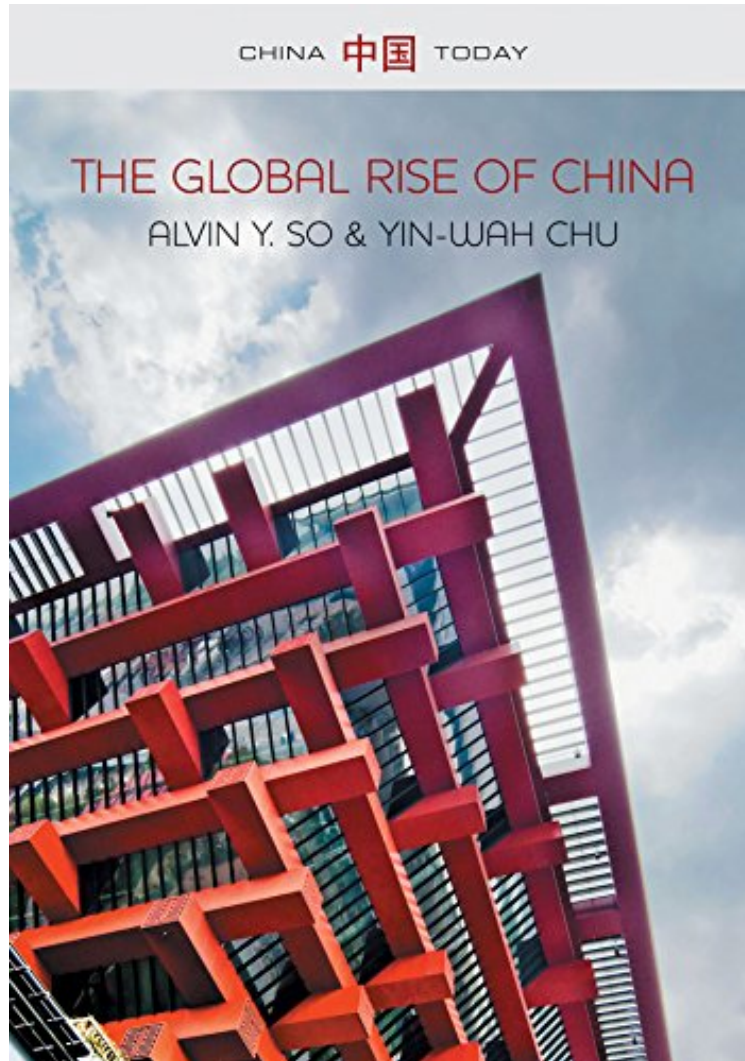


[Mobile ebook] The Global Rise of China (China Today)

## The Global Rise of China (China Today)

*Alvin Y. So, Yin-Wah Chu*  
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**Alvin Y. So, Yin-Wah Chu : The Global Rise of China (China Today)** before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Global Rise of China (China Today):

1 of 2 people found the following review helpful. It's Time To Look More Closely at China's Model of Economic Development By Loyd Eskildson China is the world's largest exporter and second largest importer. In 1980s, it commanded only 1% of global GDP, in 2010 this was up to 9.1% of a much larger figure. En route, China has passed the U.S. to become the world's largest auto market, in units sold, if not dollar value as well. It has also passed Germany as the largest exporter of manufactured goods. In 2010 China overtook Japan as the second largest economy, and is now thought to be the world's largest in terms of purchasing power parity (PPP). In 2009 it had a \$265 billion trade surplus with the U.S, and its foreign reserves are nearly \$3 trillion - again, the world's largest. Advancing countries now have two models to choose from - 'the (traditional) Washington Consensus' and the newer 'China

