

## **At the Summit of Global Capitalism: Accommodation, Rivalry, or Confrontation between the US and China?\***

**Walden Bello**

China had become the centre of global capital accumulation or, in the popular image, the 'locomotive of the world economy', accounting for 28 per cent of all growth worldwide in the five years from 2013 to 2018, more than twice the share of the United States, according to the International Monetary Fund<sup>i</sup>.

In 2020, China's economic recovery from the impact of the coronavirus pandemic earlier in the year made it the only major economy to register a positive growth rate<sup>ii</sup>. But beyond economics, Beijing was making a bid for global political and ideological leadership as Washington 'turned away' from the world during the Trump years, faulting the US's traditional allies with taking advantage of its 'generosity', radically tightening immigration rules, and declaring a trade war on China. The US has a new president, but Joe Biden is not likely to change course from Trump's when it comes to China.

Democrats and Republicans may be at each other's throats on other issues but they are united in militantly confronting China. There are many facets to the story of China's rise to the top rank of global capitalism - this account will focus on the evolution of China's relationship with US capital, choosing, for reasons of space, not to cover some other key dimensions, such as China's relations with the global South and the much discussed Belt and Road Initiative .

### **THE COLLAPSE OF THE SOCIAL DEMOCRATIC COMPROMISE**

Through all the turbulent years of the Kennedy and Johnson administrations in the 1960s, a prosperous America anchored in a social compromise between capital and labour, and a political regime dominated by Big Government, Big Capital, and Big Labour, as these actors were popularly known, seemed destined to endure. This was the basis of the social contract known as the 'New Deal', which the French economist Thomas Piketty characterized as a 'bargain basement social democracy'<sup>iii</sup>.

Conservative economists saw the social democratic New Deal constraints on corporate profitability as the central cause of stagflation, and their narrative provided legitimacy to the rising ideology of neoliberalism, whose main objective was to radically raise the rate of profit by reversing wage growth, cutting transfer payments from the rich to social security programmes for workers, and destroying the political power of labour.

### **THE NEOLIBERAL OFFENSIVE**

The neoliberal response to the crisis of profitability also included financialization, or shifting much investment to the speculative sector of the economy, where much greater profits could be made

and globalization, a key thrust of which was shifting manufacturing operations to places where capital could extract much greater value from workers who could be exploited at much lower wages than in the US.

Income redistribution included lowering the marginal tax rate on the highest incomes from 91 per cent in 1950-63 to 39.6 per cent in 1987- 2002<sup>iv</sup>, and a decline in the share of wages in national income from close to 60 per cent in 1977 to around 55 per cent in 2011<sup>v</sup>.

### **CRISIS OF LEGITIMACY IN CHINA**

Compared to the growth of its East Asian neighbours, China in the 1970s was experiencing modest growth. After over 25 years of 'line struggles' that had caused tremendous social upheavals, people were exhausted with politics: the Chinese Communist Party (CCP) was experiencing a crisis of legitimacy, and key people in the leadership were seeking an alternative to the Maoist utopianism that had led to the chaos of the Cultural Revolution.

'For the Chinese leaders the message was clear', according to two of the most authoritative students of the Cultural Revolution, 'they had to embark upon a policy of rapid economic growth to make up for lost time and to re-legitimize CCP rule. They had to abandon Maoist utopianism in favor of building the strong and prosperous nation of which they had dreamed when they joined the nascent CCP in the 1920s. Otherwise the CCP itself might not last. So "practice," not ideology – not Marxism-Leninism, not Mao Zedong Thought – became the "sole criterion of truth." If it worked, it would be done.'<sup>vi</sup>

### **ROSA LUXEMBURG AND THE CHINESE PUZZLE**

In her book, *The Accumulation of Capital*<sup>vii</sup>, Luxemburg argued that a central dynamic of capitalism is to integrate pre-capitalist or non-capitalist areas of the world, for three reasons: to acquire sources of raw materials for industry, to serve as markets to absorb surplus production from the central capitalist economies, and to access cheap labour to counter the rising cost of labour in the central economies. Of the three, the third is the most critical since labour-power is the source of surplus value and profits.

