of the world economy, and it had recently graduated in status to a middle-income country.<sup>22</sup> Since the 2008 global financial crisis, China has accounted for more than 35 per cent of all global economic growth.<sup>23</sup>

However, it is important to remember that China's *per capita* GDP still lags far behind that of developed countries. The World Bank 2012 Report in fact showed that China's per capita gross national income (GNI) of \$8,450 in 2011 put the country in rank number 115 globally.<sup>24</sup>

Table 4: Economic and Social Indicators Comparison of BRICS Countries <sup>25</sup>

	Year	Infant Mortality Rate	Maternal Mortality Rate	Unemployment Rate	Gini Co-efficient	% of Public Expenditure on Education	% of Public Expenditure on Health
Brazil	2012	20.3	—	6.7	0.501	4.3	4.8
Russian Federation	2012	8.7	0.10	5.5	42.0	4.1	3.7
India	2010	47.0	212	3.8	0.32	3.8	1.3
China	2011	12.1	26.1	4.1	0.474	3.9	5.2
South Africa	2011	37.9	—	25.0	0.65	6.8	4.0

\* Unit—per1000

Today's China is now unrecognisable to those who have not set foot in the country in the last ten years. In major cities, high-rises and iconic buildings, designed by local and world-renowned architects, dominate the skyline. In 2012 China surpassed the one million mark for millionaires<sup>26</sup>.

The BRICS Joint Statistics database shows that for every 100 people in urban areas, eight now owns a car compared to none in 2000. However, as shown in the Gini Coefficient figure in Table 4, economic growth has not benefited everyone, particularly those in the countryside. In 2011, 128 million Chinese or 13.4 per cent of the population were still under the poverty line.<sup>27</sup> Chinese NGOs often mention that the living standards of people (education, sanitation, medical services, etc.) in the countryside are behind those of city dwellers by ten years. This can be seen in both the disposable income and per capita consumption expenditure figures. Currently the disposable income of an average urban household is RMB 24,565 (\$4,019) per year, while the net income of rural households lags at RMB 7,917 (\$1,295) per year. The per capita consumption expenditure of households in the urban areas is RMB 16,674 or \$2,728 while rural households spend RMB 5,908 or \$967 per year.

Poverty, lack of opportunity, inequality and the pull of city life encourage massive migration of young people to low-paying jobs in special economic zones where they are exploited through low wage and sub-standard living conditions without rights. China's *hukou* system is akin to economic apartheid but based on one's place of origin. The issue of inequality and the rural-urban divide has become a focus of major internal political debates in recent years. In February 2013, the State Council unveiled a 35-Point Income Distribution Plan to tackle the problem of inequality. Officials were ordered to refrain from giving luxury item gifts to guests and to stop flaunting expensive personal items like cars, luxury watches and bags. Advertising of luxury products were also banned. Postings in Weibo (China's version of Twitter, which has more than 700 million users) generally criticise the measures for failing to target massive corruption.

China's rapid economic growth has also been accompanied by serious environmental problems. China's limited natural resources are fast disappearing and in critical condition. Water scarcity, desertification and decreasing land for agriculture, heavy pollution and so on are perennial problems. The 2012 Environmental Conditions Report of the Ministry of Environmental Protection found that 57.3 per cent of the groundwater in 198 monitoring sites in 4,929 cities in 2012 was "bad" or "extremely bad", while more than 30 per cent of the country's major rivers were "polluted" or "seriously polluted". Five of the 10 largest river basins were measured as polluted, with 25 per cent of the 60 lakes tested found to be eutrophicated or severely affected by algae.<sup>28</sup>

On top of that, China is also a target of blame for contributing to climate change as it is now the world's highest annual emitter of carbon dioxide (CO<sub>2</sub>). The Deputy Director of the State Environmental Protection Administration Pan Yue recognized the costs of China's economic development in his 2006 essay *Evolution of an Ecological Civilisation* when he wrote: "In 20 years China has achieved economic results that took a century to attain in the west. But we have also concentrated a century's worth of environmental issues in those 20 years."<sup>29</sup>

Just one example of the environmental costs for China's people can be seen in the smog and air pollution experienced in Beijing and other major cities. In mid-January 2013, visibility plummeted down to 50 meters and the Air Quality Index (AQI) for PM<sub>2.5</sub> particles (the tiny particulate matter thought particularly damaging to health because it can penetrate deep into the lungs) exceeded 900, the highest and most toxic measurement recorded in China. An AQI of 301-500 is already considered hazardous where all outdoor physical activities should be avoided. Stores sold out of masks, the demand for air purifiers shot up and the city was forced to draw up a pollution emergency response plan which halted work on several construction sites, slowed down production in various factories and curbed use of cars.

The Chinese government insists that it is already addressing its environmental problems and climate change, not just because of its responsibility to the international community but also because it will be good for China to do so.<sup>30</sup> In the 9<sup>th</sup> Development Plan, which covered the years 1996 to 2000, China started setting



national caps on emissions of 12 major pollutants, which includes sulphur dioxide and chemical oxygen demand (COD—a measure of water pollution). As these targets were not met and in the face of higher than planned for energy consumption, the government put in place stricter measures in the 11<sup>th</sup> five-year plan (2006 to 2010), which imposed mandatory ten per cent emission cuts. For the first time too, environmental targets were included in the social and economic development plans.<sup>31</sup> In the 12th Development Plan (2011–15), the building of a green economy has been set as the main strategic policy theme. The extreme level of air pollution in January 2013 forced the government to take drastic measures like closing factories, imposing a ban on government employees using their cars to encourage them to use public transport, advising parents to keep their kids indoors and ordering schools to close for several days. However, the problem will not be solved soon: the Ministry of Environmental Protection admits that it will take as long as 2030 before Chinese cities can enjoy good air quality.

In May 2013, President Xi Jinping pledged that China will not sacrifice the environment for temporary economic growth and called for an all-round effort to carefully balance economic development and environmental protection. However, this may not lead to a fundamental redirection of the economy. China continues to focus on renewable energy production mainly for export. More than 25 per cent of the world's solar panel supply comes from China and 95 per cent of the country's production is for export rather than domestic use in industrial plants and buildings. Meanwhile the ongoing appropriation of land and resources to build environmentally and socially damaging large-scale projects like hydropower dams, coal plants and other extractive industries also suggests little shift from an unsustainable economic model. Indeed the embrace of the concept of 'green economy' by China seems so far to mirror the global corporate consensus that seeks to set a new stage in the reconfiguration of capitalism by treating nature as capital; ignoring the current ecological limits intrinsic to capitalism itself.

