

The Historical and Political Influence of Imperialism and Colonialism upon 21st Century China

Nooshan Shekarabi, Professor of Political Science, Santiago Canyon College

Narges Rabii, Professor of History and Political Science, Santiago Canyon College

“We stand for self-reliance. We hope for foreign aid but can not be dependent on it. We depend on our own efforts, on the creative power of the whole army and the entire people”.

Mao - January 10, 1945

The History of Chinese Politics

In order to truly appreciate the significance of the current influence of 20th century imperialism and colonialism on modern day China, it is crucial to acknowledge the political history of China towards the end of the imperial system in 1912. The year 1912 marked a profound change in the history of China. Throughout the nineteenth and early twentieth centuries, China’s political, economic, and military influence had declined due to the growing regional power of imperial Japan and the penetration of Western powers. The last Chinese dynasty – the Qing – was abolished ending 2000 years of imperial rule. The Chinese Nationalists (Kuomintang) then established the Republic of China on January 1st, 1912.

Yuan Shikai was the leader of the revolution against the Qings who dissolved the parliament and ruled as a dictator. Yuan’s death in 1916 and the absence of a strong central leadership fragmented China further and created a political upheaval that China was not prepared to confront. China was facing a complete lack of control and power at the hands of local warlords who engaged in unfair taxation, corruption, and violence as a means of survival. It is notable that Japan’s persistent, imperialistic ambitions made matters much worse for China due to the seizure of Shandong and southern Manchuria. The Western allies met in Paris in 1919 for the post-war Peace Conference and made a decision that helped to fuel the fire of a political uprising. It was concluded in Paris that the rights given in secret by the Western allies to the

Forum on Public Policy

Japanese following their expulsion of the Germans from the leased areas of Shandong would be confirmed. This invasion by the Japanese, whom were already despised by the Chinese, led to the patriotic protest called the “May Fourth Movement” in 1919.

Three thousand students gathered to protest at the Gate of Heavenly Peace. Peaceful protest soon turned into violence when a pro-Japanese official was assaulted and a government official’s home was set on fire. The government arrested many students and imprisoned them. Demonstrations of this nature took place in over two-hundred locations. This marked a new expression of nationalism in China with students, factory workers, and women in the forefront. The authorities eventually were defeated when the protestors victoriously marched out of prison. This day was an important day as China embarked on a new era of intellectual, cultural, and political greatness and distanced itself from a more traditional past.

Sun Yat- Sen as the leader of the Nationalist Party (Kuomintang) in China placed maintenance of order and socio-economic reform of utmost priority for the nation. Sun Yat-Sen envisioned victory over the warlords and the unification of China between 1921 and 1925. It is an interesting coincidence that as Sun Yat-Sen was helping to strengthen the Nationalist Party, the Communist Party influenced by the Soviet Union was established in China in 1921. The Kuomintang accepted cooperation with the Communists although there may have been no consensus on whether the Communist revolution should be a proletarian or peasant movement in China. We know via history that the latter prevailed. The Russians were instrumental in the framing of the Party’s constitution as well as reorganizing the armies of southern China. The army was being led by Sun’s brother-in-law, General Chiang Kai-Shek. Sun Yat-Sen died in 1925 and Chiang Kai-Shek took control of power.

Forum on Public Policy

Chiang Kai-Shek was faced with the enormous task of trying to reunite a nation of four hundred million people of whom ninety-five percent were peasants and fewer than twenty million literate. Chiang Kai-Shek was successful at his work. He launched his army and modernized and trained his men using German technical and material aid. He was able to defeat any leader who opposed him time after time. The Kuomintang was essentially middle-class but with a strong coloring of socialism, not communism. Chiang Kai-Shek was distrustful of the Communists. In fact, he executed or dismissed many of the Russian advisors, had thousands of Communists killed, and made it a point to express his opposition to their ideology. The Communists vowed revenge. Despite Chiang Kai-Shek's efforts, China remained divided by regional differences and a lack of modern communications. Japan feared a strong China and China remained angry at Japan.

In the terrible years to follow, the Nationalist forces continued to hunt the Communists. But the Communists made a drastic decision in October of 1934 and launched the "Long March" northbound through Western China. After two long years of hardship and struggle, Mao Zedong emerged as their leader.

