

CAN CHINA UNMAKE THE AMERICAN MAKING OF GLOBAL CAPITALISM?

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If the United States made global capitalism in the twentieth century,¹ can China unmake this American making in the twenty-first? If global capitalism was made by integrating the West under the aegis of American hegemony, then can China construct an alternative world order by integrating the East? This essay argues that there are severe contradictions constraining China's capacity to successfully challenge a global capitalism that continues to be centred upon the United States, including in East Asia. The most important contradictions lie in the nature of China's nationalist discourse and its economic integration with Western – particularly American – capital. Any sober assessment of China's new mission of challenging the United States in the twenty-first century needs to be made in the light of these contradictions, with their unknowable domestic consequences.

Nevertheless, while China may not succeed in making an alternative global capitalism in the foreseeable future, it will certainly not be for want of trying. The period of China following Deng Xiaoping's dictum of 'biding our time and keeping a low profile' in the 1990s and 2000s was decidedly over by 2013, with President Xi Jinping announcing a new era of China 'striving for achievement'.² Previous taboos have now been shattered, with Xi explicitly proclaiming that China is returning to its 'natural' place of centrality in Asia and that 'it is for the people of Asia to run the affairs of Asia' – a pointed reference to American hegemony.³ Of course, Xi is not the first to proclaim that China is now standing up. Beginning with Mao's famous proclamation atop the Gate of Heavenly Peace across from Tiananmen Square on 1 October 1949 at the dawn of the People's Republic, the question many Chinese elites have long debated is not *whether* China should challenge American hegemony, but *when*. Even as China transformed from a version of state socialism to a version of state capitalism in the 1980s and 1990s and deeply integrated with American-centred global capitalism,

the assumption behind Deng's dictum was that China should keep a low profile until such time that it is powerful enough to no longer need to do so. Many Chinese elites believed that this time had come in the aftermath of the 2008 Wall Street crash and ensuing global financial crisis, with the West on its knees, and China becoming increasingly assertive in the last term of President Hu Jintao.⁴

These trends were significantly ramped up with the appointment of President Xi Jinping in fall 2012. Where Hu was more risk-averse and ruled collectively in China's opaque governance system, Xi took great political risk with his 'anti-corruption campaign' and consolidated his power to become China's strongest leader since Deng, if not Mao. On his path to becoming China's 'core leader' – a moniker not bestowed upon Hu Jintao – contrarian positions (and sometimes people) were eliminated. The debate on whether China is ready to stand up to the United States was thus concluded by 2017, when Xi enshrined his 'thoughts' in the Constitution, rendering them effectively unchallengeable. And since Xi removed China's decade-long presidential term limit in February 2018 and can now rule for life, it is worth delving deeper into his thoughts and how they are being put into action – with the contradictions sprouting faster than a black lotus after a monsoon.

WHAT IS XI JINPING THINKING?

In a land known for clunky slogans, Xi Jinping can compete with the best of them. At the Nineteenth Party Congress in October 2017, a new clause was inserted into the Chinese constitution on 'Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era'. At this seminal Party Congress, Xi gave a marathon nearly three-and-a-half-hour speech laying out these thoughts, verbosely entitled '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'.⁵ The 'new era' signifies China's return to the global stage, of what Xi calls 'The Great Rejuvenation of the Chinese People' forever banishing 'The Century of Humiliation' (1839-1949) to the dustbin of history. To fulfil (or control) the aspirations of the rising urban middle class, Xi places much emphasis on the 'Chinese Dream', a mix of individual material advancement akin to its American counterpart but placed in the context of national prowess and rejuvenation (under the tutelage of the Chinese Communist Party). Xi employs the phrase quite flexibly, for example when he urges his comrades to 'work together to create a mighty force for realizing the Chinese Dream and the dream of building a powerful military'. In essence, Xi decrees that

national rejuvenation (including of its military) is the dream of the Chinese people, and even an ‘historic responsibility’. To dispute this is now anti-constitutional.

Note that ‘national rejuvenation’ means more than simply economic growth and development, the more limited goals of previous leaders since Deng. Rather, it refers to China regaining its historical place at the centre of East Asia before the onset of Western imperialism from 1839, which necessarily implies a substantially diminished regional role for the United States. This national rejuvenation entails restoring China’s international status and moral standing (from a Confucian perspective of ‘moral leadership’), so that, Xi declared, Chinese people can feel ‘the pride of a strong and prosperous China’, instead of ‘humiliation’ at the hands of foreigners. In fact, national rejuvenation is so central to ‘Xi Jinping Thought’ that he has rewritten the history of the Chinese Communist Party (CCP) as being founded in 1921 upon the principle of national rejuvenation against ‘feudal rule and foreign aggression’. Mao’s goal of world socialist revolution has been erased from history – even if the over 2,000 delegates of the Nineteenth Party Congress still sang the *Internationale*.

Further note that Xi has an expansive view of who the ‘Chinese people’ are, based on ethnicity, not citizenship, as he avows that ‘blood is thicker than water’ in reference to never allowing Taiwanese independence. For Xi (and many other Chinese elites), the Chinese people are bound by a common civilizational heritage of 5,000 years no matter where one is currently geographically located in a world divided by Eurocentric nation-states. Rather, Chinese elites make reference to the ancient system of *tianxia* (suzerainty) that encompasses ‘all under heaven’. This harks back to China’s centrality in Asia’s imperial tributary system before its dismantling by Western imperialism in the nineteenth century, which Xi calls a ‘historical tragedy’. Indeed, for Yan Xuetong, one of the most prominent international relations scholars in China today, ‘national rejuvenation as a phrase literally refers to resuming China’s historical international status as the world’s most advanced state during the period of Zhenguan Prosperity (627–649 AD) in early Tang Dynasty (618–907 AD)’.⁶ With Xi now able to rule for life, the period of ‘Xi Prosperity’ may last longer than this 22-year period at the supposed pinnacle of Chinese power almost 1,400 years ago.

In this vein, during his speech at the Nineteenth Party Congress, Xi gave a timeframe for these goals. He already proclaimed that the ‘Chinese nation, with an entirely new posture, now stands tall and firm in the East’, and that the ‘trends of global multipolarity ... are surging forward’. This ‘entirely new posture’ is China’s increased assertiveness under Xi, including over its

territorial claims in the South China Sea (SCS). By 2021 (the centenary of the founding of the CCP), Xi wants China to become a ‘moderately prosperous society’, and between 2020 and 2035 a ‘global leader in innovation’. Between 2035 and 2050, Xi plans for China to ‘become a global leader in terms of composite national strength and international influence ... making China a great modern socialist country in every dimension’. Especially in the context of national rejuvenation – making China great again relative to its historical system of *tianxia* – this can only mean the end of the American-centred world order by 2050, according to Xi’s plan (by then he would be 97 years old).

WHAT IS XI JINPING DOING?

How has Xi implemented these thoughts on national rejuvenation? For starters, since 2012 China has become more internationally engaged than any of its historical predecessors since the founding of the Qin Empire two millennia ago. In Xi’s first five years he visited many more countries – fifty-six on five continents – than any other CCP leader.⁷ By comparison, his predecessor Hu visited seven countries in ten years, and Barack Obama, the most well travelled US president ever, visited fifty-eight countries in eight years. Xi also hosted more foreign leaders than any other Chinese leader in history and has so far organized seven major international summits including APEC, the BRICS Summit, the G20, and the Belt and Road Forum for International Cooperation in May 2017 (China’s largest international gathering since the 2008 Beijing Olympics). In 2013 David Shambaugh called China a ‘partial power’ largely because of its limited foreign policy activism despite having trade and investment relations around the world.⁸ But under Xi, China is arguably now second only to the United States in global diplomatic engagement and vision – a stunning transformation in merely five years.