## CHINA AS A GLOBAL ECONOMIC PLAYER

When it started its open door policy in 1979, China virtually had no outward foreign direct investment (OFDI). Since then it has moved up the global ranking and moved to third position in OFDI in 2012 with a record US\$ 84 billion outflow.<sup>32</sup>

In 2001 Premier Zhu Rongji officially used the term *going out*<sup>33</sup> in reference to outward foreign direct investment (OFDI) as the complementary strategy of *inviting in* (in flow of FDI). The *going out* strategy looked to create and expand the market space for Chinese exports, increase capacity and learning for its transnational corporations (TNCs), secure resources and technology for their production processes, and raise the prestige of Chinese brands. However, as can be seen in Table 5, China's incoming FDI is still consistently three to four times that of outgoing FDI. The opposite is the case for Japan, US and Germany where outgoing investments are much greater than incoming.

China's Ministry of Commerce records shows that non-financial outbound foreign direct investment (OFDI) rose by 1.8 per cent year-on-year to \$74.65 billion in 2011. China made investments in 132 countries and regions in 2011; the sixth largest source of OFDI worldwide.<sup>34</sup> China can mobilise about \$1.4 trillion for capital investment—equivalent to one fifth of its GDP—which means that China has emerged as a major exporter of capital as well as goods, shaping its relationship with the North and with developing countries.<sup>35</sup>

In the process, Chinese TNCs have become the largest single source of new multinationals within this decade. They include trading companies, manufacturing enterprises, financial institutions, and construction companies. The most known ones to date are Lenovo, which bought IBM's personal computer division in 2005, Haier emerging as a global player in appliances with retail volume share reaching 8.6 per cent of the world market in 2012<sup>36</sup> and Huawei Technologies that is competing against other established companies that used to dominate telecommunications equipment around the world with 4.8 per cent of global market share and now 5<sup>th</sup> in the rank of global brands<sup>37</sup>.

Table 5: Foreign Direct Investment: Inflows and Outflows (in billions US\$)

	2007		2008		2009		2010		2011	
	IFDI	OFDI	IFDI	OFDI	IFDI	OFDI	IFDI	OFDI	IFDI	OFDI
USA	221.2	414.0	310.1	329.1	150.4	289.5	205.8	327.9	234.0	419.3
China	160.1	17.0	175.1	53.5	114.2	43.9	185.0	60.1	228.6	43.0
Germany	80.2	170.6	8.1	72.6	24.2	75.4	46.9	109.3	40.4	54.4
Japan	22.5	73.5	24.4	128.8	11.9	74.7	-1.3	56.3	-1.8	114.3
Russia	55.1	45.9	75.0	55.6	36.5	43.7	43.3	60.1	52.9	43.0
Brazil	34.6	7.1	45.1	20.5	25.9	-10.1	48.5	11.6	66.7	-1.0
India	25.5	17.3	43.4	19.3	35.6	15.9	25.9	14.8	34.2	12.4
S. Africa	5.7	3.0	9.0	-3.1	5.7	1.2	1.2	-0.1	5.8	-0.6

Source: OECD International direct investment database, Eurostat, IMF. OECD/DAF Investment Division.<sup>38</sup>

Increased investment has been accompanied by increased trading relations, particularly in East Asia and the Pacific. Since 2002, China has signed free trade agreements (FTAs) with ASEAN, Chile, Pakistan, New Zealand, Singapore, Peru, Costa Rica as well as economic partnership agreements (EPAs) with Hong Kong, Macau and Taiwan. It is negotiating FTAs with the Gulf Cooperation Council (GCC), Australia, Iceland, Norway, Southern African Customs Union, Switzerland and a three-way agreement with Japan and South Korea. It is in the stage of finishing FTA feasibility studies with India and South Korea.<sup>39</sup>

Table 6: China's OFDI Flow by Global Region, 2009-10 (in millions US\$)<sup>40</sup>

Region	2009	2010	% change
Africa	1,438.9	2,112.0	46.8
Asia	40,407.6	44,890.5	11.1
Europe	3,352.7	6,760.2	101.6
Latin America	7,327.9	10,538.3	43.8
North America	1,521.9	2,621.4	72.2
Oceania	2,480.0	1,889.0	-23.8
Total	56,528.1	68,811.3	21.7

Source: MOFCOM, NBS, and SAFE

Asia remains the primary destination of Chinese OFDI. Asia received 65.3 per cent of Chinese investment in 2010, with Hong Kong getting three-quarters of that investment. Latin America is the second-largest recipient of Chinese OFDI. Trade between China and Latin America surpassed \$250bn by end of 2012. Since 2005, China has provided loan commitments of more than \$86bn to Latin American countries. It is seen favorably in the region as every one per cent increase in Chinese growth is correlated with a 1.2 per cent increase in Latin American growth.<sup>41</sup>

Although Africa is receiving less of China's OFDI, China now trades with 53 African countries and has been providing zero-tariff treatment for the poorest African countries since 2005. Bilateral trade between China and Africa reached \$166.3 billion in 2011, an 83 per cent increase from 2009, which made China the continent's biggest trading partner. Chinese OFDI in Africa reached \$14.7 billion at the end of 2011, up by 60 per cent from 2009.<sup>42</sup> Over 2,000 Chinese companies have invested in Africa, which the Chinese government claims have helped promote economic diversification in the continent, raise local tax revenues and boost employment. China's investments include mines, dams and many big infrastructure projects.<sup>43</sup>

China is also actively investing in the North. In 2012, Premier Wen Jiabao announced the creation of a \$10 billion credit line to support Chinese investments in Central European infrastructure and in new technology and renewable energy. At a China-Central Europe Economic Forum in Warsaw, leaders of 16 countries in the region all traveled to the Polish capital to meet with Wen.<sup>44</sup> In early May 2012, then US State Secretary Hillary Clinton's plea for the Chinese to continue buying US bonds during her visit to Beijing underscored the interdependence between the US and China, or indeed US dependence on China as a destination for FDI and as buyer of debt.

Table 7: China's Main Trade Partners (in millions US\$)

Countries	Import from Major Trade Partners in 2011	Export to Major Trade Partners in 2012
Hong Kong, China	15,492	323,527
India	18,799	47,673
Japan	177,809	151,643
South Korea	168,648	87,681
Taiwan	132,184	36,779
South Africa	49,614	15,327
Germany	91,912	69,218
Russia	44,101	44,058
Brazil	52,301	33,415
United States	132,886	351,796
Australia	84,561	37,740
ASEAN	195,821	204,272
European Union	212,055	333,988

China's export credit and guarantee agencies—particularly China EximBank and Sinosure—are two of the key agencies fostering the expansion of Chinese trade and overseas investments. Between 2001 and 2010, China extended \$67.2 billion in loans to sub-Saharan Africa compared to the World Bank's \$54.7 billion.<sup>45</sup> Likewise, China Development Bank, the world's largest development bank in terms of assets, is putting more resources behind the overseas expansion of Chinese enterprises, particularly in natural resource projects.