Mao led the Communists to a victory against the Nationalists after more than twenty years of civil war. He proclaimed the founding of the People's Republic of China on October 1, 1949 in Tiananmen Square in Beijing. The United States at the end of World War II continued to support Chiang Kai-Shek and his fight against the Communists. This was part of US's attempt to contain and defeat communism globally. The Soviet Union supported Mao, acting as the "concerned" neighbor more so than a military ally, in order to prevent conflict with the US. Historians have said that the triumph of communism was the result of two forces. First was Mao's strong communist guerrilla movement, based on peasant interests. And second was the

war with Japan (1937-1945), which had weakened the Nationalists and eliminated many of them. Once the Japanese surrendered, civil war between the Nationalists and the Communists resumed. The Communists were better led and eventually their united front forced Chiang Kai-Shek and one million Chinese to flee to Taiwan. Thus the Communists were free to transform China into what they had envisioned it to become. Mao successfully created a unified and centralized state. He launched a system of land redistribution to the poor peasants and collective farms. He implemented a system of re-education and self-criticism to eliminate the opposition. Mao initially wanted to follow the Soviet model of communism and allied his nation with Stalin and his ideology. Mao did reap the benefits of Soviet aid and Soviet economic plans to industrialize China further. Mao also used Soviet totalitarian techniques to control culture and thought; in particular to ban freedom of the press.

Mao however soon grew exasperated with the limitations of Soviet aid and the inapplicability of the Soviet model to Chinese circumstances. China then would be introduced to the “Maoist Model”. This model of economic reform took account of China’s low level of development, poverty, and increasing population. Mao hoped to substitute China’s enormous manpower for expensive capital equipment by organizing people into even larger working units. The Soviets much to the discontent of Mao did not share with China their most advanced industrial-plant equipment, machinery, or new technologies. Khrushchev felt strongly that the Mao model was destined to fail.

Unfortunately, the disastrous results of Mao’s most significant socio-economic programs such as the Anti-Rightist Campaign in the 1950s and early 1960s, the Great Leap Forward (1958-1962), and the Cultural Revolution (1966-1976), crippled China’s economic development as well as social and political growth. These failed programs led to turmoil, chaos, and starvation. Of

particular interest were the damaging effects of the Cultural Revolution on Chinese traditions and cultural practices. The Cultural Revolution painted the Chinese culture as feudal and outmoded. This animosity against the Chinese culture destroyed the credibility and the authority of the Communist party. There were many public attacks against government officials as a result of their opposition to traditional Chinese values. Ultimately, the Chinese Communist Party and the Marxist-Leninist ideology were themselves victims of the Cultural Revolution.

With the death of Mao Zedong and the subsequent arrest of the politically radical, Cultural Revolution team, “The Gang of Four” (Jiang Qing, Zhang Chunqiao, Yao Wenyuan, and Wang Hongwen) in 1976, the Cultural Revolution came to a bitter end.

Deng Xiaoping became the dominant figure in Chinese politics after returning to power in 1978. Under Deng’s leadership, a moderate counterattack called the “second revolution” took place. China was ready to and implemented policies of economic liberalization, including the market system of supply and demand for distribution of goods, services, and resources. It is believed that Deng was not particularly interested in whether China modernized via capitalist or socialist methods, just as long as it would do so rapidly. This new modernization was a major shift for China because until 1979, the Chinese had a centrally controlled command economy.

Under Deng, the government tried to maintain centralized state control of the direction of policy and the distribution and pricing of strategic and energy resources, while decentralizing decision making down to the level of township and village enterprises. Decentralization was meant to facilitate more rational decision making, based on local conditions, needs, and efficiency. However Deng’s economic liberalization policies were frequently blamed with having created much inflation and corruption in the 1980s and 1990s. In particular, the Party’s control over politics and family size led to university student protests and demonstrations from

1986-1989. One of the bloodiest massacres of student protestors happened in Tiananmen Square in 1989, symbolizing the cruelty and control of authoritarian rule.

Deng continued with his economic reform plans well into the 1990s. Still problems such as disputes over private property, instability, crime, unequal benefits, and unemployment persisted. Deng did not hold any official post in his final years of life. In 1993, Jiang Zemin officially became the president of China, a year after China joined the International Monetary Fund and the World Bank. The stock markets had opened in Shanghai and Shenzhen in 1989 and growing stronger in the early 1990s. Russia and China had even signed a number of declarations restoring friendly ties, much to the dismay of the United States. From 1992 until his death in 1997, Deng's policies were not successfully challenged. By 1997, the liberalizing reforms he had introduced had enjoyed such remarkable success that they would not be undone regardless of who would lead China next.

In 1998, Li Peng became the Chairman of the National People's Congress and held that post until 2003. Li Peng was one of the most unpopular politicians in China, mainly due to his lack of charisma, image as a hardliner, and role in suppressing the Tiananmen Square protests. Some opponents of the regime, especially international human rights groups, dubbed Li Peng "the Butcher of Beijing" for being instrumental in the crackdown on the opposition parties. It is important to note however that the amount of direct influence Li Peng actually had in ordering martial law and suppression of opposition groups is not accurately known. Many more have criticized him for causing economic troubles under Zhao Zhiang's rule in the first place by objecting to proposed reforms so strongly that they were watered down and made inefficient. There is evidence that in the immediate aftermath of the Tiananmen protests of 1989, Li Peng helped tackle the related problems of inflation and social unrest, taking a role in the austerity

program, the tight money policy, price controls on many commodities, higher interest rates, and the cut-off of state loans to the private and cooperative sectors, which succeeded in inflation reduction.