This increased international activism is clearly designed to bolster China’s global influence, which in the medium-term would *not* necessarily come at the expense of American influence, for example in international infrastructure investment. Over the long-term (by 2050), however, the goal is to do nothing short of ‘reOrienting’ the post-1945 American hub-and-spoke system in the Asia-Pacific towards China as hub for at least a sizable share of trade, investment, and eventually security links stretching across Eurasia and Africa. The first major initiative under Xi in this regard was the decision in March 2013 at the South Africa BRICS Summit to create a ‘BRICS Bank’. By its establishment over a year later it had become known as the New Development Bank (NDB), with headquarters in Shanghai (despite originally

being an Indian idea; the compromise was that its first director would be Indian). It should be stressed, however, that the NDB was explicitly created to complement, not compete with, the incumbent Western-led financial institutions. Article 1 of the NDB's Articles of Agreement states its purpose as 'complementing the existing efforts of multilateral and regional financial institutions for global growth and development', and they have since agreed to co-finance projects with the European Bank for Reconstruction and Development (EBRD), the Japan-led Asian Development Bank (ADB), and World Bank, among others.⁹ If many of NDB's projects are co-financed with Western-led institutions, then this increases the overall financing pool without threatening the latter.

More striking from the perspective of offering an alternative to the American-centred system was the establishment of the Asian Infrastructure Investment Bank (AIIB) in 2015, headquartered in Beijing. There was great fanfare over the circumstances of its founding because the United States lobbied its allies to refuse to join the AIIB, but even its closest allies joined anyway. Australia, Canada, Germany, France, the Netherlands, South Korea, and most significantly Britain (the first Western nation to join, sparking a cascade) joined the AIIB. By 2018 the AIIB had 84 members, with the continued glaring absence of regional rivals Japan and the United States. This marks the first major rift in the West regarding the rise of China – that is, the first time key American allies such as Britain and South Korea have gone against American foreign policy and instead apparently sided with China. Surely this is one of the most embarrassing diplomatic flops suffered by the United States in East Asia since the withdrawal of US troops from Vietnam. Naturally, many commentators saw this as stark evidence of the decline of American hegemony in the face of China's rise.

While the AIIB is still new, it has been very underwhelming in its first two years of existence. It was planned to disperse \$10–\$15 billion per year in its first five years, but as is common for Chinese commitments of massive investment around the world, the actual values dispersed are only a fraction of initial public announcements. In 2016 the AIIB only approved \$1.1 billion and \$3.3 billion in 2017 (figures on actual loan dispersal have not yet been released).¹⁰ Tellingly, 56 per cent of the total value of projects in its first two years are actually led by Western-centred financial institutions such as the ADB and EBRD – with 11 of 24 total projects so far being co-financed with the World Bank. In contrast, the ADB alone dispersed \$17.5 billion in 2016 and \$19.1 billion in 2017. Strikingly, China has received more in loans from the ADB than it has dispersed via the AIIB. For that matter, China remains the largest recipient of World Bank loans, receiving \$2.4 billion in 2017.

And both the NDB and AIIB disperse all funds in US dollars, not RMB – the more international institutions that use the US dollar, the stronger will be the dollar’s role as global reserve currency. Like the NDB, then, the AIIB has acted as a complement to the existing US-centred financial system, not as an institution bent on overturning it as many declared in 2015.

Xi inaugurated a potentially much bigger game, however, with the launch of the ‘Silk Road Economic Belt and the 21st Century Maritime Silk Road’, or ‘Belt and Road Initiative’ (BRI).¹¹ A wide range of loose investment pledges have been reported in the media under this Silk Road umbrella concept, from over \$100 billion to eventually up to \$8 trillion, mostly in infrastructure projects across Eurasia and Africa. The BRI has become Xi’s signature foreign policy project, as he has directly claimed authorship of its creation multiple times (including in his 2017 speeches at the World Economic Forum and BRI Summit). It has become one of the core components of national rejuvenation. In 2016 it was the most cited concept in the *People’s Daily*, the biggest circulation newspaper in China and official mouthpiece of the CCP. Numerous institutes are now set up to study and promote BRI (including the University Alliance of the Silk Road with 135 member universities in 36 countries), and it is already the topic of thousands of conference papers and journal articles, with academic careers striking gold on this new Silk Road. In various speeches Xi has even urged a ‘Silk Road spirit’ of ‘peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit’.¹² If Xi’s plan for global leadership is to be accomplished by 2050 (especially ‘reOrienting’ trade and investment links towards China), then the success of the BRI over the next couple decades will be crucial. But the contradictions are many, as we shall see below.

In 2017 Xi Jinping also did not hesitate to attempt to fill the apparent void left by the US’s alleged withdrawal from global leadership under President Trump’s ‘America First’ platform. Xi became the first Chinese leader to attend the World Economic Forum in Davos, Switzerland, and gave the keynote address to capitalists of the world four days before Trump’s inauguration, entitled ‘Jointly Shoulder Responsibility of Our Times, Promote Global Growth’.¹³ In his speech, Xi chided those who ‘blame economic globalization for the chaos in the world ... [since] many of the problems troubling the world are not caused by economic globalization’. He also asserted that globalization is historically inevitable, taking the liberal position that it ‘is a natural outcome of scientific and technological progress, not something created by any individuals or any countries’. Nevertheless, he insinuated that countries *do* have control as he promised that China would continue to ‘offer opportunities to business communities in other countries’

by keeping its 'door wide open'. Thus Xi presented himself as defender of globalization, and delivered similar sentiments at other venues such as APEC. The irony of one of the most highly protectionist state-owned political economies in the world still ruled by a Communist Party trying to position itself as a defender of global capitalism should not be lost.

Xi has also increased China's military activity and diplomatic assertiveness – making use of a giant pile of carrots as well as by now the world's second largest stick (by military budget). Again, the trend of increasing Chinese assertiveness abroad began post-2008 during Hu's second presidential term. Nevertheless, Xi significantly ramped up China's assertiveness compared to Hu, especially in East Asia. In November 2013 China announced a new air defence identification zone (ADIZ) in the East China Sea that overlaps with Japan's existing ADIZ over the Senkaku Islands (which Taiwan also claims). Unlike Japan's ADIZ or Taiwan's (or even that of the US), which do not require anything of aircraft that do not intend to land within their zones, the Chinese Ministry of Defence requires all airliners entering its ADIZ to identify themselves and their flight path, reserving the right to shoot down any aircraft that do not comply. Japan ordered its airlines to refuse compliance (as did South Korea), and there have been regular scramblings of Japanese fighter jets as the Chinese airforce has regularly flown in this contested air space ever since. Meanwhile, the US has reiterated multiple times that the Senkaku Islands fall under the Japan-US Security Treaty. Regardless, five years after China announced its new ADIZ – and despite continual air and coast guard incursions – Xi has not been able to change the status quo in the East China Sea as Japan's control of the Senkaku Islands remains firmly entrenched.

Xi Jinping has, however, substantially altered the status quo in the South China Sea. Both China and Taiwan claim virtually the entirety of the SCS with the infamous 'nine-dash line' (sometimes ten or eleven dashes), first used on Republic of China maps in 1947 to demarcate the then-ruling Kuomintang's territorial claims (with US-backing). This nine-dash line cuts into the exclusive economic zones of Vietnam, Malaysia, Indonesia, Brunei, and the Philippines. Moreover, China has never clarified the coordinates of the dashes nor how to connect them. The controversy had origins before Xi, as in 2009 China first submitted the nine-dash line map to the United Nations and started sending naval patrol ships around the South China Sea. Also, in 2010 China announced that the SCS is a 'core interest', parallel to Tibet, Hong Kong, and Taiwan (meaning that China reserves the right to use military force to defend this territory), and in 2012 the nine-dash line map was emblazoned in Chinese passports for the first time.

But Xi changed the facts on the ground by actually building new ground, in late 2013 initiating a massive construction project transforming reefs and rocks (some of which were submerged) into artificial islands. Much of the construction is concentrated in the Spratly Islands, various parts of which are also claimed by the Philippines, Malaysia, Brunei, Indonesia, and Vietnam, as well as the Paracel Islands, claimed by Vietnam. The land reclamation was largely complete by 2017 with a combined 13 square kilometers of new artificial land, and China continues to build various facilities (including airports and dredging deep water ports) on what US Admiral Harris has called a new 'great wall of sand'. In 2015 Xi promised Obama that he would not militarize the Spratlys, but a year later started doing just that, installing anti-aircraft and anti-missile systems. Nevertheless, Obama drew a red line over the Scarborough Shoal (also claimed by the Philippines) in 2016, and China has yet to construct anything there.