Many developing country governments view China's new role in the world as an alternative to western pressure, and a source of financing without the usual conditions demanded by other international financial institutions such as the IMF and the World Bank. In contrast to the US Eximbank, China Eximbank extends lower interest rates, and lends to a significantly different set of countries than the IFIs and Western banks, such as Argentina, Ecuador, and Venezuela that are not able to borrow as easily in global capital markets.<sup>46</sup>

However, on closer examination, the beneficence of China's investments is less clear. An Oxford University<sup>47</sup> study showed that the vast majority of Chinese OFDI is directed at only three tax havens and offshore financial centres: Hong Kong, the Cayman Islands and British Virgin Islands. In Europe, Chinese companies focused their investments in Luxembourg—another tax haven—and Sweden. Mirroring the practice of most transnational companies, Chinese business are adept at doing anything to avoid paying tax.

The belief that Chinese money has “no strings attached” also does not hold. Chinese banks financing in Latin America shows that these loans have more stringent preconditions than World Bank loans. In 2010 China Development Bank lent \$20 billion to Venezuela in exchange for re-payment through oil shipments to China. China sent thirty consultants, led by a former vice-governor of CDB, to Venezuela for 18 days with a mission to check how the oil would be delivered and to make proposals on how to reform its economy, from reining in inflation to creating a more open environment for foreign investors to ensure that it will get its money back.<sup>48</sup> It is also very common that China includes an agreement to provide short-term visas for Chinese workers in Chinese investments.

These economic conditionalities are not usually however accompanied by political conditionalities. In Africa and elsewhere, NGOs have raised concerns about Chinese investments and development financing causing human rights violations and environmental destruction.<sup>49</sup> China has financed 47 major controversial hydropower dams in 27 countries, including Sudan and Myanmar, two countries criticised for human-rights abuses and poor environmental track records. In other countries, the high use of Chinese immigrant workers for infrastructure projects has led to riots and protests in countries as diverse as Myanmar, Poland and Zambia.<sup>50</sup><sup>51</sup> Similarly there have been complaints about working conditions in Chinese owned businesses – for example in Chinese-owned ports in Greece, which have been described by some dockworkers as “straight out of the Middle Ages”.<sup>52</sup>

In the Philippines, the government canceled corruption-ridden projects such as the National Broadband Network and Northrail after it was exposed that bribes were paid by Chinese firms to get the backing of Philippine officials. Wikileaks-published cables from the US Embassy in Manila reported that the resulting damage to China’s image hastened the replacement of China’s ambassador to the Philippines in September 2007.<sup>53</sup>

The rising tide of complaints—and even more so the financial losses China has suffered after projects have been suspended or halted – have led to Chinese authorities increasing regulation of its OFDI. In May 2012, China’s State Assets Supervision and Administration Commission (SASAC) published new rules that will hold state-owned enterprises and their executives accountable for bad overseas investment decisions. The SASAC’s new rules highlight that state owned enterprises (SOEs) are supposed to be role models for other companies in terms of safety policies, inspection processes, citizen-based reviews and environmental protection.

## CHINA AS A GLOBAL POLITICAL POWER

China’s growing economic influence has yet to be matched by political clout on the world stage. China is not influencing world affairs nor does it play a lead role in addressing and solving global problems the way Northern powers do.

China argues that it stands for a policy of non-interference, although it has been prepared to take a more proactive role in North Korea (where it has been a member of the six-party talks aimed at resolving North Korea’s nuclear programme) and in Sudan (where China persuaded the Sudanese government in 2007 to accept a UN-African Union peacekeeping force in Darfur).

Yet at the same time China has consistently blocked efforts at the UN to have Sudan’s actions in Darfur classed as genocide, to have effective sanctions put in place, or to have a peacekeeping force with the power to protect the people of Darfur. This is of course due to its need to protect its commercial interests. Chinese companies are facing increasing competition from other Asian business players there like Malaysia, which is using Islam to strengthen relations with Khartoum. Daniel Large, an expert on China’s foreign relations with Sudan, argues that in Sudan, as elsewhere in Africa, the Chinese approach is “business as a form of applied politics”.<sup>54</sup>

China is signatory to most legally and universally binding agreements in the UN, as well as other rules and norms of global governing bodies with important exceptions including the International Criminal Court and the Ottawa Convention to ban landmines. The primary aim of Chinese foreign policy, however, is to support its economic and social development. In this sense, international diplomacy is used to support access to markets, resources and investments.

China's argument that it is a developing country and in solidarity with other countries in the South is also facing increasing challenges. On climate change, for example, China's positioning as a developing country and its association with the G77, did not stop it being one of 20 countries, including the US, India and Brazil, that negotiated in an exclusive and non-transparent manner the Copenhagen Agreement in 2009. Its emergence as the second highest emitter of greenhouse gases has also led some developing countries, particularly the most vulnerable island states, to call for China to take on binding obligations to cut emissions, even while China continues vociferously to defend its status as a developing country entitled to "common but differentiated responsibilities".

Similarly China's defence of Safeguard Mechanisms at the WTO, which means developing countries should be allowed certain exemptions and have some special products that will be exempted from tariff cuts to protect the sectors with low incomes, faces opposition from both developed and developing countries that are wary about competition from China.

## CHINA FLEXING ITS MILITARY MUSCLES

One often-cited reason for China's limited global political power is its weakness militarily compared to the US. Chinese officials insist that they are committed to a policy of a "peaceful rise", now renamed peaceful development, and stress that they have not engaged in major external hostilities since the 1979 war with Vietnam. China certainly in no way matches or even looks like coming close to the imperial reach of the US. The US still spends four-and-a-half times as much on defence as China, has a global presence of around 1000 military bases in more than 60 countries, and has been involved in military interventions overseas every year since 1950.

However there are signs that China is starting to flex its military muscles as its economic power grows, particularly within East Asia. The launch of its first aircraft carrier in 2011 was seen as a significant step in challenging US military supremacy in Asia and protecting Chinese economic interests worldwide. China is now mass-producing at least six classes of modern diesel-electric submarines and surface warships.<sup>55</sup> The first Luyang guided missile destroyer was tested in 2007 using mainly Russian technology. China also continues to have the largest army in the world, The People's Liberation Army (PLA), with an active force of 2.3 million.