Model. Prior to China's rise its political control oversaw marriage, culture, economic policy, Land Reform, Collectivization, and the Cultural Revolution. The fading of the Cold War provided a pre-condition for China to re-enter the world economy (China could be a new power to counterbalance Soviet military expansion and Japanese economic expansion in East Asia), and the success of the Asian NIEs provided the incentives for Chinese leaders to pursue developmental objectives, while the passing of the old generation and the occurrence of natural disasters provided triggering events to overcome the inertia of the status quo. The great success of economic reforms in the agricultural sector (crop output growth was 2.5% per year during 1954-1978, rising to 5.9% during 1978-1984) further empowered the Chinese state to develop various other developmental strategies in other areas. Further, since China was still mostly agricultural (75%), the state could achieve rapid growth rates by taking labor out of agriculture and putting it to work in industry. Its Maoist legacy of 'self-reliance' resulted in a debt-free economy for pre-reform China. The Maoist legacy also provided rural infrastructure to carry out economic reforms - reservoirs were constructed, irrigation systems strengthened, and drainage networks improved. Further, during the disastrous Great Leap Forward, rural industries and enterprises were set up in the communes - local officials accumulated managerial experience both running communes and town enterprises. The CCP also implemented decentralization/local development, mobilizing diaspora capitalists, and controlled labor migration. Attracted by the fiscal policy of decentralization through which local governments could keep part of the tax revenue, local governments quickly engaged in market activities - TVEs not bound by the central plan and free to seek out market opportunities. The local cadres created a favorable environment so nascent business did not have to fear being condemned as 'blood-sucking capitalists exploiting workers.' This also allowed a great number of surplus rural laborers to enter TVE without moving into the city. Before 1978, Chinese diaspora capitalism thrived in Hong Kong, Taiwan, Singapore, and overseas Chinese communities. At first Hong Kong accounted for the bulk of China's FDI and foreign trade. By the early 1990s, Taiwan became the second largest trading partner and investor for Mainland China. Special policies such as taxation concessions and preferential treatment regarding importation of necessary equipment and handling foreign currency helped attract foreign investment. A special office was set up by the county government to serve Hong Kong investors with efficient personnel and simplified bureaucratic procedures. The general pattern was that design and marketing were handled in Hong Kong (and other locations outside Mainland China), with labor intensive processes performed in China. It also became common for migrants returning from urban areas to bring savings, skills, and business contacts to start or invest in small businesses. In the late 1970s, the Chinese state increased procurement prices for agricultural products, encouraged peasants to engage in cash crop and rural industrial production. These successes gave more confidence to work on more complicated urban reforms in the 1980s. (17) From 1979 to 1990, China's annual average growth rate was 9%, then increased to 10.4% through 2010 - a dramatic contrast with other transitional economies in Eastern Europe and the former Soviet Union. Within 40 years, China's GDP rose 18.6 times. Contrary to the assumption that China is limited to labor-intensive, low-tech, sweatshop export production, Microsoft, Oracle, Motorola, Siemens, IBM, Intel, and a number of pharmaceutical firms have set up research laboratories in China - partly due to its large reservoir of skilled but inexperienced scientists. It now competes with South Korea, Japan, Taiwan, and Singapore in electronics and machine tools. China became the largest producer of many key industrial and agricultural products by 2007, including rolled steel (566 million tons), coal (2.5 billion tons), and personal computers (121 million). About 2/3 of the increase in Chinese exports in the past 12 years can be attributed to non-Chinese-owned global companies and their joint ventures. Foreign-owned global corporations account for 60% of Chinese exports to the U.S. In 2004, Wal-Mart was China's 8th largest trading partner - ahead of Russia, Australia, and Canada. When the CCP took power in 1949, hyperinflation in the late 1940s and wars, backwardness, and infighting between the communists and nationalists had limited per capita income to about 100 yuan, making it one of the poorest countries in the world. Life expectancy at birth was around 36 and no more than 25% completed primary education. A potential crisis vs. Taiwan and participation in the Korean War led to an economic embargo on mainland Chinese products; until 1971, China was also barred from the United Nations. This left China with no recourse but autarky and leaning towards the Soviet bloc. From 1952 to 1977, defense spending on average accounted for 5.5% of China's GDP. Families and kinship have played a positive role in China's recent economic surge. Loyalty to the family is a very strong source of motivation and performance. For the sake of the family, young Chinese study diligently, pursue advanced education, and strive to maximize their qualifications. Once in a job, they are willing to work very hard and put in extremely long hours, again more for family than personal benefits. Family loyalties and entrepreneurial aspirations also lie behind the high rates of saving that are characteristics of Chinese families. Family sentiments additionally make it possible to deploy the energies of under-utilized members such as grandparents and young children. The obligation to provide for an entire family, for multiple heirs, and for a family or lineage estate creates a powerful source of entrepreneurial drive. However, the developmental potential of the family cannot be fully realized without relatively secure property and contractual rights, open channels to upward mobility, government policies that foster entrepreneurial families, and a world economy creating niches suited to Chinese family-run firms. During the Mao era (1949-76), these contingencies were largely absent - public ownership, hostility toward mobility aspirations, and an economic strategy based mainly on capital-intensive firms and autarky dominated. While the Chinese family is important, this factor also