There has also been a surge in Chinese military activity under Xi Jinping. China gained the capacity for long-range aircraft in 2015 from Russia, after the latter partially relaxed their ban of certain high-end military exports to China due to concerns over intellectual property theft. Hence China started flying patrols over the South China Sea – at first four times a year, then several times a month by 2017.¹⁴ China and Russia have inaugurated joint naval exercises: for the first time in 2015 they conducted exercises in the Sea of Japan and the Mediterranean Sea (China's first ever naval exercise in southern Europe); in 2016 they staged their first ever joint-naval exercise in the South China Sea; and in 2017 a series of joint exercises in the Baltic Sea (China's first ever in northern Europe), the Sea of Japan, and the Okhotsk Sea north of Japan (another first for China).¹⁵ Moreover, in 2017, China completed its first overseas military base in 700 years (with funds from BRI), in Djibouti on the Horn of Africa; strategically vital for the Arabian Sea and Suez Canal, Djibouti also hosts, apart from the French, America's only permanent base in Africa and Japan's only overseas military installation.

While military ties between China and Russia have grown closer than they have been since the 1950s, before the Sino-Soviet split – encouraged by Western sanctions on Russia in 2014, driving President Putin into Xi's embrace – in 2017 relations with India plunged to their lowest point since China invaded India in 1962. To stop the Chinese from constructing a road, there was a seventy-two-day standoff in July-August between the two militaries in Doklam, an area claimed by both China and Bhutan (which India regards as its protectorate). No shots were fired, but bizarre videos were released showing soldiers from both sides shoving each other with their chests. Chinese relations with South Korea also plunged from 2016,

when the latter ignored Chinese protests and allowed the US to install its anti-ballistic missile system (with a powerful radar that can reach deep into China), the Terminal High Altitude Area Defense. In response, China closed down South Korean factories and department stores, banned South Korean pop stars from touring China, and forbade Chinese package tourists to South Korea.

In any case, while more instances of growing Chinese assertiveness could be mentioned, the crucial questions are: has the rest of Asia appreciated China's intensifying regional activism? Does this bipolar posture of distributing financial incentives and punishments increase China's influence and status in Asia? Does it convince neighbouring countries to nudge the US out of the region?

CONTRADICTION #1: REGIONAL BACKLASH

Overall, judged by its own goals, China's mounting assertiveness in Asia has been very far from a spectacular success. Regional tensions have reached a level not seen since the Cold War. China's relations have soured with almost all neighbouring countries (including North Korea and Myanmar), with a few exceptions (Russia, Laos, and Cambodia), to such an extent that a number of countries have called for an increased American presence in the region – the exact opposite of what China wants. No country in the East and South China Seas has accepted an inch of China's expansive territorial claims, regardless of Xi's island-building and military intimidation. And certainly no other country is pining for a rejuvenation of the pre-1839 Sino-centric East Asian order. No country is sufficiently charmed by China to dream of returning to an era in which they were considered barbarian vassal states in a tributary empire, even if Cambodia and Laos may be heading in this direction out of desperation for investment. Unlike the American dream, the Chinese dream does not so enthrall non-Chinese people.

Therefore, one of the core contradictions of China's attempt to eventually challenge American hegemony in East Asia is the nature of its ethno-centric nationalist discourse. Like most Asian countries, Chinese national identity is defined by blood and ethnicity, but coupled with the additional historical baggage of assuming cultural superiority and centrality within Asia. This identity is in the very language that China uses – for example 'peripheral diplomacy' (*zhoubian waijiao*) to refer to its relations in the region, implying a Sino-centric order, which is in fact what the Chinese characters for China (*Zhongguo*) mean ('Country in the Centre', often translated as 'Middle Kingdom'). Unsurprisingly, other countries in the region are at best suspicious of a rejuvenated Sino-centrism, not least because it runs up against

their own nationalist orientations that have also become more assertive.

This is a conundrum from which Chinese elites will not likely be able to extract themselves in the foreseeable future. Indeed, the ethno-centric nature of Han Chinese nationalism has only become more important for Chinese elites since the 1980s (including for the repression of non-Han minorities in northern and western China). The social dislocations affecting over a billion people since that decade is on a scale rarely seen in human history. One of their consequences was over a million people protesting in Tiananmen Square and elsewhere in 1989, with the demonstrations being brutally crushed. Since then, and as China overturned more and more aspects of Maoist socialism, Chinese elites have increasingly relied on constructing a nationalist discourse that centres on three main components. First, it involves a rehabilitation of Confucianism, which the CCP's founders maligned as a reactionary authoritarian ideology pushed by feudal class enemies of the people.¹⁶ Second, Chinese nationalist discourse has evolved in designating Japan as the premier 'humiliator' of China, so as to encompass a constant stream of multimedia on Japanese war crimes in the 1930s and 40s (textbooks, film, television dramas, literature, events, exhibits in museums, memorials, and so on).¹⁷ And third, as discussed above, Xi increasingly emphasizes that national rejuvenation entails not simply material advancement and economic development, but also the Chinese dream of once again being the centre of Asia, forever overcoming the Century of Humiliation. In short, the less relevant the principles of Marxism, communism, and revolution are to the deeply exploitative state capitalism of contemporary China with its hyper-materialist *nouveau riche*, the more relevant is nationalism as a social glue to keep a rapidly changing society from tearing itself (and the ruling class) apart.¹⁸

As a result of China's new nationalism – based on addressing historical grievances coupled with increasing diplomatic and military assertiveness – there have been numerous calls for greater US engagement to hedge against or contain what many perceive to be the rise of Chinese aggression. There is rarely a clearer manifestation of Lundestad's 'empire by invitation', a phrase he coined in reference to American hegemony in Europe, but speculated in the 1990s could also be applied to East Asia.¹⁹ Of course, Japan has been under the umbrella of US hegemony since 1945, as has South Korea, where the US still has wartime operational command over its military. Around the South China Sea, almost all countries have called for United States diplomacy and military to play a greater role in the region. This includes Vietnam, Malaysia, Singapore, Indonesia, and the Philippines all supporting more frequent 'freedom of navigation operations' (FONOPS) in which,

beginning in 2015, the US Navy sails past these artificial islands to contest China's claims. The US Navy, Air Force, and Coast Guard have also stepped up joint exercises in the SCS with Vietnam, Cambodia, Thailand, Malaysia, Singapore, Brunei, Indonesia, Timor-Leste, and the Philippines, both bilaterally and multilaterally.

A number of countries in the region have also granted the US greater access to their military facilities or even agreed to host US troops semi-permanently, such that the US now has a greater military presence in East Asia than at any other time since the end of the Cold War – again, the exact opposite of what China wants. In 2015, over 1,000 US Marines began rotating through a Darwin, Australia military base every six months, as part of a new agreement expiring in 2040. In 2015 Singapore signed an enhanced defence agreement that allows US spy planes, which are flown over China's artificial islands, to be based in Singapore, along with up to four US Navy littoral combat ships (that can sail in shallow waters near atolls). Most strikingly, however, in 2013 Vietnam publicly invited the US to play a greater role in the South China Sea, and in 2016 (after President Obama fully lifted the US ban on lethal weapons exports to Vietnam) allowed US Navy warships to return to the most strategically important deep-sea port, at Cam Ranh Bay, for the first time since 1975. These port visits expanded by March 2018 to include over 5,000 US troops – the most on Vietnamese soil since 1975 – when a US aircraft carrier visited Da Nang for the first time in decades. This is a remarkable reversal in US-Vietnamese relations and is a direct result of China's increasing assertiveness.

Furthermore, under the auspices of the Enhanced Defense Cooperation Agreement (EDCA) signed in 2014, US troops returned to forward deployment (on a rotational basis) in the Philippines in 2016, after being kicked out in 1992 (US military occupation was made illegal in the post-dictatorship 1987 constitution). The US gained access to five bases across the Philippines and is able to construct new facilities on them, which began in early 2018. While newly-elected President Duterte in 2016 promised to rip up EDCA, 'separate' with the US, and announced that if China and Russia were creating a new world order then the Philippines would gladly join,²⁰ in reality Duterte has done very little to substantively follow through on these threats. Instead, relations with the US have deepened, for example in June 2017 when US Special Operations Forces, for the first time in years, engaged in joint operations with the Philippine military against Islamist separatists in the southern island of Mindanao, Duterte's home-base where he was mayor for 22 years. In May 2018 his foreign minister even threatened war if China continues to encroach on Philippine claims.²¹ The Philippines

is a core component of what is known in Chinese strategic thinking as the 'First Island Chain' (the others being Japan, Taiwan, and Indonesia) that could potentially inhibit the Chinese Navy from accessing the Pacific Ocean. Since 2016 the United States military has become more entrenched there than at any other time in the post-Cold War period. Therefore, these regional counter-moves represent significant blowback from China's increasing assertiveness.