Although it is difficult to know the real figure, China's military and defence budget has certainly experienced double-digit growth in the last decade. According to the Stockholm International Peace Research Institute, the annual defence spending rose from over \$30 billion in 2000 to almost \$120 billion in 2010. Spending in 2012 was around \$160 billion. On present trends China's military spending could overtake the US by 2035.<sup>56</sup>

China's new naval capability is making smaller countries in the surrounding Asia Pacific concerned, given China's claim of territorial rights over the Diaoyu/Senkaku Islands (disputed by South Korea and Japan) and the Spratlys (disputed by Philippines and Vietnam). According to recent reports by Washington DC-based think tank Center for Strategic and Budgetary Assessment and the US think-tank RAND, China is well on its way to having the means, by 2020, to deter US aircraft carriers and aircraft from operating within what is known as the "first island chain"—a perimeter running from the Aleutians in the north to Taiwan, the Philippines and Borneo in the south.<sup>57</sup>

Table 7: Top Ten Countries By Military Spending in 2011 (in billions US\$)

Country	Spending	World Share
United States	739.3	45.7
China	89.8	5.5
United Kingdom	60.7	3.9
France	58.8	3.6
Japan	58.4	3.6
Russia	52.7	3.3
Saudi Arabia	46.2	2.9
Germany	44.2	2.7
India	37.3	2.3
Brazil	36.6	2.3

Source: The Economist, April 2012

Beijing's official line is that it wants to be able to defend itself against foreign aggression and catch up with the West, as it was famously unable to do in the nineteenth century.<sup>58</sup> China has also tried to allay concerns by signing the Treaty of Amity and Cooperation in October 2003, in which it committed to respect the ideals long held by the ASEAN—sovereignty and non-interference in each other's internal affairs and settlement of disputes in peaceful manner. China has also held joint military exercises with Australia, the Philippines and Thailand to show its support for ASEAN's security framework.

Whatever China's intentions, its growing military power is contributing to an arms race in the Asia Pacific region. The Pentagon's *Quadrennial Defense Review* released in February 5, 2006 reaffirmed that the US will not allow the rise of a competing superpower.<sup>59</sup> The new "strategic guidance" issued in January 2013 by President Obama and his defence secretary, Leon Panetta, confirmed that a switch in US priorities towards Asia has already started. It was therefore no surprise that President Obama's first foreign trip after his 2012 re-election was to attend the ASEAN Summit in Cambodia, as well as visits to Thailand and Burma.

## WILL CHINA REPLACE US OR ARE WE TALKING ABOUT REAL MULTIPOLARITY?

The American universalist view depicts any rising power as potential rival to the US. The success of a universalistic US foreign policy depends on the willingness of nations to subordinate their own security requirements in line with an international consensus that conforms to America's key foreign policy objectives.<sup>60</sup> The US is prepared to use bilateral measures, but prefers to invoke UN resolutions and binding agreements against countries that it sees as rivals or those who stray away from its enforced consensus. The US' willingness to use the international community where possible, but act unilaterally as well, was demonstrated by its actions in Iraq.

Chinese policy experts from inside and outside China dismiss the fear that China is replacing the US as a global leader and point out that a US decline does not naturally mean that power will be transferred to China. As explained by Shi Yinhong, "[w]hat we are seeing is a symbol of declining American power, not necessarily of power switching to China. China has its own problems."<sup>61</sup>

Moreover suggesting that China can replace the US ignores the fact that both countries are so economically interconnected that they depend on each other for mutual survival and development. Walden Bello described the China-US symbiotic relationship as "chain-gang economics" in his analysis about the crisis of overproduction.<sup>62</sup>

For the moment it seems, Chinese elites have decided that seeking to strengthen a multipolar order rather than seeking to replace a US unipolar order with a Chinese one best serves their country's strategic economic interests. Jiang Zemin officially incorporated and strongly promoted the concept of multipolar world (*duoji shijie*) into foreign policy at the 14<sup>th</sup> Party Congress in 1992, to support China's stance that a fair, just and peaceful world is only possible through multipolarity.<sup>63</sup>

China has actively engaged in different arenas to assert this. It has been most active in its backyard, engaging with the ASEAN regional bloc in the last decade. The 1997 financial crisis, in particular, led to a closer relationship with neighbors in ASEAN countries who shifted the destination of their exports—mostly comprised of components and raw materials—to China where, in turn, they are used to manufacture finished consumer goods for the US and European markets. This increased trade with Asian neighbors was driven by intra-company trading of global multinationals that used China as their manufacturing base.

Table 8: Foreign Direct Investments to the ASEAN and China (in millions US\$)<sup>64</sup>

	1990	1995	2000	2005	2010
ASEAN	12,821	28,225	23,656	40,736	79,129
China	3,487	37,521	40,715	72,406	105,735

The China–Russia Constructive Partnership Agreement of 1994 asserted the need for a multipolar world in the aftermath of the collapse of the bipolar world caused by the disintegration of the Soviet Union. It laid the grounds for the Russia-India-China group, initiated by Russia in 2002, and the subsequent formation of BRIC in 2009. China lobbied for South Africa's inclusion in December 2010 to support its diplomatic and economic interests in Africa. South Africa's involvement worked well in expanding the geographic representation of the group. China is now the strongest economic power in BRICS and the most influential in its economic and financial agenda.

At the same time, China rejected a proposal advanced by some in the US to create a G-2, which would place China and the US alone at the head of world affairs. Beijing said it wanted increased cooperation with the US, but favoured a more multilateral approach to problem-solving.<sup>65</sup> China has rather favoured the G20, which has been described as “the other UN” and whose members represent between 80-90 per cent of global GDP.

However China's commitment to multipolarity has been tested by its overriding priorities of defending China's economic and strategic interests, particularly in East Asia. This is notable in China's refusal to allow ASEAN to multilaterally discuss issues such as conflicts over the South China Sea Islands, such as the Spratlys. While the Philippines government argued that the issue be brought to the UN in terms of the Law of the Sea Convention to decide the issue, China has insisted on bilateral negotiations where its power is obviously unmediated and dominant.

## GROWTH OF CHINESE CIVIL SOCIETY

The focus of this chapter has been on the positions and practices of Chinese elites, but perhaps the most important development is the burgeoning strength of Chinese civil society. There are many political, economic, social and personal security barriers for those that work in grassroots organisations, public-interest NGOs, and advocacy groups in China. However, huge strides have been made by concerned citizens committed to public-interest issues since the period of “reform and opening” in the 1980s. Small “grass-roots” organisations or those not affiliated with the government and the Communist Party, but rather set up as private, independent organizations and started by individual citizens, are steadily increasing.

A few independent “public interest” and “advocacy groups”, such as those NGOs working on social and environmental issues started to emerge in the 1990s. The people involved in these groups belong to a small community of like-minded and concerned individuals; they generally knew each other and some are friends since their university days. They often faced threats of incarceration and travel bans, and many were indeed jailed but nevertheless persevered with their work. These NGOs multiplied, and since 2005 a growing number of international NGOs have also set up office in China and worked jointly with grassroots groups.

Despite the huge increase in their number and the broadening of concerns, strategies, methods of work, as well as diversification of partners, these organisations are still constrained by the fact they cannot form national coalitions or federations. Moreover the scope of work by many continues to be very local. The law for NGOs or non-state organisations prevents them from working in this way and the space for such undertakings is already filled by mass organisations that have links with the government and the Party.