exists in Taiwan and Hong Kong. Further, even as many robust entrepreneurs emerged in rural China in the 1980s, the dominant state sector of corporate giants, some of which are now among the world's largest and fully under government control, also developed. Their share of employment has stabilized at 25 - 30%. A most fundamental change that allowed China to model itself on its East Asian neighbors was the overhaul of the communist party. In the 1980s, younger, more open and better-educated people were recruited to replace the poorly educated but politically loyal officials at all levels. A mandatory retirement system was implemented for officials. China also repudiated the late Mao-era prohibition on material incentive and adopted a quantitative system for assessing and rewarding local officials, using economic development success as the primary indicator for determining compensation. In addition, subordinate governments entered contractual agreements with higher levels specifying the amount of revenue the lower level had to turn over to the next higher level - remaining revenues did not have to be remitted to higher levels, as had been the case before, but could be used locally to further stimulate economic growth. Similar arrangements were adopted for production enterprises in their relations with supervising levels of government. Furthermore, enterprise responsibilities for pensions and other welfare benefits for employees and retirees began to be taken over by pooled funds supervised by local governments to allow enterprises to concentrate on their core economic activities. Firms and local governments also knew that if they lost money they would no longer be bailed out by higher levels, forcing them to face market competition. Localities and enterprise that were relatively slow to pursue new opportunities could readily observe how they were falling behind the prosperity of their neighbors, and the resulting envy stimulated increased effort to copy the successful market-oriented policies and institutions of the front-runners. China's socialist legacy led it to emphasize state enterprises rather than the private sector when developing national champions; this differed from Japan and South Korea. So did its emphasis on local initiatives. Given China's reforms beginning in the aftermath of the Cultural Revolution - aimed at suppressing markets and destroying the capitalist class, the communist party-state rather than the capitalist class had to take the lead to propel the new initiatives. Market reforms like 'shock therapy' in post-socialist Eastern Europe had the goals of dismantling communism and stripping communists of power. However, China's reforms were intended to allow the part-state to survive as a leader of economic development. Another difference was in the speed of market reforms. Unlike the 'shock therapy' approaches practiced in Eastern Europe which called for the dismantling of the centrally planned economy and buildup of market institutions as quickly as possible, reforms in China moved in a gradual, adaptive process without a clear blueprint by trial and error and with frequent mid-course corrections and reversals of policy. The First Five-Year Plan (1953-7) was drafted under the guidance of the Soviet Union and gave special emphasis to development of heavy industries. Unable to obtain investment elsewhere owing to its forced withdrawal from the capitalist world economy (Korean War era sanctions), the only option was to expropriate the agricultural surplus, which party leaders believed could be given a boost by mandatory collectivization. By 1958 the formation of rural communes was complete - abolishing the just completed redistribution of arable land from the landlords to the poor and landless peasants. Early on the party-state confiscated foreign capital, then in the 1950s, small and medium-size enterprises were also nationalized with compensation, and small workshops (2.3 million in 1953) were physically combined into cooperatives or small state enterprises. By 1956, nationalization was complete. During the first Five Year Plan, half of China's total industrial investment went into 156 Soviet-aided projects, mostly large-scale and capital intensive. The Soviets also provided loans, 10,000 specialists, and training for 28,000 Chinese specialists sent to various Soviet institutes. Escalating tensions due to disagreement on the direction of China's development after the Great Leap Forward led to the abrupt departure of Soviet scientists and engineers in that year. Emphasis on large-scale and heavy industries continued in the 1960s and 1970s. By 1980 there were around 1,000 very large state enterprises with over 5,000 employees employing 12 - 14 million workers and accounting for between one-third and half the total value of industrial fixed assets. There were also 580,000 small and medium collective enterprises - producing about .125 to .33 the value of the larger firms. The state and collective enterprises did not get their workers through open recruitment, but mostly via matching provided by government agencies. In 1955 a stringent household registration system was implemented because of fast population growth, the relative attractiveness of urban jobs, and the slow growth of those same jobs. Credibility for the CCP at this point was provided by its role in defeating Japanese imperialism and in the civil war triumph over the U.S.-backed Nationalists Party - ending a century of national humiliation and suffering. From the start, elementary and junior middle education was provided for all youngsters for moderate tuition fees. While successful in generating more or less universal primary education, it did not address school dropouts among children of poorer peasants, variations in school quality, and the reliance on academic results as a sorting mechanism. To reverse this tendency towards growing inequality in the education system, considered highly undesirable by leaders of the Cultural Revolution era, academic excellence was abandoned as a sorting criterion. To support a larger student population, work periods during school increased and the length of pre-college education was reduced from 12 to 9-10 years. From the start of the Cultural Revolution, admissions of undergraduates were stopped for six years and graduate students for 12. 'Special schools' were closed and exams watered down. In 1978, China's adult literacy rate reached 66%, and 93% and 51% of those in the appropriate age groups were enrolled in primary and secondary schools, respectively. However, no more than 1% of those between 20 and 24 were enrolled