Nevertheless, despite an increasing US military presence, all these countries perform a delicate balancing act in order to avoid alienating their giant neighbour. China is now more powerful than the majority of its Asian neighbours, and every country wants access to the Chinese domestic market and a piece of China's financial largesse. Herein lies a core contradiction, as, for example, the countries of ASEAN (or for that matter the EU) are consistently unable to form a consensus position on China's actions in the South China Sea, even when in 2016 the UN tribunal ruled that China's territorial claims have no legal basis and are invalid. Over the years, Cambodia, Laos, Indonesia, and since Duterte's election the Philippines (even though the previous government brought the legal complaint to the UN in 2013 and decisively won), as well as Hungary and Greece in the EU (both of which have received sizable Chinese investment), have all prevented citing a collective regional concern over Chinese actions in the South China Sea. In this more limited sense (compared to the failure of preventing an increased US military presence), China has been successful, and Xi's 'great wall of sand' is by now a *fait accompli* as many countries have quietly forgotten the 2016 UN ruling.²²

In addition to this geopolitical failure vis-à-vis the United States in China's own backyard, there are increasing signs that Xi's signature foreign policy, the BRI, is already cracking at the seams. One of the core contradictions of the infrastructure investment-driven growth model is that if there is insufficient domestic consumer and/or export demand to actually use this infrastructure then ultimately the growth model is unsustainable, with mounting debt and inadequate revenue to pay it off. To aggravate matters, Chinese loans have a higher interest rate than the Bretton Woods institutions, even if sometimes after an initial grace period, and are tied to Chinese state-owned enterprise contracts that often bring their own suppliers and even Chinese labour (which they can more easily control).²³ An increasing number of people in recipient countries characterize these Chinese practices as 'neo-colonialism', creating new relations of dependency while offering limited knowledge transfer or even jobs to locals. And many in the region now see what happened in Sri Lanka in December 2017 as a wake-up call. Sri Lanka

leased its southern port Hambantota to China for 99 years after defaulting on its crippling Chinese debts, amassed to build the unprofitable port in the first place (highly symbolic, since the leasing of Kowloon, Hong Kong to Britain for 99 years is a core component of China's 'Century of Humiliation'). In May 2018 the 92-year old Mahathir Mohamad staged an upset victory ending 60 years of Barisan National Party dominance in Malaysia, on a platform questioning Malaysia's participation in BRI-linked rail projects, citing the case of Sri Lanka, and has vowed to renegotiate all 'unequal treaties' with China. Similar misgivings have been expressed in Cambodia, Indonesia, Myanmar, Nepal, Thailand, and Vietnam. It is also difficult to see a positive future for Laos' high-speed rail investment when debt from building the single line through Laos to connect China and Thailand is now almost half of Laos' \$14 billion GDP.²⁴

Indeed, China's own debt-fuelled investment-driven growth is itself slowing since 2013, which is one of the impetuses of the BRI in the first place: to provide overseas opportunities for its behemoth SOEs and reduce their chronic overcapacity in heavy industry. China is essentially trying to transfer the costs of its slowing growth model onto its neighbours, without anywhere near its level of consumption or export-driven production. It is unlikely Chinese firms would be encouraged to fill this gap by shifting their production overseas in the foreseeable future, since this could result in millions of lost jobs which would be counter-productive to the primary short-term purpose of BRI (to boost Chinese growth). And while Chinese domestic consumption is growing in importance, it is still not enough to compensate for declining infrastructure investment – hence China's overall growth rate continues to decline since 2013. If China's domestic market of over 1.3 billion people still cannot adequately drive Chinese growth after over three decades of the largest export and infrastructure boom the world has ever seen, then the chances for BRI to drive sustainable long-term growth in much smaller countries in Eurasia and Africa seem rather slim.

Finally, even if over the next couple decades China is able to gain increasing support from its neighbours for CCP leadership and secure their accommodation to the Chinese dream of national rejuvenation, and even if the BRI successfully 'reOriented' a significant proportion of diplomatic, investment, trade, and even cultural and popular linkages towards China as hub, this would not necessarily decouple China (let alone the region) from the US. This is because East Asia will likely remain open to foreign capital and global supply chains; moreover, Western, and especially American, corporations will likely remain dominant forces.²⁵ As we shall see, currently Chinese-controlled firms do not even dominate in their own export sector,

so there is little reason to believe that Chinese firms will be able to out-compete Western transnational corporations (TNCs) in neighbouring markets. Hence, even if Chinese SOEs build the infrastructure across the region, it is Western TNCs that remain best situated to use this infrastructure to shift production, drive exports, and compete in growing local consumer markets.

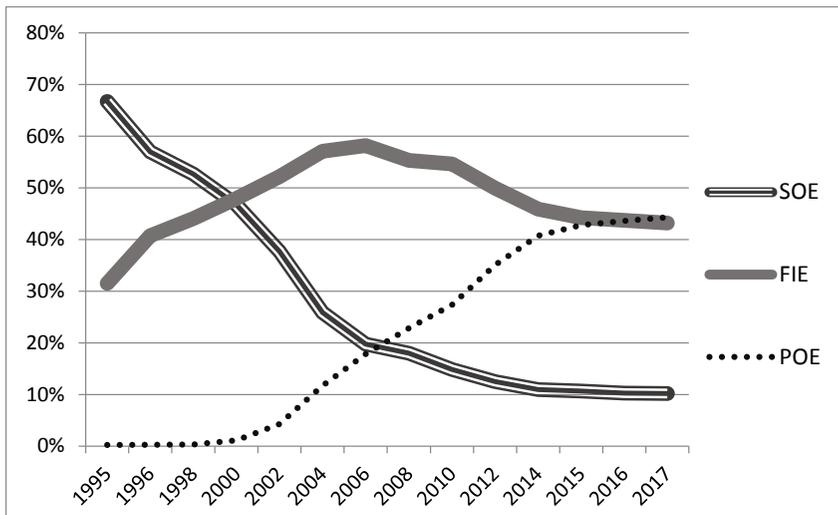
CONTRADICTION #2: CHINESE INTEGRATION INTO GLOBAL CAPITALISM

The second core contradiction concerning China's potential capacity to unmake the American making of global capitalism is China's very integration into that system. In fact, China was the first major political economy to rise in the era of American-centred globalization in the 1990s (China's share of world GDP actually declined in the 1980s) and one cannot appreciate the nature of one without the other. The broad strokes for understanding the capitalist rise of China are by now well known, with its reliance on foreign investment and technology in special export zones, exporting particularly to the US and EU. But what is far less commented upon is the extent to which China's export-driven boom is not only dependent on integrating into global capitalism, but is actually *driven* by foreign capital in key respects. This is where the capitalist rise of China has diverged from the earlier rises of Japan and South Korea pre-1990s globalization, where production and exports were and remain predominantly driven by domestic, not foreign, firms. Japan and South Korea followed the classic path of development by protecting their 'infant industry' (a concept employed as far back as Alexander Hamilton in 1791 to protect the new republic against British competition), and today have globally competitive firms in a variety of advanced technology sectors. By contrast, China's rise is the first of any major country to be predominantly driven by the globalization of production via Western TNCs shifting their low- and then later medium-value production to countries with much cheaper labour. China has been the primary recipient of this kind of foreign direct investment in the short history of contemporary globalization, with implications on its capacity for challenging American hegemony.

As we dig deeper into the data and move beyond the common assumption that national accounts measure the activity only of national firms, the integration of China into and indeed dependence on global capitalism is illuminated. Figure 1 shows the enterprise types of China's exporters from 1995-2017, and we can see that 'foreign-invested enterprises' (FIEs) – which include both fully foreign-owned enterprises (FOEs) and joint ventures

with Chinese firms – initially drove China’s export boom from the 1990s. Concomitantly, the exports of state-owned enterprises (SOEs) collapsed. By 2006 FIEs reached a peak in accounting for almost 60 per cent of all Chinese exports before stabilizing after 2014 at around 44 per cent. The exports of Chinese privately-owned enterprises (POEs) surged as China joined the WTO, and by 2014 also stabilized at around 44 per cent of total Chinese exports, neck-and-neck with foreign firms. This may give the impression that Chinese POEs have learned from (or copied) the world’s top TNCs, and have technologically upgraded to already match foreign firms exporting from China.