The 'runaway shop' phenomenon began in the seventies, with transnational corporations setting up operations to exploit cheap labour in the largely non-unionized American South and in developing countries like Mexico, Central America, South Korea, the Philippines, and Thailand. But rural labour reserves in these countries were too limited to depress urban wages for an extended period of time, and they were integrated into a global economy where there were strong market pressures to equalize wage rates across countries, so that the ability of TNCs to extract super-profits abroad to counter the decline in the rate of profit at home by moving to these areas was limited. The entry of China into the global labour market in the late 1980s was, however, a different story.

China was a massive non-capitalist enclave sealed off politically and economically from global

capitalism from 1949 to the late seventies. Be that as it may, China began moving away from socialist priorities towards a guarded embrace of market incentives after the death of Mao in 1976. Market relations were tried out first in the countryside, and when these promoted quickening rural growth, the focus shifted, in 1984, to subjecting state enterprises to market reform, and then, in the late eighties and early nineties, to opening the country to international market forces and foreign investment.

## **THE BIRTH OF THE CHINA-TNC ALLIANCE**

There is a school of thought that heaps the blame for the woes of US labour on China<sup>viii</sup>. What these economists forget is that US TNCs played an active, central role in creating the Chinese economic dragon. As pointed out above, US TNCs had begun moving industrial processes in earnest to cheap labour areas like the American South, Mexico, and Southeast Asia in the mid-seventies. From their perspective, China in the late 1980s was merely their latest potential pawn in their struggle with US labour. But as they witnessed adventurous overseas Chinese enterprises from Hong Kong, Taiwan, and Southeast Asia begin to invest in Southeastern China and reap huge profits from cheap mainland Chinese labour, US corporations gradually became aware of the momentous implications of China's trade and investment opening for the problem of their declining profits.

Investment in China, along with neoliberal restructuring and financialization at home, contributed to halting the precipitous decline of profitability, with profit rates for US corporations climbing from a post-war nadir of 6 per cent in the early eighties to close to 9 per cent in the early mid-2000s<sup>ix</sup>. What TNC executives came to call enthusiastically the 'China price' made a major difference to the corporate bottom line, and from \$30 to \$40 billion a year in the mid-1990s, the stock of US investment in China had climbed to \$107.6 billion by 2019<sup>x</sup>.

Nor did the transnational corporations disappoint China. While investment directed at production for local consumption accounted for the bulk of total investment, investment from abroad for production for export was a decisive element in China's capital accumulation. Foreign Direct Investment played a much larger role in the capitalist industrialization of China not only than in Europe and the United States, but also in its East Asian neighbours.

China fulfilled most of its WTO commitments on time, and foreign businesses immediately benefited from the measures that followed China's accession<sup>xi</sup>, so that by 2003, 'roughly 70 per cent of US firms surveyed in China reported that Chinese domestic reforms had improved their business climate "to a great extent" or "to a very great extent"'. Corporate America's support for strong trade and investment ties with China would remain firm through succeeding administrations until the Trump presidency, when some actors would start peeling off, owing to fears of China's stealing a march on them in advanced technologies.

While the China-US TNC alliance was based on mutual interest, their strategic goals were different. The TNCs were out to exploit Chinese labour for super-profits. China offered its manufacturing labour force for exploitation, but its goal was to gain the investment and

technology needed to comprehensively develop the economy. As Leo Panitch and Sam Gindin pointed out, in pursuit of its strategic goal the Chinese leadership used foreign investment as a substitute for a domestic capitalist class. Indeed, in the halcyon years of the first decade of the twentieth century, they favoured foreign over domestic capital, this preference being ‘expressed in various ways, including the tax system, subsidies, trade regulations, and access to finance’.<sup>xii</sup>

At some point in the future, however, when China would have built up its industries and begun a self-sustaining process of developing advanced technology, the common interest that originally propped up the alliance would be superseded. Beijing, however, had seen this divergence from the very beginning, and was confident of being able to manage foreign capital precisely because it was, to a degree not paralleled by any other country, largely independent of foreign capital and its main protector, the US government.