Jiang Zemin served as General Secretary of the Communist Party from 1989-2002, as President of China from 1993-2003, and as Chairman of the Central Military Commission from 1989 to 2004. Under Jiang Zemin's leadership, China experienced substantial economic growth with reforms and improved relations with the outside world while the Communist Party maintained strict control over the government. Jiang Zemin was considered to be a neo-conservative in his ideology, and halted some progress from Dengist reforms. After Deng's death, Jiang Zemin had inherited a China with rampant government corruption, and regional economies growing too rapidly for the stability of the nation. Deng's ideas that some areas of China could become wealthy before others had given rise to a tremendous economic gap between coastal regions and the hinterlands. The unprecedented economic growth had inevitably led to the closing of many State-Owned Enterprises and a staggering unemployment rate adding to the dissatisfaction of the Chinese with the government. Jiang Zemin's priority was to create stability and equality. He believed that a stable government with highly centralized power was crucial.

Jiang Zemin was the first Chinese leader to manipulate the media to his advantage. He used television, radio, and newspapers to promote his leadership and marginalized his opposition. He was criticized by the media however for being too conciliatory towards the United States. His visit to the United States in 1998 and the follow up visit by Bill Clinton in 1999 to China angered many, especially when Clinton declared that the Chinese-American relationship was that of world partners and not adversaries. When American-led NATO bombed

the Chinese Embassy in Belgrade in 1999, Jiang Zemin seemed to have put up a harsh stance, but in reality only performed symbolic gestures of protest, and no solid action. The same happened when a US spy plane collided with a Chinese military jet in 2003, killing the Chinese pilot. Jiang Zemin allowed the US crew to enjoy a stay at a luxurious hotel in Hainan, and released the crew three days later without demanding any damages other than a formal apology.

Hu Jintao became the fourth president of the People's Republic of China on March 15, 2003. Since taking over as Party General at the Sixteenth National Congress of the Communist Party of China, Hu Jintao has appeared to have a more egalitarian style of leadership than his predecessor. Hu and his premier, Wen Jiabao, proposed to set up a program called the "Harmonious Society" which aimed at lessening the inequality and changing style of the "GDP First and Welfare Second" policies implemented by former administrations. Together they focused on sectors of the Chinese population that had been left behind by economic reform. In fact Wen and Hu took a number of high profile trips to the most poverty-stricken areas with the stated goal of better understanding the needs and demands of its inhabitants. Wen and Hu have been credited with positioning China away from a policy of favoring economic growth at all costs and toward a more balanced view of development that would include factors in improvement of social equality and remedies for environmental damage.

Early in his administration, Hu had the enormous task of dealing with the outbreak of SARS in 2003. Following harsh criticism of China by the World Health Organization and other international organizations for initially covering up and responding slowly to the crisis, Hu fired many party and government officials. He actually fired China's Health Minister as well as Beijing's Mayor. Hu also took many steps to increase the transparency of China's reporting to international health organizations.

One of the most significant challenges that Hu faces today is the vast economic inequality between China's rich and poor, for which discontent and resentment has mounted to a volatile degree against the Party. Furthermore, the cronyism and corruption plaguing China has seriously tainted the image of Chinese leadership. In early 2006, Hu launched the "Eight Honors and Eight Disgraces" campaign as a movement to promote a more selfless and moral outlook among the population. It remains to be seen if Hu Jintao is capable of managing the continued peaceful development of China while avoiding international incidents. Hu also must be conscious of an unprecedented increase in Chinese nationalist sentiment.

The Economic Forecast

As long as economic growth continues, the Communist party will probably remain in power in China. Governing the world's largest population is a monumental task, one made even more challenging by the reality of globalization. The integration of China into the international community has intensified the receptivity of Chinese leaders to pressures from the international system in a variety of issues. Those issues range from human rights violations, environmental protection, and intellectual property rights, to prison labor, arms control, and legal codes. No matter how much the Chinese leaders try to preserve Chinese culture and heritage, they can no longer deny the fact that China is now susceptible to the impact of globalization both socially and economically.

China like many other developing nations has to be aware of its growing gap between the rich and the poor. It has to recognize and alleviate the high levels of unemployment it faces. It must acknowledge its major HIV/AIDS epidemic, government corruption, common criminality, a potential collapse of its banking and financial systems, its need to sponsor a social safety net and retirement pensions, and a threat to its state-owned enterprises as a result of China's entry

into the World Trade Organization in 2001. The current Chinese political and economic elites are pushing hard toward greater integration into the world capitalist marketplace as a mechanism for economic development. It is notable that the integration of a less developed China with a more developed US could spell subordination, penetration, disruption, and crises. Historically, China's communism and the West's capitalism have been dubbed incongruent interests and still they remain so today. Regardless of that fact, China and the West are major players in the game of globalization today.