China Development Brief,<sup>66</sup> founded by Briton Nick Young, has been publishing a Chinese NGO Directory since 1998. It features the profiles of grassroots, public interests and advocacy groups to make these groups understandable to both Chinese and non-Chinese audiences and gain support for them. The latest edition of the Directory features some 250 NGOs, which is a small subset of the NGO community. Despite the seemingly small number, they give a good and representative understanding of Chinese NGO landscape. Based on CDB's 2013 *Special Report*<sup>67</sup> NGOs in China tend to be concentrated in certain regions, mostly in major cities and along the coast, and focused mainly on social service sectors such as education, child welfare, disabilities and elder care. Most of the existing NGOs are young, and were established after 2000. They tend to be small and lacking in legal status and financial and human resources. About 56 per cent of the NGOs in the Directory had a staff of under 10 people, and 72 per cent had budgets under RMB 3 million (about \$476,000). A large number—about 39 per cent—were either not registered, or registered as businesses and not as NGOs.

What is also increasingly known outside China are the spontaneous actions and protests by Chinese workers, peasants, home-owners and communities affected by pollution or calamities, which the government refer to as “mass incidents”. The Chinese government no longer publishes comprehensive statistics on the number of mass incidents in the country each year, the last available data is that some 90,000 mass incidents were reported throughout China in 2009; the vast majority of which were triggered by specific rights violations.<sup>68</sup> Recent well reported mass incidents include strikes in export processing zones, riots in Ningbo and Dalian against environmental pollution<sup>69</sup>, as well as protests against land grabbing in 2011. In 2012 in Wukan, a fishing village in the southern province of Guangdong near Hong Kong, a four-month long protest, including street marches, forced village elections and resulted in the leaders of the collective action winning county level posts.

These mainly local protests still face serious challenges and repression. They are partly a response to the lack of existing mechanisms available for authorities to adequately respond to grievances. While some public protests seem to be allowed, authorities still hold absolute control in dealing with protests and leaders of protest actions often end up spending years in jail when they are caught.

The moment the protests move beyond their locality or involve longer-term organising, they are also much more prone to repression. Fewer than half of China's 263 million migrant workers have signed labour contracts with their employers, only 14.3 per cent of migrant workers have a pension, 24 per cent of them have work-injury insurance, 16.9 per cent have medical insurance, 8.4 per cent have unemployment insurance, and only 6.1 per cent have maternity insurance<sup>70</sup>. Consequently the majority of strikes in export processing zones tend to break out spontaneously and then end abruptly after repression or some concession from the management. The temporary status of the 20 million workers in export processing zones, 70 per cent of whom are women, adds to the vulnerability of workers who dare to organise as they can be easily sent back to their home town or village.



The Foxconn workers' strikes in 2011 testify to both the success and limitations of most public protest in China: after the workers gained higher salaries, the strike leader was forced to return to his province after his temporary contract ended. Despite the difficulty of launching labour strikes, Foxconn workers protested once more in early 2013. However the potential for Chinese civil society cannot be ignored. One of the results of the global anti-sweatshop movement was that foreign-run enterprises, even Wal-Mart, have allowed the organisation of enterprise-level trade union elections, which could see the beginning of an independent labour movement.

Domestic opposition groups and individuals who might challenge the party's authority are left isolated and powerless as they belong to small, independent NGOs that are not legally recognised by the government or with very little support from inside and outside China. At the same time only the mass organisations affiliated with the government and the academe/university are seen as legitimate channels for participation. The government also looks down on independent NGOs and deems them to be lacking in expertise or knowledge. The Chinese Communist Party is still very successful in recruiting the cream of the crop of university level students into its ranks and the party is still seen by many as a ladder for promotion and achievement. Hence many NGO staff argue that if your motive is to help people and do good, you join the NGO, but if your motive is to get a high post you join the party.

Many believe that China's first social movement might develop from the ranks of the environmental sector as some of the biggest "mass actions" and civil society breakthrough like the PX incident in Xiamen in 2007 emerged from environmental concerns. Environmental groups such as Friends of Nature, Green Earth Volunteers, Global Village Beijing and Green Watershed Project are some of the key environmental groups that have broad interests. Together with other groups, they were part of the civil society groups that discussed with the government about making the 2008 Beijing Olympics observe environmental considerations. They are also starting to see the need to link their local advocacy with regional and global calls for social justice as well and they are the first to acknowledge that China is now playing a key role globally and it will be important that Chinese investments do not harm the environment where they operate abroad. However, the big environmental protests in China were not initiated by environmental NGOs. Environmental organisations are not linked with or participate in mass actions because they always operated under constraints and therefore unable or afraid to do so<sup>71</sup>.

In their paper on current resistance in China,<sup>72</sup> which examined some of the most significant labour and environmental collective action, Au Loong Yu and Bai Ruixue observed some signs that the level of organizing and repertoire of action employed by the workers are different from previous strikes. They pointed out that the workers struggle at Tonghua Steel Mill Company in Jiliao in 2009—which mobilized 30,000 workers and their families—was a protest against privatization. In this case also, the manager was killed, not just by a lone dissatisfied worker, as is usually the case, but by a large group of workers supported by most other fellow workers. The workers' violence was also widely supported by "netizens". A similar case of privatization at Linzhou Steel Company in Puyang City, saw workers lock-up their municipal government official for 90 hours. The violence showed extreme anger and desperation on the side of the workers, which was heightened by the fact that their trade union was ineffective in representing their interests, hence they acted independently.

Another big case of labour strike was in the Honda plant in Foshan in Guangdong province, which lasted for two weeks and joined by 1800 workers. What is significant in this action is the statement released by the workers, which showed a broader vision: "Our struggle to defend our rights is not just about fighting for ourselves. We are concerned about the rights of all the workers in the whole country. We want to set a good example of workers struggling for their rights."<sup>73</sup> In China today, most workers are under 20 and most have no memory of the Tiananmen events because the government made it a taboo topic. Their actions are bold and there is a growing critical view against the unions that are supposed to represent them but are not doing so.

Public opinion is increasingly mobilised by now widespread use of social media. The most heated debate and arguments on various issues are seen between online users of Weibo users. The consensus that the environmental costs of China's development must stop now is one of the constant messages there.<sup>74</sup>

Discussions on Weibo of China's "airpocalypse" or the highly toxic air pollution in Beijing and other big cities made it impossible for the government to put any spin on the situation and in fact forced it to make information of air quality public.