### **THE CHINESE MOMENT AND WHAT PRODUCED IT**

In the interval, the alliance between corporate America and China’s communist party elite made possible the swiftest rise in history of a nation state from a marginal status in the global capitalist economy to its very summit – the latter moment marked by President Xi Jinping’s appearance in Davos in January 2017 to claim the mantle of being the leader of globalization.

Several conditions external to China facilitated this phenomenal ascent. First was the fact that China appeared on the scene as the provider of the cheapest accessible labour in the world. Second, China’s emergence as an export-led industrial power coincided with the TNCs perfection of a revolutionary way of dispersing the different phases of production according to the complementary logics of labour cost reduction, locational advantage, and fiscal advantage, to gain maximum profitability, a process that came to be known as ‘global value chains’

China also benefited from the reduction of tariffs and elimination of quotas that came with the establishment of the World Trade Organization, which China joined, with the US virtually acting as wedding sponsor, in 2001.

### **A CAPITALIST POWER SUI GENERIS**

There was no doubt that even as Chinese leaders continued to describe China’s political economy with variants of Deng Xiaoping’s ‘Socialism with Chinese Characteristics’, by the end of the second decade of the twenty-first century China was a capitalist country<sup>xiii</sup>. While departing from central planning, the Chinese state did not follow the Northeast Asian developmental state model that restricted, if not banned, foreign investment in the domestic market. Most economic sectors were opened up to competition among state-owned enterprises, private businesses, and foreign investors, with regulation devolved to local authorities. In contrast, in sectors considered strategic from the point of view of national security, national interest, or overall ‘national competitiveness’, large-scale foreign investment was managed in ways that enabled the state ‘to

transfer foreign technology, increase the national technology base, encourage indigenous technology and production capacity, and promote domestic business<sup>xiv</sup>.

In other words, China allowed foreign investors to come in and exploit its labour and its market, and permitted market forces to reign in most sectors of the economy, but made sure that when it came to strategic, cutting-edge technologies, the TNCs would turn these over. Given the massive pullback of the state from large swathes of the economy, it is understandable that China's political economy has been described by David Harvey as 'neoliberal with Chinese characteristics'<sup>xv</sup>.

## **CHINA'S RULING CLASS AND ITS FACTIONAL STRUGGLES**

This brings us to the question of who rules China? Privatization and the opening to the world have made many Chinese rich, but one can hardly characterize these capitalists as constituting a ruling class. They may individually be exceptional, but their political power and even economic weight is extremely limited, a reality underlined by President Xi Jinping's scuttling of Ma's Ant Group's initial public offering of \$37 billion in November 2020, after Ma made a speech critical of China's economic authorities<sup>xvi</sup>. The truth is that China's capitalists live with constant apprehension of what the real bosses might do to them should they incur their displeasure, as Ma did. China's real boss, its ruling class, is the Chinese Communist Party. Rather than engage in theoretical debates revolving around an ideal-typical capitalist ruling class, one should begin with the concrete facts about the CCP.

First, the basic fact is that its situation is not that of a political elite responding to a national capitalist class that has led the way in creating a capitalist economy. Rather, it is a political elite that has led the development of a capitalist economy in partnership with foreign capital, creating, as a by-product, a national capitalist class dependent for its survival on the elite's power to protect and advance its interests on the global stage. Second, this elite had a strong material presence in the productive process via its control of some 150,000 state-owned central and provincial enterprises that competed and checked the private sector domestically, some of which were in the vanguard of the economy's global expansion<sup>xvii</sup>. Third, the state elite controlled instruments which were as powerful as market forces in guiding the development of the economy: the array of technocratic fiscal, monetary, and trade policy tools that it had adopted from the west but joined to a mercantilist, nation state-centred perspective. The CCP was not, in this sense, qualitatively different from the Japanese, Korean, and Taiwanese developmental states. They were all examples of bureaucratic elites that spawned their capitalist classes.