China was still preoccupied with its relations with the United States, and secondarily with the Soviet Union until its demise in 1991. The US was viewed as the key to China's modernization and acceptance into the international community. However, as China sought to rescue itself from sanctions and isolation in the 1990s, it turned initially to its Asian neighbors for help. These Asian countries viewed China in a different light. They had the commonality of culture with China and so they were not demanding a change in social characteristics from the Chinese. These nations were not interested in "spreading their values" to China the way the US or other Western nations may have desired.

China used its Asian neighbors as a kind of hedge against the isolation imposed by the West in the 1990s. It was a bridge to rebuild relations with the West. The Asian neighbors of course exploited economic opportunities in China opened by the absent Westerners.

The comprehensive economic and political transformation that China has experienced since the 1990s has been nothing short of remarkable. China is the world's greatest magnet for foreign investment and the world's third largest trading company. The United States has felt that impact as its trade deficit grew close to \$200 billion in 2005. The major economies of Asia have and are enjoying impressive growth as well in their trading relationship with China. China's

trade with Taiwan, South Korea, India, Malaysia, and Indonesia has increased immensely. And most of the mentioned nations are running trade surpluses with China. This is partially due to China's manufacturing sector's dependence on the imports from East Asian nations in order to maintain its factories.

Japan in particular has a greater appreciation for China in terms of economics. By no means is the relationship between Japan and China amicable on all fronts. But China's economic growth has helped Japan. In fact in 2005, China passed the United States as Japan's leading trading partner. This has helped the stagnating Japanese economy. In the case for Taiwan, Korea, and Japan, China has also become an essential part of their production line. These nations' low end labor-intensive industries moved their assembly plants to China to reduce costs and allow their products to remain internationally competitive. They in reality followed the American model in doing this.

It is obvious that Asian economies sink or swim together. "If the Chinese economy catches a cold, the others in the region sneeze. It means that "Sanctions, either of the sort that isolated China before 1978 or 1989, or those imposed on the USSR throughout its existence, are unthinkable today", according to Jeffrey Bader of the Brookings Institution. China's economic health is a major impact on the world's economy.

The world must learn to accept China for what it is. China is simply important and has engaged in globalization as a means of survival but has also paid a heavy price in human lives lost. China is the way it is today because it has been molded by the influence of those nations that colonized and imperialized it as well as it being impacted by its own political turmoil and successes.

Linking the Past to the Present

Forum on Public Policy

The U.S. government aimed to promote U.S. business and open trade markets in China. China's Manchu Dynasty was weak and particularly vulnerable to foreign intervention, as evidenced by the spheres of influence that other nations—Russia, Germany, France, England, and Japan—had succeeded in carving out. These nations had each secured exclusive trading rights to certain key ports in China, so that entire regions, or spheres, were blocked to U.S. business. In 1899, as a way to open up all “exclusive” ports to American business, Secretary of State John Hay proclaimed an Open Door Policy in China, which meant that no favoritism would be awarded at Chinese ports. European countries, however, refused to endorse this policy. In the following years, Hay continued working to secure advantages for U.S. firms as part of his policy of economic expansionism, which sought not to control new territory but rather to open new markets.

The Open Door Policy was invoked to combat European spheres of influence in China and aid U.S. businesses in Chinese markets.

The extreme influence that European nations and the United States exerted in China angered many Chinese. This anger exploded in 1899 in the form of the Boxer Rebellion. In this revolt, an antiforeigner secret society calling itself the Harmonious Righteous Fists, known as the Boxers to Westerners, killed thousands of foreigners and Chinese Christians and captured Beijing (Peking) in 1900. The U.S. sent 2,500 troops as part of an international force that marched on Beijing and drove out the Boxers. By helping dispel the Boxer threat, the U.S. secured some bargaining power in the settlement that followed. Hay demanded that an Open Door Policy be implemented in all of China, and other powers agreed. The Boxer Rebellion had weakened the Chinese government and by the end of the uprising, the U.S. government

committed itself to aiding China's government in the interest of maintaining open markets for the U.S. in the Far East.

Since the 1930s, global capitalism has strengthened itself by commandeering Marxist ideas, benefiting from Keynesian economics, and social democratic programs in many advanced economies. Yet it was not a strategy to surrender capitalism to socialism. In America, FDR's New Deal was a collection of Marxist measures to save American capitalism from its structural faults. China, to preserve socialism within the context of undeniable material advantage achieved by a new financial capitalism invigorated by socialist trimmings and a new economic imperialism known euphemistically as globalization, is forced to adopt counter strategies to employ the wealth creating efficiencies of capitalist processes to advance socialist construction out of historical poverty.