Figure 1. Enterprise Type of China’s Total Exports, 1995–2017



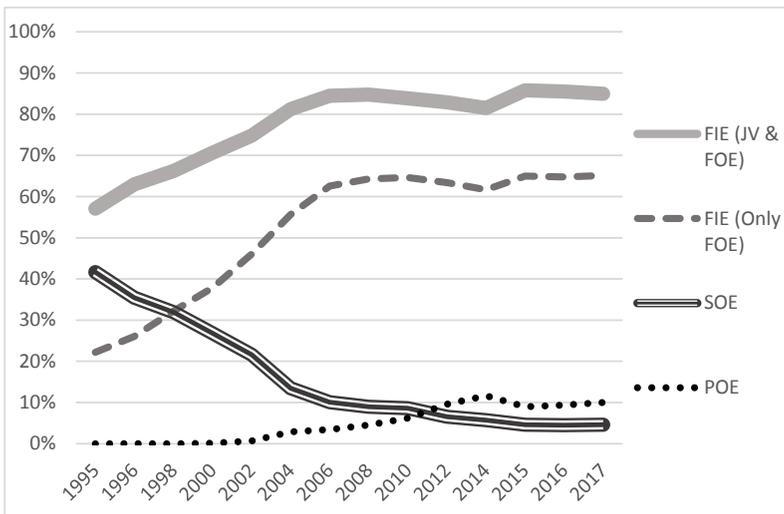
Note: SOE=State-Owned Enterprise; FIE=Foreign-Invested Enterprise; POE=Privately-Owned Enterprise.

Source: Author’s Calculations from China’s Customs Statistics, 1995–2017.

But the majority of these exports by POEs remain in low-value sectors, such as clothing and cheap consumer goods. Figure 2 shows the enterprise types for the most dynamic and technologically advanced of Chinese exports, what China Customs classifies as ‘process with imported materials exports’. These exports are at the heart of China’s integration into the global value chains of the world’s top TNCs, and are at the low-end of final assembly with high-value imported components. For example, these exports include the iPhone, as Apple subcontracts other firms to coordinate the importation of various components produced in different countries to be assembled in China and then re-exported to the rest of the world. In 2017, these exports

accounted for \$679 billion, or about a third of all Chinese exports. Like China’s total exports, the share of SOEs has collapsed, while foreign firms drove the initial surge of these high value exports, reaching a staggering 80 per cent by 2003. What is more astonishing, however, is that the share of FIEs has not dipped below 80 per cent ever since – almost 15 years. The FIE share even recently increased, to 85–86 per cent since 2015. And as we can see, the majority of the FIE share consists of fully foreign-owned enterprises, at 65 per cent in 2017 – the highest so far in this 22-year period. By contrast, the Chinese POE share has struggled to surpass 10 per cent, with only a handful of overseas success stories such as Huawei and Lenovo (although the latter has declined in recent years, with Hewlett-Packard regaining the top spot for PC-maker). The dominance of foreign capital in China’s most technologically advanced exports is staggering, especially when considering that most observers continue to assume that Chinese exports are exported by Chinese firms.

Figure 2. Enterprise Type for China’s ‘Process with Imported Materials’ Exports, 1995-2017



Note: FIE=Foreign-Invested Enterprise; JV=Joint-Venture; FOE=Foreign-Owned Enterprise; SOE=State-Owned Enterprise; POE=Privately-Owned Enterprise.
 Source: Author’s Calculations from China’s Customs Statistics, 1995-2017.

Table 1 shows the top ten exporting firms from China by value in 2015. China’s largest private employer with over 1 million workers is by far China’s top exporter, larger than the next two combined: Hon Hai Precision Industry, better known by its tradename Foxconn. Around half of Foxconn’s

profit stems from assembling Apple's iPhones, while it also subcontracts for a slew of other Western TNCs. More broadly, nine of the top ten exporting firms are electronics manufacturers (the only exception is the Chinese SOE oil company, Sinopec). Hence electronics are China's most important, dynamic, and among its most technologically advanced exports – and China was already the world's largest exporter of electronics by 2004. But as we can see in Table 1 (and Figure 2), the overwhelming majority of China's top electronics exporters are foreign firms (especially Taiwanese and South Korean – only Huawei makes the top ten). Samsung and LG perform their own final assembly in China, but Western TNCs (including increasingly Japanese) prefer to outsource their lower value production to Taiwanese firms operating in China. These six Taiwanese subcontractors account for 71 per cent of the total value of exports by the top ten exporting firms from China, which themselves account for 11 per cent of all of China's \$2.3 trillion of exports in 2015. In other words, in China's most dynamic and technologically advanced export sector – so crucial for the Chinese state to accumulate US dollars which then fuel its vast development projects – foreign firms continue to dominate after two decades of China's capitalist rise.

Table 1. Top 10 Exporting Firms from China by Total Value (US\$), 2015

China Rank	<i>Forbes Global 2000</i> (2016) Rank	Firms (Firm Type)	Nationality	Value (US\$bn)
1	117	Hon Hai Precision Industry (FOE)	Taiwan	78.91
2	19	Samsung Group (FOE)	ROK	36.48
3	843	Quanta Computer (FOE)	Taiwan	33.53
4	864	Pegatron Corporation (FOE)	Taiwan	28.80
5	N/A	Huawei Technologies (POE)	China	20.38
6	1,467	Compal Electronics (FOE)	Taiwan	18.77
7	1,688	Wistron Corporation (FOE)	Taiwan	13.11
8	825	LG Corporation (FOE)	ROK	9.82
9	31	Sinopec (SOE)	China	8.42
10	1,874	Inventec Corporation (FOE)	Taiwan	7.63
		Total		255.83

Note: FOE=foreign-owned enterprise; POE=privately-owned enterprise; SOE=state-owned enterprise; ROK=South Korea.

Source: Author's calculations from SSFERTC (2016); *Forbes Global 2000* (2016).

Another key aspect of China's integration into global capitalism is the extent to which foreign firms not only dominate China's chief export sectors, but also lead in numerous sectors in China's increasingly important domestic market. The extension of foreign capital's linkages both between China and global capitalism and within China's domestic market itself has some parallels with American capital's earlier expansion into Western European markets in the 1960s and 1970s. This earlier wave of expanding north Atlantic capitalist linkages was a source of concern for some Europeans, notably Jean-Jacques Servan-Schreiber who published *The American Challenge* in 1967, at the time the bestselling post-war nonfiction book in France. Half a century later, these worries have turned out to be prescient as much of Europe's information-technology sector is dominated by American TNCs, especially in computers, the internet, software, and telecommunications equipment.

The Chinese Communist Party is keenly aware of the potential pitfalls of foreign investment leading to foreign dependence and has been trying for over three decades to compel foreign technology transfer via joint-ventures and other mechanisms (including cyber-theft of intellectual property). These efforts have a mixed record over the decades. On the one hand, there are some notable successes, such as high-speed rail (copying Japanese technology); stealth fighter jets (copying Russian technology, although they have yet to be tested in battle); and renewable energy, especially solar panels (copying American and German technology) and wind turbines (copying American and Danish technology); among others. Chinese smartphone companies, particularly Huawei and Xiaomi, have successfully copied Apple and Samsung and now outcompete them in the Chinese market (Apple's iPhone is now fifth by volume in China). In 2017 Apple still dominates by profit, however, with an 87 per cent profit-share despite maintaining a market-share by volume of 11 per cent. Of the Chinese smartphone brands, only Huawei is profitable; Oppo, Vivo, and Xiaomi continue to be loss-making on razor-thin margins, despite all selling more units than Apple.

Additionally, China's internet economy is thriving and second only to Silicon Valley, with three giants straddling the domestic market: Alibaba, Baidu, and Tencent. China is now a world leader in mobile payments and online retail. But these domestic firms thrive in sectors that are ensconced behind the second most protectionist and censored internet in the world (only North Korea controls its internet more). These firms remain untested beyond the 'Great Firewall of China'²⁶ and there remains very little indication that they could compete with their American counterparts abroad. In fact, they cannot even out-compete Facebook and Google in Hong Kong and Taiwan, two territories that the CCP considers to be part of China.