Chinese academia and artists are also becoming more vocal, as was shown when 303 socially engaged scholars, writers and artists argued for more freedom and a "Chinese alternative" to the neoliberal market economy in the Charter 08 open letter to the authorities.<sup>75</sup> These evolving movements could develop as a strong plank of a future social and environmental justice movement in the country. Its success in part will depend on international solidarity with Chinese groups fighting domestically for rights, land, justice, clean environment, etcetera; as well as a willingness to facilitate Chinese civil society participation in the discussion for solutions and building of alternatives locally and globally. Southern movements, particularly those in other emerging economies such as India, Brazil and South Africa need to reach out to China and Chinese groups and share experiences and proposals for common struggles for land, water, livelihoods, clean environment, security, decent wages, safe working conditions, democratic participation, human rights and so on.

## CONCLUSION

China's 12<sup>th</sup> Five Year Plan (2011–2015) established green economy as its overarching goal. Its recognition that the costs of environmental degradation (estimated by the World Bank to be between 3.5 to 8 per cent of total GDP annually and up to 12 per cent by others)<sup>76</sup> highlighted the unsustainability of China's economic model for its citizens and indeed by implication for the whole world. The fact that China, the world's second largest economy, ranks 120<sup>th</sup> in the global human security index affirms Lee's appraisal that China's market socialism in its modern form is predatory, dysfunctional and grossly inefficient system and enormously wasteful and unsustainable.<sup>77</sup>

China's rise to the top was achieved through importation of natural resources and their re-exportation in the form of value-added products for consumption in other countries, mostly in the west. In effect, China's emergence as the factory of the world is perpetuating unsustainable consumption and production patterns in industrialised countries and expanding them to the rest of the world. China's success is also intrinsically linked to the strengthening of transnational corporate power, and has therefore become a cornerstone in maintaining the current order of production and consumption and the resulting exploitation, over-consumption and planetary abuse.

Perhaps the biggest hope lies in China's nascent civil society. The seeds of alternatives are being planted by inspired individuals that are working to popularise the concept of citizens' rights, the poor urban and rural folks that defy risk of jail sentences in order to remind calloused officials that life and the environment matters more than short-term economic gains from polluting projects, workers that are fighting for decent wages and sustainable jobs, climate justice groups that are seeking for a change in the system locally and globally. These groups remain scattered and small, but over time could together with global civil society groups reshape China and the world's future.

The majority of current analyses about China's role in the changing global political economy and the deep flaws in its economic model tends to concentrate on China without locating China in the context of neoliberal globalization. Yet it is precisely the fundamental role that China plays in an unjust globalised world that makes advancing changes in China so important not just for the Chinese population but the world at

large. A change in China's system of production, wealth creation and (re)distribution is a necessary step in the quest for a socially just and ecologically viable future, both in China and beyond. This will require making alliances with ordinary people in China and both supporting and learning from Chinese social movements as they join the global struggle for alternatives.

## Endnotes

- 1 Ikenberry, G. J. (2008). The Rise of China and the Future of the West: Can the Liberal System Survive?, *Foreign Affairs*, 87(1), January/February 2008. Retrieved from <http://www.foreignaffairs.com/articles/63042/g-john-ikenberry/the-rise-of-china-and-the-future-of-the-west>
- 2 Patrick Bond defined sub-imperialism as deputy-sheriff duty for new powers such as the BRICS countries, while controlling their own angry populaces as well as their hinterlands. The eco-destructive, consumer-centric, over-financialised, climate-frying maldevelopment model throughout the BRICS works very well for corporate profits, but the model is generating crises for 99 per cent of the people and for the planet. See also Bond (2004) Bankrupt Africa: Imperialism, Subimperialism and the Politics of Finance, *Historical Materialism*, 12(4), 145-172.
- 3 Maddison, A. (2006). Asia in the world economy, 1500-2030. *Asian Pacific Economic Literature*, 20(2), 1-37.
- 4 Arends, B. (2011). IMF bombshell: Age of America nears end. Marketwatch, *The Wall Street Journal*, Retrieved November 20, 2012, from [http://www.marketwatch.com/story/imf-bombshell-age-of-america-about-to-end-2011-04-25?link=MW\\_home\\_latest\\_news](http://www.marketwatch.com/story/imf-bombshell-age-of-america-about-to-end-2011-04-25?link=MW_home_latest_news)
- 5 Shirley, A. (ed). (2012). *The Wealth Report 2012: A Global Perspective on Prime Property and Wealth*, Knight Frank Research, <http://www.thewealthreport.net/>
- 6 China to overtake US and dominate business by 2030. (2011). *BBC News*, March 24, 2011, <http://www.bbc.co.uk/news/business-12848449>
- 7 Jacques, M. (2009). *When China Rules the World, The Rise of the Middle Kingdom and the End of the Western World*. London: Allen Lane.
- 8 Sceats, S. and Breslin, S. (2012). *China and the International Human Rights System*. London: Chatham House.
- 9 Yu, J. (2012) Reassessing Chinese Society's 'Rigid Stability' Stability Preservation Through Pressure, Its Predicament and the Way Out, *Exploration and Free Views*, 9, 3-6. Published online on October 21, 2012, <http://www.aisixiang.com/data/58296.html>.
- 10 China's Peaceful Development. (2011). *Xinhua News*, [http://news.xinhuanet.com/english2010/china/2011-09/06/c\\_131102329\\_4.htm](http://news.xinhuanet.com/english2010/china/2011-09/06/c_131102329_4.htm). See also China Government White Papers, *The Path of China's Peaceful Development: What it is about?* [www.china.org.cn](http://www.china.org.cn)
- 11 Wang, J. (2011) China's Search for a Grand Strategy: A rising power finds its way. *Foreign Affairs*, 90(2) March/April 2011.
- 12 See Hart-Landsberg, M. and Burkett, P. (2005). *China and Socialism: Market Reforms and Class Struggle*. New York: Monthly Review Press.
- 13 Liu, Henry C.K. (2013). The Historical Significance of Mao", paper written for The First Annual Conference on Mao Zedong,, [www.henryckliu.com](http://www.henryckliu.com).
- 14 China Statistical Yearbook 2012, <http://www.stats.gov.cn/tjsj/ndsj/2012/indexeh.htm>
- 15 Fung, K. C., Iizaka, H., and Tong, S. (2002). Foreign Direct Investments in China: Policy, Trends and Impact. Paper presented to the international conference "China's Economy in the 21st Century", Hong Kong, on June 24-25, 2002.
- 16 Breslin, S. (2004). Capitalism with Chinese Characteristics: the Public, the Private and the International. Murdoch University Asia Research Centre, Working Paper No. 104.
- 17 China Tackling Challenges in WTO Transition, *Xinhua News*, December 11, 2004.
- 18 Lin, J. Y. (2004). Lessons of China's Transition from a Planned Economy to a Market Economy, China Center for Economic Research, Working Paper Series 03/2004., February 2, 2004.
- 19 Hannon, P. and Reddy, S. (2012). China Edges Out US as Top Foreign Investment Draw Amid World Decline. *The Wall Street Journal*, October 23, 2012.
- 20 United Nations Conference on Trade and Development, *Inward and Outward Foreign Direct Investment Stock Annual 1980 -2011*, <http://unctadstat.unctad.org/TableViewer/tableView.aspx>
- 21 Huang, Y. (2010). Dissecting the China Puzzle: Asymmetric Liberalization and Cost Distortion. China Peking University Center for Economic Research, Working Paper Series E2010003.
- 22 Trading Economics. <http://www.tradingeconomics.com/china/gdp>
- 23 Beams, N. (2012). China Slowdown Deepens Global Crisis. *World Socialist* website, August 16, 2012, <http://wsws.org/articles/2012/aug2012/pers-a16.shtml>
- 24 World Bank. *World Databank*. [www.databank.worldbank.org/databank/download/GNI.pdf](http://www.databank.worldbank.org/databank/download/GNI.pdf)
- 25 BRICS. (2013). *Joint Statistical Publication*.
- 26 China Real Time Report. (2012). *Wall Street Journal*, August 1, 2012.
- 27 New poverty line poses new challenges. (2012). *China Daily*, June 25, 2012. [http://www.chinadaily.com.cn/china/2012-06/25/content\\_15522162.htm](http://www.chinadaily.com.cn/china/2012-06/25/content_15522162.htm). China set a new poverty line in 2011 at RMB 2300 (approximately \$363), which is significantly higher than that set in 2009.
- 28 Hu, Q. (2013). 57 per cent of Groundwater Poor: MEP, *Global Times China*, June 4, <http://www.globaltimes.cn/content/786760.shtml#.Ug36MdLddy0>
- 29 Please see *Beijing Review*, 45, November 9, 2006, [http://www.bjreview.com.cn/expert/txt/2006-12/15/content\\_50890\\_2.htm](http://www.bjreview.com.cn/expert/txt/2006-12/15/content_50890_2.htm)
- 30 China acknowledged the need to address its growing environmental problem in its 9th Five Year Development Plan (1996-2000), climate change was addressed in the 11th Five Year Development Plan (2006-2011), and became a priority in the 12th Five Year Development Plan (2006-2010).