The key questions concerning the correctness of these strategies are ones of control and direction. Chinese revolutionary strategies historically and at this juncture in history have been and are anchored via three interrelated lines:

1. To maximize economic construction, growth and production via all available methods according to material, scientific and objective analysis of factual conditions and results (During Mao's time, positive interaction with the West was foreclosed by American embargo policies);
2. To strengthen the political leadership of the CPC to focus on the general aim of advancing toward socialism;
3. To contribute to world socialism through a multi-dimensional foreign policy that effectively deals with the complexity and historical trends of global politics.

Under these strategies, China has boldly made use of market efficiency

and capitalist devices as transitional processes to eliminate historical

Forum on Public Policy

poverty left by Western imperialism, while being fully vigilant of the need

o keep such programs as transitional servants to advancing overall policies of social construction. China definitively rejects Western democracy, either as a necessary condition for economic construction, or as a mode of government appropriate for building socialism. Dictatorship of the proletariat remains firmly the guiding political principle and the leadership of the Communist Party the only appropriate political structure. No faction in Chinese politics, left or right denies the verity center of the adherence to the Four Cardinal Principles:

1. keeping to the socialist road
2. upholding the people's democratic dictatorship
3. leadership by the Communist Party
4. Marxism-Leninism and Mao Zedong Thought (the integration of the theory of Marxism-Leninism with the practice of the Chinese revolution.)

Dr. Sun Yat Sen traveled extensively in an effort to bring attention to the reforms of China. His vision involved education and learning from advanced Western societies. He was very successful in persuading foreign born Chinese to invest in China, as nationalistic rhetoric is very persuasive. Mao's policies of in the same spirit of building upon the past, Deng Xiaoping utilized nationalistic ideals in an effort to increase Foreign Direct Investments (FDI) which was key to China's economic development.

China is listed as the third largest trading nation with roughly \$200 Billion in trade deficit to the US alone. In 2001, foreign investment corporations accounted for nearly half of China's exports. China's entry into the WTO required reorganization of decade old policies that flew in the face of WTO requirements. Joining the WTO

required China to abide by global trade rules which many Chinese officials within the CCP perceived to be an infringement upon the sovereignty of China. While others argued that admission into the WTO was a method of control by the Americans over China. When China finally agreed to be admitted to the WTO in 2001, it was not by unanimous vote. Since, 2001 Chinese markets, goods and services have surged igniting debate and discussion on China's economic evolution which when coupled with her geo-political and military capability formulates into hegemonic power.

China's open door policy made way for a plethora of investments including Multi-National Corporations (MNCs) and private investors. The primary effects of FDIs in any economy are as follows:

1. Superior technology is usually imported by the MNC/Firm in order to maintain communication, records and security. During the course of trade, commerce and communication, the technological apparatus then transfers to the host country.
2. Increased competition among the domestic producers yields a better product and forces out inadequate industry.
3. Increased FDIs generates domestic investments which in turn then increases the wealth of the state.
4. An open economic system also exports goods and services. Trade and commerce allows access to markets in nations that are politically closed off.
5. Increased capital flows in and out of the host nation.

The capillary effects of FDIs in China are the sub-categorical development of industry and management which are a direct derivative of a thriving economy. New technologies are developed to meet new demands; telecommunication expands while newly trained labor and

management emerge. In addition, a new business ethic and etiquette develops which expands the culture of business. The culture of business is the connection between companies, competitors and governmental agencies that yields commerce as well as understanding, appreciation and acceptance for the people and culture of the newly acquired client, be it an individual investor, a MNC or a nation-state. Open trading borders allow for the free flowing of information, labor and technology.

Since 1979 new policies of reform have transformed China into an explosive economic juggernaut producing appliances, textiles, garments, computers, mobile phones, and other low-end manufactured goods. New policies have been developed to address the unique characteristic and activities of industry.

The FDI index increased as China's economic dimension opened to outsiders, while politically the Chinese Communist Party (CCP) keeps a watchful eye on rapid introduction of globalization and the capillary effects of open trade with the outside world. Director Yu Yonding of the Institute of World Economics and Politics at the Chinese Academy of Social Sciences stated that China's transition to a market oriented economy would be coupled with policies that promote social stability.¹ Hu Jintao and the role of the CCP in maintaining "cradle to grave" social programs are pivotal in the preservation of social stability. As FDIs pour into China, domestic competition increases and regional inefficiencies are lost as the economy prospers and grows. The CCP is motivated by the explosion of growth and revenue created by FDIs. Foreign money is pouring into Chinese markets and as such the Chinese Yuan is invested in markets abroad, although at much lower rates of investment. (See Table 1.3) As a result of FDIs, research and development in the fields of science, medicine, technology and education advance the status of the state and its citizens. While at the same time, infrastructure, public facilities, agriculture,

¹ Comments delivered at the World Economic Symposium in Fukuoka, Japan on July 7, 2000

housing, and social welfare programs develop that raises the standard of living of all Chinese. These are the secondary results of FDI investments and economic growth. There has been a decrease in disease, infant mortality and poverty. Even the outbreak of the SARS virus has been addressed, utilizing new regimens, management care and advances in pharmaceuticals. As trade, commerce, services and information increase, borders become obsolete allowing for the citizenry to become more aware of neighboring nations, global issues, and human rights.