The difference lies in the degree of autonomy it had from the capitalist classes it created, and one might say that among its neighbouring Asian states the CCP elite's autonomy was the greatest.

Suffice it to say here that Xi Jinping, who emerged from the coastal export-oriented lobby, has

made a determined push to be seen as a unifying leader of all factions since he became president in 2012.

## **UNBALANCED CAPITALIST DEVELOPMENT**

Like its East Asian neighbours whose route it followed as a fast-growing export-oriented economy, China's breakneck capitalist development has been marked by severe imbalances. Economists have estimated that environmental degradation and pollution cost the Chinese economy the equivalent of 3 to 10 per cent of GDP owing to workdays missed, crops lost to pollution and contamination, a decline in tourism, and other problems. A recently published retrospective analysis by the Chinese Academy of Sciences placed the figure higher, at 13.5 per cent of GDP in 2005<sup>xviii</sup>.

China's breakneck capitalist growth, relying on cheap labour, has had two contradictory effects on the socio-economic conditions of its people. On the one hand, the proportion of people living in extreme poverty declined from 88 per cent in 1988 to 2 per cent at present<sup>xix</sup>. Research by Branco Milanovic, one of the world's leading experts on inequality, shows that in the period 1988 to 2008, income inequality in China rose far more rapidly than in any other region in the world<sup>xx</sup>.

Estimates of China's Gini Index or Gini Coefficient, the most commonly used measure of inequality, range from 0.47, the government's estimate, to 0.55<sup>xxi</sup>. As Arthur Kroeber notes, 'If we accept the government's figure, China's income inequality is substantially greater than all developed countries.'

Class-related inequality has recently been joined by gender-related inequality as a great source of concern. Ironically, as China has become more prosperous, the gap between women's incomes and economic status and those of men has increased. With the headlong rush towards capitalism, the earnings of women went down from 80 per cent of those of men at the start of the reform era to 67 per cent in the cities and 56 per cent in the countryside<sup>xxii</sup>.

China is also burdened with an overcapacity problem, especially in heavy industry and many medium industries. There has been significant overcapacity in the steel, iron, aluminum, and automobile industries, leading to practically flat prices and causing some analysts to say that China is now suffering from 'industrial deflation'.<sup>xxiii</sup> Since China accounts for a great part of global production and trade in heavy goods, its surpluses in these goods have brought down global prices, contributing to global deflationary pressures in the capital goods sector.

Overcapacity is a symptom of overaccumulation, and it is a product of the Chinese way of capitalism. Excessive investment stemmed from the decentralized economic strategy where local areas were given a great deal of autonomy in investment decisions.

To solve the overcapacity problem, China has tried to shut down the less efficient enterprises and 'rationalize' the remainder. This is, however, easier said than done, because officials are

scared of provoking worker unrest, since the ability to maintain social stability is one of the key justifications used by the Communist Party for its continued political dominance.

Overcapacity brings down prices, bringing down profits throughout an industry. Calculations of the levels of debt of the public and private corporate sector in China are not easy to come by, but according to the consulting firm McKinsey, China's companies went from owing \$3.4 trillion to \$12.5 trillion between 2007 and mid-2014, 'a faster buildup of debt than in any other country in modern times'.<sup>xxiv</sup>

## **CRISES OF GROWTH VERSUS CRISES OF DECLINE**

China undoubtedly has mounting problems. In fact, dislocations created by breakneck industrialization have triggered mass protests throughout China. Protests range from rural actions against land grabs by local authorities in rural areas, to workers' strikes and environment-related mobilizations. While repression appears to be the dominant response to peasant protests, there have also been concessions, such as 'people's centred governance' focused on providing better social welfare benefits and restraining local officials during the Hu Jintao-Wen Jiabao era.