in institutes of higher education. Impatient with China's pace of industrialization, Mao proposed overtaking Britain in industrial production within 15 years. Agricultural production teams were quickly organized into large-scale communes and peasants mobilized to undertake non-agricultural tasks such as mining, ore-transportation, and iron-smelting in 'backyard furnaces.' Some 3 million tons of the steel produced in these backyard furnaces was of such poor quality that half was considered a total waste. Crops due to be harvested in autumn 1958 were left to rot in the field as the communes devoted themselves to steel manufacturing. Between 16.5 and 30 million starved to death in a three-year period. Efforts to promote egalitarianism led Mao to declare in 1965 that the socialist revolution in China was not complete. Tens of millions of young students were encouraged to oust state officials and take over many parts of the establishment. Ensuing chaos led Mao to demobilize the Red Guards in mid-1968, but it was not until Mao's 1976 death that the Red Guard's leaders (the 'Gang of Four') were expelled from power. Chinese authorities claim millions more death occurred during this period. On the plus side, the Great Leap Forward mobilized millions of peasants to construct and improve dams, drainage networks, and irrigation systems, TVEs were set up in the communities, and managerial experience was acquired by many. However, in addition to the millions who died and the wholesale disruption, the socialist economy in those early years impeded flexibility, timeliness, and the initiative and ingenuity of the workers/leaders. It also failed to tap the capitalist world for capital, markets, and technology. China was then seen by the U.S. as a potential counterbalance to Soviet military expansion and Japanese economic expansion in East Asia. Rising strength of labor unions heightened U.S. production costs and decreased its competitiveness, and increased welfare expenditures threatened budget deficits. Thus, the U.S. was ready to try international subcontracting and relocating industries to China and other less developed economies. China, for its part, was impressed with the economic success of its East Asian neighbors. It set up four SEZs in 1979, opened fourteen coastal cities and Hainan Island in 1984 and three delta areas in 1985 for foreign investment. Another important driver - per capita consumption of food grains and edible oil in 1978 was lower than that of 1957. The populace had every reason to be skeptical about constant policy changes and lost faith in the party-state to improve their livelihood after 30 years of socialist experimentation. They'd also become cynical about class struggle and absolute egalitarianism. And almost all the leaders who had been disgraced, persecuted, or pushed aside during the Cultural Revolution, all intellectuals, scientists, technical personnel, educators, and other professionals had also become disaffected. The great success of the economic reforms in the agricultural sector (crop output growth went from 2.5% between 1954 and 1978 to 5.9% between 1978 and 1984) further empowered the state to pursue various developmental strategies.

This book sets out to unravel and explain the puzzle of the global rise of China: how, in just forty years, China has been quickly transformed from a poor, backward third-world country to one of the world's core economic powerhouses. Exactly how did this Chinese developmental miracle happen? Focusing on the key historical turning point in China's post-socialist development, the book examines the complex processes through which China interacted with the global neoliberal project of the late twentieth century. Alvin Y. So and Yin-Wah Chu reveal the centrality of the communist party-state in propelling China onto the world scene, and how it has successfully responded to the developmental challenges of technological upgrading, environmental degradation, inter-state rivalry, and maintaining its power. This book provides a comprehensive and insightful study of the rise of China not solely from an economic, social, and political perspective, but also from a global and historical perspective. It will be an invaluable guide for students and non-specialists interested in post-socialist development and the global rise of China in the twenty-first century.

"A comprehensive assessment of "where China stands today" in terms of technological innovation, the resilience of Communist Party rule, and debates about environmental sustainability and global hegemony. A wonderful book for a broad audience!" David Smith, University of California Irvine

"So and Chu are keen observers of China's economy and society. In *The Global Rise of China* they capture the drama of China's rise and inject a powerful new concept into the China debate: 'state neoliberalism.' All future writing on China's economy and society will have to grapple with So and Chu's approach. Essential reading for sociologists, political scientists, and sinologists of all ideological persuasions." Salvatore Babones, Sydney University

"With considerable analytical rigor and clarity in exposition, So and Chu delineate the role of the Chinese party-state in the dramatic rise of China from a poor 'third world' state to an economic and political super-power in less than four decades. This compelling narrative will be an indispensable text for upper-level undergraduate and graduate classes on China, East Asia, and development studies courses." Ravi Palat, Binghamton University

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