On the other hand, in other key sectors China's record has been poor in terms of learning from foreign capital in order to build national champions to eventually out-compete them. The most notable is in automobiles, especially compared to Japan and South Korea where domestic national firms remain dominant at home and have become global competitors abroad. Over three decades since China implemented its industrial policy on automobiles, Chinese auto firms have had no such success, despite the Chinese auto market becoming the world's largest by 2009. Foreign automobile firms wanting to operate in China have been forced by the Chinese state to enter into joint-ventures with a Chinese SOE – the first being Shanghai Automotive Industry Corporation's (SAIC's) joint-venture with Volkswagen in 1985. Nevertheless, after three decades the Chinese brands of these SOEs still struggle to compete with their foreign partners. For example, the number one Chinese auto firm is SAIC, ranked number nine in the world by profit in 2016, in between Nissan and Honda. But, SAIC's joint-ventures with General Motors (GM) and Volkswagen accounted for 95 per cent of its sales, with its own brand cars accounting for 3 per cent.²⁷ As of 2014, foreign auto firms collectively held a 78 per cent market-share of passenger sedans in China,²⁸ which indicated that after three decades Chinese industrial policy had still not established Chinese-controlled auto firms that can compete with foreign firms in China (let alone abroad). Thus, while by 2016 Chinese auto production exceeded that of the US and Japan combined, this has been more a boon for foreign firms than domestic Chinese firms. In 2017 GM's Cadillac sold more units in China than in the US for the first time, and GM sells 550 per cent more Buicks there (for two decades one of the most popular brands in China) than it does in the US.

There are a variety of other sectors in which American TNCs lead in the Chinese domestic market while nonetheless reflecting the importance of global – and especially US – integration. Comprehensive market-share data across a wide range of sectors is not publicly available, so we rely on collecting a rag-tag of various sources from different years as reported in the media, with the original market research firm reports generally being publicly unavailable. Table 2 displays Chinese market-share data of selected American TNCs from a variety of sectors ranging from the years 2014–2018. Notably, despite officially exiting the Chinese market in 2010 due to its rejection of government censorship, Google still maintains an over 70 per cent Chinese market-share in smartphone operating systems with its Android software, the 'brain' of this ubiquitous consumer technology. (As of July 2017, China had 243 million of the planet's 728 million smartphones, the largest domestic market in the world). Together with Apple's iOS, these

two Silicon Valley firms have a 99.8 per cent market-share in China, with most of the rest (0.2 per cent) going to Microsoft, which has a 90 per cent market-share in desktop operating systems. Despite Huawei's encroachment on Cisco's overall market-share in telecommunications equipment, Cisco maintains a 55 per cent Chinese share in ethernet switches. In advanced medical equipment, a sector that will only grow in importance as China's population is one of the most rapidly aging in the world, General Electric is a leading firm (along with European firms Siemens and Phillips). As for airplanes, in 2016 Boeing's 45 per cent market-share is second to Airbus' 49 per cent, but this duopoly switches back and forth over the years.

Table 2. Market-Shares of Selected US Firms in China, Various Years

Firm	Market-Share (Rank)	Sector	Year (Quarter)	Source
Google	71.2% (#1)	Smartphone Operating System	2016 (Q4)	Kantar World-panel
Apple	28.6% (#2)	Smartphone Operating System	2016 (Q4)	Kantar World-panel
Microsoft	90% (#1)	Desktop Operating System	March 2018	Statacounter
Intel	11% (#1)	Semiconductors	2015	PwC Report
Cisco	55% (#1)	Ethernet Switches	2017 (Q1)	IDC
Oracle	56% (#1)	Database	2015	IDC
General Electric	20%	Installed Capacity of Large Hydro Equipment	2016	GE Website
General Electric	39% (#1)	Nuclear Medicine	2014	Ipsos
General Electric	32% (#1)	Computed Tomography	2014	Ipsos
General Electric	34% (#2)	MRI Scans	2014	Ipsos
Boeing	45% (#2)	Airplanes	2016	CARNOC.com
DuPont	4% (#1)	Coating	2017	Maigoo.com
Wal-Mart	5.3% (#3) [China South 9.2% (#1)]	Grocery Stores	2017	Kantar World-panel
Proctor & Gamble	36% (#1) 16% (#1)	Haircare Oral Care	2016 2016	Euromonitor
Pfizer	5% (#1)	Prescription Medicine	2016	QuintilesIMS
Coca-Cola	63% (#1)	Carbonated Soft Drinks	2014	Euromonitor

Pepsi-Cola	30% (#2)	Carbonated Soft Drinks	2014	Euromonitor
Nike	19% (#1)	Sportswear	2016	Euromonitor
Yum Brands	30% (#1)	Fast Food	2015	Euromonitor
McDonald's	14% (#2)	Fast Food	2015	Euromonitor
Starbucks	55% (#1)	Coffeeshops	2016	Euromonitor
Las Vegas Sands	25% (#1)	Casinos	2015	GGRAsia

Table 2 also shows that in the still highly fragmented supermarket sector, Wal-Mart with its over 420 stores is third overall and first in southern China, which encompasses the country's largest province (Guangdong) and richest city (Shenzhen).²⁹ Furthermore, American firms lead in a variety of consumer goods, such as Proctor & Gamble in hair and oral care, Coca-Cola and Pepsi-Cola with a combined 93 per cent in carbonated soft drinks. Strikingly, despite China being the world's largest producer and exporter of clothes, indigenous brands cannot rival Nike's leading share of 19 per cent in sportswear. In addition, the first Western fast food company to enter China was KFC in 1987 (on Tiananmen Square's southwestern corner), and a year later this outlet already became KFC's largest restaurant in the world by volume. Three decades later, its parent company Yum Brands China manages over 7,685 KFC, Pizza Hut, and Taco Bell restaurants in 1,100 cities in China, well ahead of second-place McDonald's (which arrived in 1990, now with almost 3,000 restaurants). Starbucks entered the tea-drinking nation relatively later in 1999, but by 2017 was opening an outlet every 15 hours, including the world's largest in Shanghai in December 2017 with a gargantuan 29,000 square feet. Also selling the American dream to China's aspiring middle class, Las Vegas Sands leads with a 25 per cent market-share in casinos (all in Macau), owned by the Republican Party's top donor, Sheldon Adelson.

In sum, China's deep integration into global capitalism is complex. Careful assessment of its greater autonomy in certain respects and greater dependence in others is required. The Chinese state has greater autonomy than most states to try to carve out its own protected niche within global capitalism and develop indigenous technology. These efforts are proving successful in certain sectors, at least in terms of dominating their own domestic market (whether they can leverage this domestic monopoly to compete abroad has not yet been tested). But in a variety of other sectors, ranging from the most advanced technology of aerospace and medical equipment to automobiles and consumer goods such as soft drinks, sportswear, and fast food restaurants – foreign firms dominate to an extent that is greater than in many other

major countries. The Chinese political economy is a hybrid of some of the most protectionist and some of the most open trade policies of any major country in the world, depending on the sector. In the key export sectors that determine China's integration into global value chains as 'workshop of the world' – the *sine qua non* of China's capitalist rise – foreign firms dominate to a degree that is rarely seen in other major countries (and never in hegemons). These particular economic dependencies do not make China a vassal state of the US as China remains relatively geopolitically independent in comparison to other states (and quite unlike Japan). But the nature of China's integration certainly proscribes its ability to challenge American hegemony, especially as the CCP desires above all the domestic social stability crucial to its power and influence within China.