Authorities have been more careful in the cities, where tactical tolerance and concessions have also been part of the government response. While there were reports of protesters and activists being arrested, one analyst monitoring workers' actions said there were 'far too many protests to crack down on' and in most cases the police didn't get involved.<sup>xxv</sup> Owing to its large support from the middle class, the government is perhaps more sensitive in the area of the environment than in its handling of labour and peasant protests.

The government's oscillation between the iron fist and the velvet glove reflects its nervousness about manifestations of instability. In fact, the Communist Party is obsessed with stability, which is the reason party and government officials often go to great lengths to ensure that worker discontent does not spill out into the streets, by making concessions such as keeping loss-making state enterprises on life support.

The crises in China might be said to be 'crises of growth' stemming from rapid industrialization. The situation is different from the United States, where the crises might be labelled 'crises of decline'. The US's crises are directly related to the rise of China.

Employment in manufacturing dropped to 11.7 million in October 2009, a loss of 5.5 million or 32 per cent of all manufacturing jobs since October 2000. The last time fewer than 12 million people worked in the manufacturing sector was right before the beginning of the Second World War, in 1941. In October 2009, there were more people officially unemployed than were working in manufacturing.<sup>xxvi</sup>

Relocating to China was a central contributor. Contrary to neoliberal claims, a landmark study concluded that in the US, 'adjustment in local labor markets is remarkably slow, with wages and

labor-force participation rates remaining depressed and unemployment rates remaining elevated for at least a full decade after the China trade shock commences. Exposed workers experience greater job churning and reduced lifetime income. At the national level, employment has fallen in US industries more exposed to import competition, as expected, but offsetting employment gains in other industries have yet to materialize.<sup>xxvii</sup>

The 'China Shock' is estimated, conservatively, to have led to the loss of 2.4 million American jobs. This, in turn, was one of the triggers of the 'Trump Shock' – Donald Trump's election to the presidency in 2016, owing largely to his winning key deindustrialized mid-western states.

## **IDEOLOGICAL DISILLUSIONMENT IN THE UNITED STATES**

Stagnant incomes, worsening income distribution, and a strong sense that Democrats no longer represented their interests, but those of the highly educated and minorities, opened the white middle and working classes to mobilization by the far right. For all intents and purposes, the US is today in a state of undeclared civil war, and the reason is not just economic pain caused by neoliberal policies but intense political polarization on racial lines and the loss of the glue provided by a common ideology.

Societies have ideologies that cut across social classes, and when they can no longer do that, that has international implications. In the United States, the ideology that performed that function had two prime manifestations. One was the so-called 'American Dream', or the Horatio Alger myth, that was based on the deeply held belief that the society's class structure was fluid and that if one worked really hard one could rise above the class in which she or he was born. The other was the centrepiece of the US's engagement with the world, the sense that the mission of America was to spread democracy, American-style, around the globe.<sup>xxviii</sup>

By the end of the first decade of the twenty-first century, evoking these two fundamental ideological pillars of domestic solidarity and international hegemony could only evoke great skepticism. Except perhaps for immigrants, the American Dream vanished in the aftermath of the 2008 financial crisis and its terrible toll of millions of house foreclosures. The spreading-democracy myth was dealt a severe blow by the Vietnam War, and an attempt to resurrect it as a justification for the invasion of Iraq in 2003 evoked universal disapproval. By the middle of the second decade of the twenty-first century, the thrust of domestic consciousness was no longer outwards but inwards, and Trump's 'America First' rhetoric fit the mood of much of the country, though the left and the right differed in what the inward turning should focus on..

## **CRAFTING A NEW IDEOLOGY IN CHINA**

In contrast, China, though it had tensions associated with breakneck industrialization, was not suffering from polarization. On the international front, as Trump proclaimed 'America First' and alienated the US's traditional allies with accusations that they were taking advantage of the US, Xi saw an opportunity and dashed off to major international meetings in a bid for global political and ideological leadership. At Davos, the Mecca of global capitalism, in January 2017, Xi



confidently stated that ‘the global economy is the big ocean you cannot escape from’, and in which China had ‘learned to swim’<sup>xxxix</sup>. He called on world political and corporate leaders to ‘adapt to and guide globalization, cushion its negative impacts, and deliver its benefits to all countries and all nations’.