- 31 Zhang, C. and Xu, N. (2013). The Chase for Growth in Western China Could Cause Huge Surge in Pollution. *China Dialogue*, January 23, 2013, <http://www.chinadialogue.net/article/show/single/en/5632-The-chase-for-growth-in-western-China-could-cause-huge-surge-in-pollution>
- 32 *World Investment Report 2013*, UNCTAD [www.unctad.org](http://www.unctad.org)
- 33 Zhongguo zouchuqu de fazhan celue (the China Strategy of 'Going Out')
- 34 China's ODI Slows in 2011, (2012). *China Daily*, August 30, 2012, [http://www.chinadaily.com.cn/bizchina/2012-08/30/content\\_15720945.htm](http://www.chinadaily.com.cn/bizchina/2012-08/30/content_15720945.htm)
- 35 China's 2011 GDP Slows to 9.2%. (2012). *China Daily*, January 17, 2012, [http://www.chinadaily.com.cn/business/2012-01/17/content\\_14460323.htm](http://www.chinadaily.com.cn/business/2012-01/17/content_14460323.htm)
- 36 Haier Slowly Building Brand Recognition in ASEAN. (2013). *Bangkok Post*, June 24, 2013, <http://www.bangkokpost.com/business/news/356694/haier-slowly-building-brand-recognition-in-asean>
- 37 Apple iPhone Share Shrinks as China's Huawei to ZTE Lure Users. (2013) *Bloomberg News*, July 26, 2013, <http://www.bloomberg.com/news/2013-07-26/apple-iphone-share-shrinks-as-china-s-huawei-to-zte-lure-users.html>
- 38 OECD *International Direct Investment Database*, October 2012, <http://www.oecd.org/daf/internationalinvestment/investmentstatisticsandanalysis/FDI%20in%20figures.pdf>
- 39 China FTA Network, <http://fta.mofcom.gov.cn/topic/engcc.shtml>, also [www.bilaterals.org](http://www.bilaterals.org)
- 40 Nelson, C. (2011). China by the Numbers: China's Investments Abroad Jump by More than 20 per cent. US-China Business Council, September 21, 2011.
- 41 Gallagher, K. (2013) Latin America playing a risky game by welcoming in the Chinese dragon. *The Guardian*, May 30, 2013.
- 42 China's ODI surges 48% in H1. (2012). *Xinhua*, July 17, 2012, [http://www.china.org.cn/business/2012-07/17/content\\_25931835.htm](http://www.china.org.cn/business/2012-07/17/content_25931835.htm)
- 43 Shin, D. (2012). "China Investments in Africa", *China-US Focus*, November 1, 2012, <http://www.chinausfocus.com/finance-economy/chinas-investments-in-africa/>
- 44 Millner, C. (2012). Eyes on the Prize: Beijing Sets its Sights on Central Europe. *Der Spiegel*, May 18, 2012, <http://www.spiegel.de/international/europe/with-10-billion-dollar-credit-line-china-deepens-presence-in-central-europe-a-833811.html#ref=rss>
- 45 Cohen, M. (2011). China Exim Lend More to Sub-Saharan Africa than the World Bank, Fitch says. *Bloomberg*, December 28, 2011, <http://www.bloomberg.com/news/2011-12-28/china-exim-loans-to-sub-sahara-africa-exceed-world-bank-funds-fitch-says.html>
- 46 Gallagher, K., Irwin, A. and Koleski, K. (2012). *The New Banks in Town: Chinese Finance in Latin America*, Tufts University Global Development and Environment Institute. [http://www.ase.tufts.edu/gdae/policy\\_research/AnalysisOfChineseLoansInLAC.html](http://www.ase.tufts.edu/gdae/policy_research/AnalysisOfChineseLoansInLAC.html)
- 47 Sutherland, D., Mathews, B. and El-Gohari, A. (2011). An exploration of how Chinese Companies Use Tax Havens and Offshore Financial Centres. University of Oxford *TMD Working Paper Series 42*.
- 48 Rabinovitch, S. (2012). A New Way of Lending. *Financial Times*, September 23, 2012.
- 49 International Rivers. (2012). China's Global Quest for Resources and Implications for the United States. Testimony before the US-China Economic and Security Review Commissions, January 26, 2012.
- 50 China's Push to Africa is Reminiscent of the West in 18<sup>th</sup> and 19<sup>th</sup> Century. (2012). *Daily Mail* February 13, 2012, <http://www.dailymail.co.uk/news/article-2168507/Footage-shows-brand-new-Angolan-city-designed-500-000-lying-empty.html#axzz2KmTOTOBC>. An estimated 750,000 Chinese have settled in Africa over the past decade.
- 51 Millner, C. (2012). *op.cit.* <http://www.spiegel.de/international/europe/with-10-billion-dollar-credit-line-china-deepens-presence-in-central-europe-a-833811.html#ref=rss>
- 52 Batzoglou, P. and Ertel, M. (2011). Good Friends are There to Help: Chinese Investors Take Advantage of Greek Crisis. *Der Spiegel International Online*, November 6, 2011, <http://www.spiegel.de/international/europe/good-friends-are-there-to-help-chinese-investors-take-advantage-of-greek-crisis-a-797751.html>
- 53 Malig, J. (2011). Arroyo corruption scandal weakened China influence—WikiLeaks cables. August 29, 2011, *ABS-CBN News*, <http://www.abs-cbnnews.com/-depth/08/29/11/arroyo-corruption-scandal-weakened-china-influence-leaked-us-cables-say>
- 54 Large, D. (2008). China & the Contradiction of Non-Interference in Sudan. *Review of African Political Economy*, 35(115), 93-106.
- 55 Collins, G. and Erickson, A. (2012) US Navy Take Notice: China is Becoming a World-Class Military Shipbuilder. Retrieved from <http://thediplomat.com/2012/11/u-s-navy-take-notice-china-is-becoming-a-world-class-military-shipbuilder/>
- 56 China's Military Rise: The Dragon's New Teeth, A rare look inside the world's biggest military expansion. (2012). *The Economist*, April 7, 2012.
- 57 China's Military Rise: The Dragon's New Teeth, A rare look inside the world's biggest military expansion. (2012). *The Economist*, April 07, 2012.
- 58 Thompson, D. (2010). Think Again: China's Military, Its not time to panic yet. *Foreign Policy*, March/April, [http://www.foreignpolicy.com/articles/2010/02/22/think\\_again\\_chinas\\_military](http://www.foreignpolicy.com/articles/2010/02/22/think_again_chinas_military)
- 59 *Japan Focus*, April 2006.
- 60 Gaddis, J. L. (1982). *Strategies of Containment: A Critical Appraisal of Postwar American National Security*, Oxford: University Press.
- 61 Moody, A. (2012). Multipolar World on the Horizon. *China Daily*, April 5, 2012, [http://usa.chinadaily.com.cn/weekly/2012-05/04/content\\_15205396.htm](http://usa.chinadaily.com.cn/weekly/2012-05/04/content_15205396.htm)