Competition within the domestic markets coupled with the demand for Chinese labor has forced political leaders to develop policies that meet the growing capitalist drive. The 21st Century belongs to China. It may be very early in the new millennium to make such a statement, but as recent market trends show, China is poised to dominate as exemplified in Table 1.1. As an economic powerhouse in the Pacific, China is also able to yield soft power in other Asian markets and thereby influence regional governments, i.e. Korea, Vietnam, and Singapore.

The fourteen nations in South East Asia have developed into flourishing democracies, stable monarchies, single party representative or Communist governments. All have in some respect benefited or contributed to the breadth and depth of globalization within the region and in the new century that rate of expansion has reached the US, EU, Latin America and the Middle East. Since 1995, the per capita income of Singapore has grown 7.2% and about 5% in Indonesia, Malaysia and Thailand.² In comparison, Latin American nations have grown at a rate of just under 1%. Most of the economic intensification can be attributed to Zhu Rongji who enacted macroeconomic measures in an effort to maintain the rate of inflation, growth and production. As Premier of the State Council, appointed by Jiang Zemin in 1998, Zhu Rongji tackled state run companies that were inefficient and wasteful. He oversaw new regulations and

policies of the banking, finance and the stock market. By 2001 China was primed to enter the WTO as a major economic and political contender.

In 2003 the Association of South East Asian Nations (ASEAN) met with China and constructed the “Joint Declaration on ASEAN-China Strategic Partnership for Peace and Prosperity” which is a comprehensive plan aimed at political, social, military and economic prospects that are mutually beneficial to all participants. The plan specifically outlines an agenda focusing on investment, liberalized trade, open borders and educational exchange. By developing open political communication among her neighbors, China is able to build a strong alliance of economically integrated states with a common goal of prosperity. The Asia Free Trade Zone would rival NAFTA and the EU cooperatives. Clearly, the ideological differences in the past are now silenced by the prospects of economic prosperity. The collective GDP of the Asia-Pacific region is at \$2.7 trillion with an added growth rate of 9% in 2004. (Table 1.2)

The Shanghai Cooperation Organization (SCO) which is an intergovernmental international organization aimed at regional cooperation and economic advancement. The group is planning to add Mongolia India, Afghanistan, Pakistan, and Iran to original “Shanghai Five” conglomerate of China, Russia, Uzbekistan, Tajikistan and Kyrgyz.

Regional cooperatives are an excellent channel for the yielding of soft power. According to Joseph Nye, Jr. soft power is the ability to get what you want by attracting and persuading others to adopt your goals. It differs from hard power in that attraction is much cheaper than coercion, and an asset that needs to be nourished. China’s reach is more effective with the support and aid of ASEAN and SCO cooperatives. Utilizing these cooperatives, China needs to peacefully reintegrate with Taiwan, mediate a reunification between North and South Korea and

break bread with the Japanese. The regional cooperatives already established by China would benefit greatly with the addition of South Korea, Taiwan and Japan.

The Chinese banking and finance sector is in dire need of regulation, oversight and transparency. Plagued by mounting debt, mostly due to bad loans, the Chinese banking conglomerate needs to tackle corruption within the financial sphere. Bad loans made by the state owned banks total nearly \$500 billion with most of the collectable debts valued at only 20% of the actual debt. Most experts agree that China's banking problems are systematic of a transitional economy that can be resolved with strict regulation and time for adjustments. Since admission into the WTO, China has set up a number of private commercial banks that pay higher interest rates on saving and also charges higher rates and commission for loans. China's state sponsored banks are still open for business but predominantly these banks manage national development programs and major state sponsored projects.

The environmental issues facing China are monumental. Coal is the major source of domestic fuel and is the most damaging to air, water and agriculture. In 1998, the World Health Organization named seven cities in China in the top ten of the most polluted cities in the world. Energy consumption in the Asian Pacific region is dominated by Japan and China. Excluding Japan from the model, China consumes 53% of the regions energy resources.³ Fueled by population growth, rapid economic and industrial development, China's appetite for energy will increase. Technological advances coupled with government initiated policies will only the greenhouse effects and long term damage to the environment. Plans need to be developed that address air and water pollution, use of alternative fuels, recycling, and regulatory agencies that fight corporate abuse of the ecosystem.