More than this, Xi offered to back up his words with the \$4 trillion Belt and Road Initiative (BRI). Evoking the fabled ‘silk routes’ through which trade between China and Europe was carried out in early modern times, The BRI was mainly an effort to solve the pressing problem of overcapacity.<sup>xxx</sup> But, in a classic case of translating crisis into opportunity, Xi turned it into a beacon in China’s push for global political and ideological leadership.

## **RESHAPING THE MULTILATERAL ORDER**

US hegemony has been mediated by supra-national, ‘multilateral’ institutions, where Washington has provided political and ideological leadership by virtue of its economic primacy. These institutions might be said to serve as the political canopy of global capitalism, setting the rules of monetary exchange, finance, trade, investment, and development assistance that participants in the system need to conform to on pain of incurring economic and, sometimes political, sanctions. The three key institutions of what came to be called the ‘Bretton Woods system’, were the International Monetary Fund , the World Bank, and the World Trade Organization .

The IMF was associated with the imposition of austerity programmes not only in the global South, but also in Europe following the 2008 global financial crisis. The World Bank had gained the reputation of being the most aggressive institutional advocate of neoliberal policies, and the failure of those policies, as shown by the increase in poverty in parts of the global South and the sharp rise in inequality throughout the South, had so discredited them that even economists who had led in formulating them disowned them<sup>xxxix</sup>. As for the WTO, owing to its loss of control of decision-making, partly because China added heft to the weight of developing countries, in the mid-2000s the US abandoned it as a means of trade liberalization and the enforcement of intellectual property rights, and brought the organization to a standstill and irrelevance by vetoing appointments to its key dispute settlement mechanism.<sup>xxxix</sup>

As the Bretton Woods system faltered, China was in the process of participating in creating an incipient alternative multilateral system. Four key institutions were set up, with Beijing making a central contribution to each: the Asian Infrastructure Investment Bank (AIIB), the New Development Bank, the Contingent Reserve Arrangement (CRA), and the Regional Comprehensive Economic Partnership (RCEP).

While some have interpreted these moves as China’s effort to supplant the US-dominated multilateral system, Beijing has moved carefully on these initiatives, reflecting the same caution that it has displayed on the matter of promoting the renminbi as a reserve currency. Hung asserts that China’s effort to build multilateral banks ‘should be seen not as a challenge to the existing system of international finance, but as a way to supplement that system that allows China to

sacrifice some of its discretionary power to obtain the cover and legitimacy that other participating countries can provide'.<sup>xxxiii</sup> To allay concerns among the Americans and Europeans, Beijing points out that it has relied on the advice and cooperation of the IMF and the World Bank in setting them up.

The Chinese are obviously trying to dampen expectations about these institutions since it does not want to be burdened with responsibilities that would be foisted on it should it be perceived as being out to replace the Bretton Woods institutions. So rather than being displaced or taken over by the Chinese, these organizations are likely to just limp along, providing some ideological competition to the Chinese by promoting a private enterprise- led as opposed to a state-led path of development, but unable to compete with them when it comes to resources.

## **STRATEGIC COMPETITION**

If there is one area where the United States still enjoys an overwhelming advantage over China, it is on the strategic front. In his speech at the nineteenth National Congress of the Communist Party of China on 18 October 2017 – the famous 'Chinese Dream' speech – Xi Jinping laid out a three-stage schedule for China's military modernization, ending at mid- century with the transformation of the military into 'world class forces' that could 'manage crises, and deter and win wars'.<sup>xxxiv</sup>

Since the 1990s, the Pentagon has sounded warnings that China was set to become the US's strategic rival. Its concerns were, however, always placed second to the priority of Washington's political and business elites to integrate China into the global economy. With Trump's accession to power, however, China was defined not only as a competitor but as an antagonistic competitor.