China's constrained capacity and integration into the American-led global order can also be seen in other respects. Most sharply, after various Chinese elites championed efforts to move beyond the US dollar-based international system in the immediate aftermath of the global financial crisis, prompted by then-Central Bank Governor Zhou Xiaochuan in 2009, China's actions in subsequent years exhibited the exact opposite tendency. China more than doubled its stockpile of US Treasury Bills from \$504 billion in June 2008 to \$1.3 trillion by June 2011. And while China has made some attempts to internationalize its own currency, the RMB, these efforts reversed in the face of China's 2015 stock market crash and subsequent capital flight over the next two to three years (the RMB dropped back below the Canadian dollar as a global reserve currency, despite Canada having roughly a tenth of China's GDP). When faced with the choice to internationalize – and therefore at least partially liberalize – its currency or control its financial market, the latter won, and will always win for as long as the CCP maintains power in China (for which state control of finance is crucial).³⁰ At the same time, regardless of the fanfare over the NDB and AIIB, China has continued to actively support the leading international financial institutions, in 2009 pledging to boost its contribution to the IMF's budget by \$50 billion and in 2014-15 actively lobbying for the RMB to be included in the IMF's basket of 'special drawing rights' in order to increase its credibility and role (as well as integration) in global finance. In 2018, the IMF opened a research centre in China to train more Chinese in neoclassical economics, for all of Xi's rhetoric of promoting Marxism.

China's continued technological dependency on the US became clear when the US Department of Commerce banned ZTE from all US suppliers for seven years due to US sanctions violations in Iran and North Korea. Due to its complete dependence on American advanced technology with no

conceivable replacement suppliers on the scale required for the Chinese market, ZTE, China's second and the world's fourth largest telecommunications company, was forced to cease operations in May 2018 until Trump repealed the ban.³¹ As for the Trump administration's efforts to reduce China's giant trade surplus and challenge its industrial policy (especially Xi's signature 'Made in China 2025' aimed at global leadership in ten advanced sectors) – it is too early to tell whether US Trade Representative Robert Lighthizer will be as successful as he was during the Reagan administration's negotiation of Japan's 'voluntary export restraints' a generation earlier. While China is more geopolitically independent than Japan, it is even more structurally dependent on the US in terms of technology and trade.

None of this is to say that the contradictions of China's integration into global capitalism, and its particular external vulnerabilities, will lead to its collapse anytime soon, as some doomsayers maintain.³² China will continue to grow, even if more slowly than before, and its middle class will continue to expand and get richer, even if hundreds of millions will remain too poor to join the consuming class (due to structural reasons discussed below). China will continue to advance its national capacities to develop technology in certain niche sectors, and may lead the world in some of them (as Germany and Japan do today). But these vulnerabilities *do* mean that China will most likely not have the structural capacity to challenge the multi-faceted nature of American hegemony underpinning global capitalism along the lines of Xi's plan by 2050. To the extent that China continues to gradually (albeit unevenly) liberalize one sector after another, this structural dependence will likely only increase. For as long as the CCP's number one priority is to stay in power, the Chinese state cannot risk the fundamental disruption to its state-directed investment and foreign-driven export growth model (upon which directly or indirectly hundreds of millions of jobs depend) that a serious challenge to American hegemony would entail. Indeed, very little short of a revolution in China would be able to potentially alter these structural conditions, as the wealth of so many newly minted millionaires and billionaires depends on the particular manner in which China has integrated with global capitalism since the 1990s.

ASIAN ASPIRATIONS

In order to chart possible futures, given the above constraints and contradictions, it is vital to be clear-eyed about the nature of the Chinese political economy, including whether it is more state socialist or state capitalist. On the one hand, Xi Jinping Thought has muddied the waters by insisting that China remains 'socialist with Chinese characteristics' and Xi

has consistently called for a reassertion of ‘Marxism’ over Western liberalism in the halls of the establishment, including in university curricula. In 2018 China held the largest events in the world commemorating the 200th anniversary of Marx’s birth, during which Xi called upon his comrades to take *The Communist Manifesto* seriously.³³ Whether or not inspired by Marx, Xi has also reeled in some of the most freewheeling of China’s billionaires, detaining among others flamboyant Xiao Jianhua (extra-judicially abducted from his hotel in the middle of the night in Hong Kong at the beginning of Chinese New Year 2017).³⁴

On the other hand, while some in the Western Left might envy such trends, the fact that workers’ rights and unions are better protected in the United States – the heart of global capitalism (let alone in northern Europe) – than in China reveals how intellectually and morally bankrupt Xi’s version of ‘Marxism’ is. Xi has done nothing to end wage-labour and capitalist exploitation (whether by private owners or SOEs), especially of the hundreds of millions of rural migrants that have filled the factories, construction sites, warehouses, delivery vehicles, and mines of eastern and southern China, often in conditions that rival what Engels described in mid-nineteenth century Manchester. While several hundred million now comprise the urban middle class, this is on the backs of hundreds of millions of super-exploited rural migrants with no access to social welfare (with Mao’s ‘Iron Rice Bowl’ having been dismantled by the 1990s) or even education for their children due to their rural household registration (*hukou*).³⁵ Hence, Xi’s version of Marxism, with all references to class struggle removed, is left with the shell of single-party dictatorship and state ownership as marking ‘socialism’. Instead of striving for the emancipation of the working class from capitalist exploitation, and lambasting the obscene profits of China’s nouveau riche as a burgeoning bourgeoisie and the greatest inequality in the world, Xi exhorts Chinese ‘entrepreneurialism’ and ‘poverty reduction’. He even turns the world upside down by defending global capitalism at the World Economic Forum against critiques from both Donald Trump and Marine Le Pen on the right and Bernie Sanders and Jeremy Corbyn on the left. Without freedom of speech or assembly, coupled with Xi’s crackdown on all manner of dissent that would ‘disturb social order’, it is difficult to see a positive path forward.³⁶

But no matter how arduous the path ahead, anything that is socially constructed can be socially deconstructed and reconstructed, and there is no better embodiment than China itself over the past 150 years of the maxim that ‘all that is solid melts into air’ – several times over. Xi’s regular references to Marxism do indeed open opportunities to discuss Marx’s ideas and their

relevance to contemporary China (and the world),³⁷ even if deviations from Xi's interpretation are suppressed.³⁸ As China's growth continues to slow, decent jobs become scarcer, deadly levels of pollution persist (killing over two million a year), families are torn asunder as impoverished millions continue to be dislocated in the name of 'economic development', and housing becomes ever more unaffordable (especially in Tier 1 megalopolises) – opportunities to bring class consciousness back will surely increase. Moreover, anecdotally, some Chinese youth are becoming less hyper-materialist and are questioning the prioritization of economic growth above all other goals in the human condition, perhaps akin to the coming of age of Western youth in the 1960s – and the radicalism that ensued.

Finally, as the only part of China where freedom of speech and assembly are still more or less protected, Hong Kong can play a special role, where these ideas can be more freely discussed to crack the stifling dogma of Xi Jinping Thought. Hence Hong Kong is the final refuge of labour, environmental, and other social activist NGOs due to Xi's repression on the Mainland since 2015.³⁹ As Xi's authoritarianism has intensified, the youth of Hong Kong are also becoming more politicized – and some increasingly radicalized with massive inequality lorded over by monopolistic tycoons – especially since the 2014 'Umbrella Movement'. And if the more nativist elements in Hong Kong can be overcome, social movements forming linkages across the Mainland would only strengthen the possibilities for positive change. While predicting revolutions is a fool's game, it is clear that without one, China will not be able to unmake the American making of global capitalism. Both intentionally and unintentionally, Xi Jinping has been advancing China's integration into global capitalism. But if contradictions and struggle drive change, then history is by no means over in China.

NOTES

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- 2 Xuetong Yan, 'From Keeping a Low Profile to Striving for Achievement', *The Chinese Journal of International Politics*, 7(2), 2014.
- 3 From a 28 May 2014 Xi speech cited in Astrid Nordin and Mikael Weissmann, 'Will Trump Make China Great Again? The Belt and Road Initiative and International Order', *International Affairs*, 94(2), 2018, p. 246.