- 62 Bello, W. (2006). Chain-gang Economics. *Foreign Policy in Focus*, October 30, [http://www.fpif.org/articles/chain-gang\\_economics](http://www.fpif.org/articles/chain-gang_economics)
- 63 Turner, S. (2009). Russia, China and Multipolar World Order: The Danger of the Undefined. *Asian Perspective*, 33(1),159-184.
- 64 UNCTAD, *World Investment Report* 2010 and 2011, [unctadstat.unctad.org](http://unctadstat.unctad.org), accessed in February 2012.
- 65 Ng, T. (2012). Rise of China's military and economic power leaves rest of world wary. *South China Morning Post*, September 20, 2012 <http://www.scmp.com/news/china/article/1040968/rise-chinas-military-and-economic-power-leaves-rest-world-wary>
- 66 see *China Development Brief*, <http://www.chinadevelopmentbrief.cn/>
- 67 Shieh, S. and Brown-Ins, A. (2013) A Special Report: Mapping China's Public Interest NGOs. *Chinese NGO Directory 2013*, *China Development Brief*.
- 68 Unity is Strength: The Workers' Movement in China 2009-2011. (2011). *China Labour Bulletin*, October, [www.clb.org.hk](http://www.clb.org.hk)
- 69 see short analysis of Ningbo and Dalian protests at: <http://chinadigitaltimes.net/2012/10/following-ningbo-protest-skepticism-of-government-remains/> and <http://www.businessweek.com/articles/2012-10-29/protests-in-china-get-a-boost-from-social-media>
- 70 China's Trade Union in Dreamland. (2013) *China Labour Bulletin*, May 31, 2013. <http://www.clb.org.hk/en/blogs/jennifer/china%E2%80%99s-trade-union-dreamland>
- 71 Ting, G. and Tao, F. (2013). China Development Brief Advocacy NGO Report. *China Development Brief*, March 2013.
- 72 Au, L.Y. and Bai, R. (2012). New Sign of Hope: Resistance in China Today. *Labourworld*, August 2012.
- 73 *Nanhai bentian gongren daibiao fachu gongkaixin* (Honda Nanhai Workers Representatives' Open Letter), June 3, 2010, <http://www.sina.com.cn>
- 74 Larson, C. (2013). Chinese Non-profits Survive and Thrive. *Bloomberg Businessweek*, June 19, 2013, <http://www.businessweek.com/articles/2013-06-19/chinese-non-profits-survive-and-thrive>
- 75 A group of 303 Chinese writers, intellectuals, lawyers, journalists, retired Party officials, workers, peasants, and businessmen have issued an open letter—the "Charter 08"—calling for legal reforms, democracy and protection of human rights in China. An English translation of the Charter, by Human Rights in China, can be viewed at <http://www.hrichina.org/content/238>
- 76 *Cost of Pollution in China: Economic Estimates of Physical Damages* (2007). Washington D.C.:World Bank and Beijing: State Environment Protection Administration P.R. China.
- 77 Lee, J. (2007). *Will China Fail? The Limits and Contradictions of Market Socialism*, Sydney: Center for Independent Studies,



The economic rise of China, India, Brazil and others has been met by most analysts in the North with a mixture of breathless excitement or fear. But what does the rise of these nations mean for local and international social movements committed to economic, social and environmental justice?

Does the emergence of a multipolar global order open up policy space for alternative economic visions and pose a necessary challenge to a US and Northern-dominated global order? Or might it instead reinvigorate capitalism and exploitation by a new constellation of corporate elites? How should social movements respond in a way that embraces needed changes to the post-colonial status quo yet supports communities struggles against the impacts of land grabbing, environmental destruction and rising inequality, this time perpetuated by emerging economy governments?

Transnational Institute's (TNI) *Shifting Power Working Paper Series* seeks to help movements navigate our changing multipolar world as well as provide an invaluable source of alternative analysis for students, analysts and journalists.

Published by Transnational Institute



The **Transnational Institute** was founded in 1974. It is an international network of activist-scholars committed to critical analyses of the global problems of today and tomorrow.



TNI seeks to provide intellectual support to those movements concerned to steer the world in a democratic, equitable and environmentally sustainable direction.



[www.tni.org](http://www.tni.org)



This series is also supported by **Focus on the Global South**, an activist think tank based in Asia providing analysis and building alternatives for just social, economic and political change.

[www.focusweb.org](http://www.focusweb.org)