How do the United States and China's armed forces compare today? In 2019, US military expenditures were about three times more than China's, \$732 billion to \$261 billion. Military spending by the US was 5.3 per cent above its level in 2018, while that of China was up by 5.1 per cent.<sup>xxxv</sup> US officials now routinely describe China as a 'Near Peer Competitor'.<sup>xxxvi</sup> This is grossly inaccurate, if we use non-partisan indicators.

Even the Pentagon does not dispute Beijing's strategic posture as 'strategic defense' which 'is rooted in a commitment not to initiate armed conflict, but to respond robustly if an adversary challenges China's national unity, territorial sovereignty or interests'.<sup>xxxvii</sup> The US strategic posture, on the other hand, is offensive. It has three key components.

China's strategic dilemma is that large parts of the US military forces in the Western Pacific lie right on its doorstep, entrenched in bases on the so-called 'First Island Chain' or at sea in the forward deployed US Seventh Fleet. Most of China's industrial infrastructure and population are located in the country's southeastern and eastern coasts and thus are very vulnerable to US power in the event of conflict.

China's response to this dilemma has been to push its defenses outwards, placing anti-access, anti-denial weapons in maritime formations it seized in the South China Sea from countries like the Philippines. These moves have been justified unilaterally by saying that 90 per cent of the South China Sea belong to China. China's claim to 90 per cent of the South China Sea is illegal and violates the rights of five other countries that border that body of water, but, from a strategic point of view, Beijing believes it is its only option.<sup>xxxviii</sup>

Be that as it may, US-China jockeying for power in the South China Sea is creating a very explosive situation, since there are no rules of the game except an informal balance of power, and resorting to balance of power as a regulator of conflict is quite unreliable, as was seen in the case of the European balance of power that resulted in the First World War.

Xi Jinping's estimate at the nineteenth Congress that it will be in mid-century that China will have 'world-class forces' that can match those of the United States has perhaps unwittingly given the Pentagon a sense that it has at most a thirty-year window of opportunity – and most likely less – to do something. Graham Allison, the dean of the American security studies establishment, contends that China and the US are on a 'collision course for war – unless both parties take difficult and painful actions to avert it'.

*\*This article is a summary. You can read the the full article on the The Socialist Register 2022, which can be purchased [here](#).*

---

<sup>i</sup> John Kemp, 'China Has Replaced the US as Locomotive of the Global Economy', Reuters, 5 November 2019.

<sup>ii</sup> Jonathan Cheng, 'China is the only Major Economy to Register Economic Growth for 2020', Wall Street Journal, 18 January 2021.

<sup>iii</sup> Thomas Piketty, *Capital and Ideology*, Cambridge: Harvard University Press, 2020, p.490.

<sup>iv</sup> James Pethokoukis, 'Why We Can't Go Back to Sky-High, 1950s' Tax Rates', AEIdeas, 18 April 2012.

<sup>v</sup> Anwar Shaikh, *Capitalism: Competition Conflict, Crises*, New York: Oxford University Press, 2016, p. 664.

<sup>vi</sup> Roderick Macfarquhar and Michael Schoenhals, *Mao's Last Revolution*, Cambridge: Harvard University Press, 2006, p. 2

<sup>vii</sup> Rosa Luxemburg, *The Accumulation of Capital*, New York: Monthly Review, 1951

<sup>viii</sup> For instance, the much read book by Matthew Klein and Michael Pettis, *Trade Wars are Class Wars*, New Haven: Yale University Press, 2020

<sup>ix</sup> Shaikh, *Capitalism*, p. 66

<sup>x</sup> United States Trade Representative, *2019 National Trade Estimate Report on Foreign Trade Barriers*, Washington, DC: USTR, 2019

<sup>xi</sup> Yeling Tan, 'How the WTO Changed China', *Foreign Affairs*, March-August, 2021

<sup>xii</sup> Leo Panitch and Sam Gindin, *The Making of Global Capitalism: The Political Economy of American Empire*, London: Verso, 2013, p. 296

<sup>xiii</sup> Klein and Pettis, *Trade Wars are Class Wars*, p. 25.