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- 5 Full text available at www.xinhuanet.com.
- 6 Yan, 'From Keeping a Low Profile to Striving for Achievement', p. 164.
- 7 Jonathan Kaiman and Yingzhi Yang, 'China's President is the Country's Most-Traveled Leader Since Communism – And Maybe the Strongest', *The Los Angeles Times*, 25 December 2015; Xie Tao, 'Chinese Foreign Policy with Xi Jinping Characteristics', Carnegie Endowment for International Peace, 20 November 2017, available at carnegieendowment.org.
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- 9 World Bank, *World Bank Group, New Development Bank Lay Groundwork for Cooperation*, 9 September 2016, available at: www.worldbank.org; Asian Development Bank, *Asian Development Bank, New Development Bank Meet to Discuss New Project Cofinancing*, 13 October 2017, available at: www.adb.org.
- 10 Values in this paragraph from Salvatore Babones, 'China's AIIB Expected to Lend \$10-15B a Year, But Has Only Managed \$4.4B in 2 Years', *Forbes*, 16 January 2018.
- 11 Note that the CCP no longer endorses the English translation of 'One Belt, One Road', but its Chinese name has remained the same since 2013.
- 12 Nordin and Weissmann, *Will Trump Make China Great Again?*, p. 240. As the authors point out, does this mean that if countries reject the Silk Road then they are against peace, cooperation, mutual learning, and benefit?
- 13 Full speech available at america.cgtn.com. Interestingly, Xi's profile on the WEF website states his 'Degree in Marxist Theory' at Tsinghua University, possibly the first to address the capitalists of the world with such a degree.
- 14 Jamie Seidel, 'Photos Reveal China's South China Sea Island Fortresses are Complete', *News Corp Australia Network*, 7 February 2018.
- 15 Ankit Panda, 'Chinese, Russian Navies Hold Exercises in Sea of Japan, Okhotsk Sea', *The Diplomat*, 21 September 2017.
- 16 Mao famously opined, 'If the Communist Party has a day when it cannot rule or has met difficulty and needs to invite Confucius back, it means we are coming to an end'. Anti-Confucianism reached a fevered pitch during the Cultural Revolution, when Red Guards dynamited Confucius' grave.
- 17 In 2012 alone, more than 200 anti-Japan films were made in China, and one estimate claims that 70 per cent of drama on Chinese television, most of it state-owned, is about what the CCP calls the 'Chinese War of Resistance Against Japanese Aggression, 1931-1945' (the author can certainly attest to this from his experience channel-surfing in hotel rooms around China). Note that official Chinese sentiment towards Japan was much more positive in the early 1980s, as Japan was China's largest aid donor and Japanese corporations were among the first to enter China as Deng opened up. In the 1960s and 1970s, researching or publishing about Japanese war crimes was actually censored, because Mao was courting Japan in an effort to displace both US and Soviet influence from East Asia. The anti-Japan animus was in full swing by 2000, when a film that won the Cannes Grand Jury Prize (Jiang Wen's pointedly titled *Devils on the Doorstep*) was banned in China for showing a Japanese prisoner of war in too positive a light. David Lague and Jane Lanhee Lee, 'Why China's Film Makers Love to Hate Japan', *Reuters*, 25 May 2013.

- 18 Nevertheless, Xi Jinping has also been re-embracing 'Marxism', as discussed below.
- 19 Geir Lundestad, 'Empire by Invitation' in the American Century', *Diplomatic History*, 23(2), Spring 1999.
- 20 Manuel Mogato, 'The US will Upgrade and Build Facilities on Philippine Military Bases this Year', *Reuters*, 26 January 2017.
- 21 John Reed, 'Philippines Claims It Would 'Go to War' Over China Incursions', *The Financial Times*, 29 May 2018.
- 22 Nevertheless, it is questionable whether this is a significant military victory since China still does not have the capacity to prevent US FONOPS (which have increased under Trump) and still cannot break out of the First Island Chain. Moreover, with the US Navy now having access to both Vietnam's Cam Ranh Bay and Subic Bay in the Philippines (as well as an increased presence in Australia and Singapore), China's supply routes between the Mainland and Spratly Islands are highly vulnerable.
- 23 One of the first and still most important BRI projects is the Gwadar port in Pakistan – which is attracting increasing protests since 91 per cent of the port's revenues go to the SOE, Chinese Overseas Port Holding Co., Adnan Aamir, 'China's Belt and Road Plans Dismay Pakistan's Poorest Province', *The Financial Times*, 14 June 2018.
- 24 China's own high-speed rail system is loss-making, hence reliant on massive subsidies that few other countries could afford.
- 25 Sean Kenji Starrs, 'The Chimera of Global Convergence', *New Left Review*, 87(1) 2014.
- 26 Or 'Golden Shield', the English translation of its official Chinese name. I am grateful to Chuangcn.org for pointing this out.
- 27 Date for profits is 2015, for sales 2016. See SAIC Motor, *Annual Report 2015*, 2016, p. 14, available at www.saicmotor.com/english/investor_relations/annual_report/index.shtml.
- 28 Tom Mitchell, 'Foreign Marques Surge Ahead in China Car Market', *The Financial Times*, 12 January 2015.
- 29 These figures do not include Wal-Mart's controlling share of the Taiwanese supermarket, Trust-Mart. I thank Chuangcn.org for pointing this out.
- 30 Sean Kenji Starrs, 'A Crash with Chinese Characteristics', *Jacobin*, 30 July 2015.
- 31 On 13 May, two days after a Chinese SOE approved over half a billion dollars of financing for Trump's Indonesia resort and the day after Xi made a personal phone call, Trump repealed the ZTE ban via Tweet because 'Too many jobs in China lost' (a substantial departure from Trump's repeated proclamations that China is 'raping' the US). But at the time of writing, Congress is attempting to pass a bill to maintain the ZTE ban.
- 32 Most famously, Gordon Chang, *The Coming Collapse of China*, New York: Random House, 2001; more than a decade later this prophecy of doom persists. See also David Shambaugh, 'The Coming Chinese Crack-Up', *The Wall Street Journal*, 6 March 2015.
- 33 Nectar Gan, 'A New Class Struggle: Chinese Party Members Get Back to Communist Manifesto Basics', *South China Morning Post*, 29 April 2018.
- 34 Don Weinland and Lucy Hornby, 'Tycoon Abducted by China Works with Authorities to Sell Assets', *The Financial Times*, 10 June 2018. Most strikingly, Wu Xiaohui, CEO and founder of formerly one of China's largest 'private' conglomerates, Anbang (now taken over by the government), was sentenced to 18 years in prison. 'Private' is problematic, since there is no separation between public and private in China à la Anglo-Saxon liberalism, neither *de jure* nor *de facto*. See, Sean Kenji Starrs, 'The Global

- Capitalism School Tested in Asia: Transnational Capitalist Class vs. Taking the State Seriously', *Journal of Contemporary Asia*, 47(4), 2017; Nana de Graaff and Bastiaan van Apeldoorn, 'US-China Relations and the Liberal World Order: Contending Elites, Colliding Visions?', *International Affairs*, 94(1), 2018.
- 35 For an argument that in the Maoist period of the 'Iron Rice Bowl' the non-agricultural and capital stock growth were actually higher – even if total growth was lower – than post-1978, see Anton Cheremukhin, Mikhail Golosov, Sergei Guriev, Aleh Tsyvinski, 'The Economy of the People's Republic of China from 1953-2012', *National Bureau of Economic Research*, NBER Working Paper No. 21397, July 2015, available at www.nber.org.
- 36 For important counter-arguments, see Michael Roberts, 'China Workshop: Challenging the Misconceptions', 7 June 2018, available at: thenextrecession.wordpress.com; Giovanni Arrighi, *Adam Smith in Beijing: Lineages of the 21st Century*, New York: Verso, 2007.
- 37 Yue Xin, a student labour activist at Peking University and a prominent proponent of #MeToo in China, personally inspired by Marx's original texts (rather than vacuous CCP reinterpretations), offers an illustration of how this opening can meld with globalization from below. See Jun Mai, 'Why Beijing Isn't Marxist Enough for China's Radical Millennials', *South China Morning Post*, 25 May 2018.
- 38 The 2017-18 'Eight Young Leftists' case has received international attention, as they were persecuted for organizing a Marxist reading group at Guangzhou University of Technology that discussed the existence of a capitalist class in China, contravening Xi Thought (in the 2013 leak of 'Document 9: Communiqué on the Current State of the Ideological Sphere' detailing the 'Seven Unmentionables', China's censors are instructed to eliminate any mention of a 'privileged capitalist class in China'). See Chuangcn.org, 'Let the People Themselves Decide Whether We're Guilty', 14 June 2018, available at chuangcn.org.
- 39 Hong Kong is even the last refuge for Maoists to protest Chinese state capitalism. See Jun Mai and Chi-Yuk Choi, 'The Last Maoists in China Find Refuge in Capitalist Hong Kong', *South China Morning Post*, 25 May 2018.