Forum on Public Policy

The one child policy of China has now come to fruition. As the aging population lives longer than expected (see Table 1.4) a new social dilemma is emerging. Unlike the West, Eastern cultures rely on off spring to provide financial and personal security. In China the family unit is not nuclear, it is extended. Multiple generations live within a household or in close proximity to second and third generations. The one-child policy forces one adult to be responsible for parents (2) and grandparents (4) as well as the immediate nuclear family (wife and child). The cost of maintaining the standard of living for 8 people now falls on one adult. In addition, the labor force is weakened as a result of a lower number of workers entering the work force and paying taxes which can fund a variety of social service, i.e. nursing homes, adult care, child care and healthcare. Who can take care of the elderly in China in twenty or thirty years? Beijing has begun to soften the one-child policy and has even advocated multiple children for families in specific provinces, mostly in agriculture and light industry districts.

Fifty years ago the United Nations categorized China as a “Third World Nation” with serious economic and political obstructions. Since opening her doors, China has exploded onto the global stage as a serious contender on numerous global issues. With the acquisition of Hong Kong, a slow yet deliberate macroeconomic transition and a powerful workforce, China has shed her “third world” status for a more attractive “super-power” *Qi Pao*.

Tables and Charts

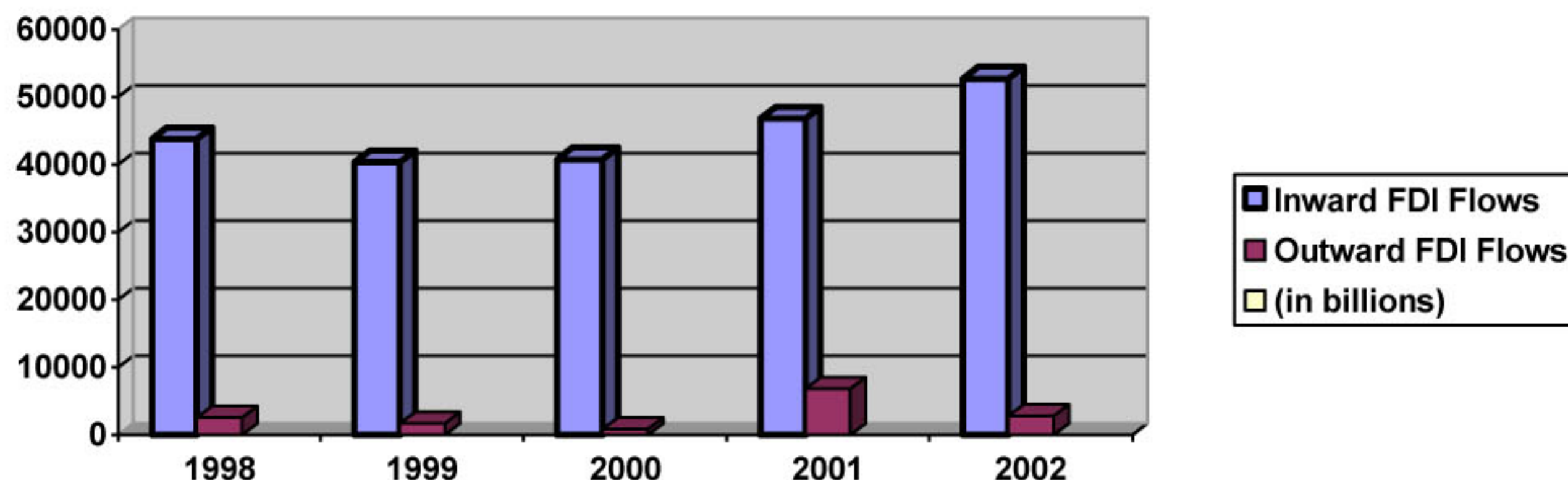
China	2000	2003	2004
GNI, Atlas method (current US\$)	1.2 trillion	1.6 trillion	1.9 trillion
GNI per capita, Atlas method (current US\$)	930.0	1,270.0	1,500.0
GDP (current US\$)	1.2 trillion	1.6 trillion	1.9 trillion
GDP growth (annual %)	8.4	10.0	10.1
Inflation, GDP deflator (annual %)	2.1	2.6	6.9
Agriculture, value added (% of GDP)	14.8	12.6	13.1
Industry, value added (% of GDP)	45.9	46.0	46.2
Services, etc., value added (% of GDP)	39.3	41.5	40.7
Exports of goods and services (% of GDP)	23.3	29.6	34.0
Imports of goods and services (% of GDP)	20.9	27.4	31.4
Gross capital formation (% of GDP)	32.8	37.8	38.7
Revenue, excluding grants (% of GDP)	7.1	8.8	..
Cash surplus/deficit (% of GDP)	..	-2.4	..