<sup>xiv</sup> Roselyn Hsueh, *China's Regulatory State: A New Strategy for Globalization*, Ithaca: Cornell University Press, 2011, pp. 3-4

<sup>xv</sup> David Harvey, *A Brief History of Neoliberalism*, Oxford: Oxford University Press, 2007

<sup>xvi</sup> 'Chinese President Xi Personally Halted \$37 bn Ant IPO', Al Jazeera, 20 November 2020

<sup>xvii</sup> Arthur Kroeber, *China's Economy*, New York: Oxford University Press, 2016, pp. 99.

- 
- <sup>xviii</sup> Walden Bello, *China: An Imperial Power in the Image of the West*, Bangkok: Focus on the Global South, 2019, pp. 158
- <sup>xix</sup> Max Roser, 'The global decline of extreme poverty – was it only China?', *Our World in Data*, 7 March 2017.
- <sup>xx</sup> Kroeber, *China's Economy*, p. 197
- <sup>xxi</sup> Kroeber, *China's Economy*, p. 197
- <sup>xxii</sup> Amy Qin, 'A Prosperous China Says 'Men Preferred,' and Women Lose', *New York Times*, 16 July 2019.
- <sup>xxiii</sup> Nathaniel Taplin, 'Chinese Overcapacity Returns to Haunt Global Industry', *Wall Street Journal*, 10 January 2019
- <sup>xxiv</sup> McMahon, *China's Great Wall of Debt: Shadow Banks, Ghost Cities, Massive Loans, and the End of The Chinese Miracle*, Boston: Mariner Books, p. 31.
- <sup>xxv</sup> Terry Shelton and Jason Fang, 'China's economic downturn leads to increased worker protests and strikes across the country', *ABC News*, 16 February 2019.
- <sup>xxvi</sup> Richard McCormack, 'The Plight of American Manufacturing', *The American Prospect*, 21 December 2009
- <sup>xxvii</sup> David H. Autor, David Dorn, Gordon H. Hanson, 'The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade', *National Bureau of Economic Research Working Paper*, No 21906
- <sup>xxviii</sup> Frances Fitzgerald, *Fire in the Lake*, New York: Random House, 1973, p. 116
- <sup>xxix</sup> President Xi's Speech to Davos, Jan 26, 2017
- <sup>xxx</sup> See the extensive discussion of the BRI in Bello, *China: An Imperial Power*, pp. 54-66
- <sup>xxxi</sup> See the mea culpa of the Oxford economic guru Paul Collier, who headed the World Bank's Research Development Department from 1998 to 2003, in his *The Future of Capitalism*, London: Penguin, 2018
- <sup>xxxii</sup> See Walden Bello, 'Good Riddance to the WTO', *Foreign Policy in Focus*, 20 December 2019
- <sup>xxxiii</sup> Ho-Fung Hung, 'China and the Global South', in *Fateful Decisions: Choices that will Shape China's Future*, Thomasingar and Jean Oi, eds, Palo Alto: Stanford University Press, forthcoming, p. 31
- <sup>xxxiv</sup> Xi Jinping, 'Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era', Speech delivered at the 19th Party Congress of the Chinese Communist Party, Beijing, 18 October 2017, pp. 48-9.
- <sup>xxxv</sup> Matthew Schwartz, 'Global Military Spending is Up, Driven by Two Stop Spenders – the US and China', *National Public Radio*, 29 April 2019.
- <sup>xxxvi</sup> Dan Grazier, 'The Chinese Threat is Being Inflated to Justify More Spending', *Defense News*, 17 February 2021
- <sup>xxxvii</sup> US Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2019*, Washington, DC: Department of Defense, 2019, p. 27.
- <sup>xxxviii</sup> The only viable peaceful solution to conflicts in the area lies in multilateral negotiations among China and the Southeast Asian countries towards demilitarizing and denuclearizing the area that would demand compliance from third parties like the United States.