Table: 1.1⁴

East Asia and the Pacific	2000	2003	2004
GNI, Atlas method (current US\$)	1.6 trillion	2.2 trillion	2.6 trillion
GNI per capita, Atlas method (current US\$)	905.7	1,204.1	1,416.0
GDP (current US\$)	1.7 trillion	2.3 trillion	2.7 trillion
GDP growth (annual %)	7.6	8.8	9.0
Inflation, GDP deflator (annual %)	2.5	3.9	5.7
Agriculture, value added (% of GDP)	14.9	12.8	13.1
Industry, value added (% of GDP)	44.5	44.8	45.1
Services, etc., value added (% of GDP)	40.6	42.3	41.8
Exports of goods and services (% of GDP)	36.1	38.8	42.9
Imports of goods and services (% of GDP)	31.8	35.3	39.5
Gross capital formation (% of GDP)	29.9	33.1	34.4
Revenue, excluding grants (% of GDP)	8.4	11.5	..
Cash surplus/deficit (% of GDP)	..	-2.1	..

Table: 1.2⁵⁴ World Bank Development Indicator April 2006⁵ Ibid.

China's Average Annual FDI



Values for Table 1.3

Tables 1.3 ⁶

1998	1999	2000	2001	2002
43751	40319	40772	46846	52700
2634	1775	916	6884	2850

Core Indicator

Value

Life expectancy at birth (years) males (2)	70.0 (2004)
Life expectancy at birth (years) females (2)	74.0 (2004)
Healthy life expectancy (HALE) at birth (years) males (2)	63.1 (2002)
Healthy life expectancy (HALE) at birth (years) females (2)	65.2 (2002)
Probability of dying (per 1 000 population) between 15 and 60 years (adult mortality rate) males (2)	158 (2004)
Probability of dying (per 1 000 population) between 15 and 60 years (adult mortality rate) females (2)	99 (2004)
Probability of dying (per 1 000 population) under five years of age (under-5 mortality rate) males (2)	27 (2004)
Probability of dying (per 1 000 population) under five years of age (under-5 mortality rate) females (2)	36 (2004)
Total expenditure on health as percentage of gross domestic product (2)	5.6 (2003)
Per capita total expenditure on health at international dollar rate (2)	278 (2003)
Population (in thousands) total (2)	1,315,844 (2005)
Per capita GDP in international dollars (2)	5,581 (2004)

Table 1.4⁷

⁶ UNCTAD, September 2003 FDI Report

⁷ WHO Statistics 2006

Literature Review

- Bader, Jeffrey, *'China's Role in East Asia: Now and the Future'*, Washington Asia Forum, The Brookings Institution (September 2005)
- Brooks, Douglas (Ed.), *Managing FDI in a Globalizing Economy*, Palgrave Publishing, New York, 2004
- Cheng, Li, *China in 2000: A Year of Strategic Rethinking*, Asian Survey (January – February 2001)
- Coclanis and Doshi, *Globalization in South East Asia*, Annals of the American Academy of Political and Social Science, (July 2002)
- Energy Information Administration Report, United States Department of Energy, July 2003
- Feigenbaum, Evan, *Who's Behind China's High-Technology "Revolution"? How Bomb makers remade Beijing's priorities, policies and institutions*" International Security (summer 1999)
- Gittings, John, *The Changing Face of China: From Mao to Market* (Oxford University Press, 2005)
- Goodman, Peter, "China's Unyielding Banking Crisis", Washington Post (June 6, 2006)
- Guthrie, Douglas, *Growing Out of the Plan: Chinese Economic Reform, 1978-1993* Journal of Economic Literature (December 1999)
- Hamrin, Carol, *China and the Challenge of the Future: Changing Political Patterns* (Westview Press, 1990)
- Kruger, Rayne, *All Under Heaven: A Complete History of China* (Wiley Press, 2003)
- Lardy, Nicholas, *Integrating China into the Global Economy*, Brookings Institute, Washington (2002)
- Lardy, Nicholas, *'The Role of Foreign Trade and Investment in China's Economic Transformation'*, China Quarterly (December 1995)
- Micklethwait, John, *The Globalization Backlash*, Foreign Policy, (September- October 2001)
- Salisbury, Harrison, *The New Emperors ,China in the Era of Mao and Deng*, Avon Books, New York, (1992)
- Shulman, Steven, *Nationalist Sources of International Economic Integration*, International Studies Quarterly (September 2000)
- Walder, Andrew, *China's Transitional Economy: Interpreting its Significance*, The China Quarterly, (December 1995)
- Xiao-Ming Li, *China's Macroeconomic Stabilization Policies Following the Asian Financial Crisis: Success or Failure*, Asian Survey, (November/December 2000)
- Zweig, David, *China's Stalled Fifth Wave, Zhu Rongji's Reform Package of 1998-2000*, Asian Survey (March-April 2001)

Published by the Forum on Public Policy

Copyright © The Forum on Public Policy. All Rights Reserved. 2007.