

Introduction by JOHN BELLAMY FOSTER

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NEW COLD WAR on CHINA

Is China Transforming the World?

TONY ANDREANI, RÉMY HERRERA & ZHIMING LONG

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Notes from the Editors

This special issue of *Monthly Review* is devoted to the New Cold War on China. This leads us to the question: What has been the view of the Chinese Revolution presented in *Monthly Review* in the past seven decades? How has it changed over time? Here we are reminded of a famous statement often attributed to John Maynard Keynes, though likely apocryphal. Accused by a critic of being a flip-flopper, Keynes replied: "When the facts change, I change my mind. What do you do, sir?" (Jason Zweig, "Keynes: He Didn't Say Half of What He Said. Or Did He?," *Wall Street Journal*, February 11, 2011). As Paul A. Baran, one of the principal MR figures in its early years, observed: "[Karl] Marx and in particular [V. I.] Lenin being master-tacticians shifted horses and arguments as conditions changed (rightly so, to be sure!)" (Paul A. Baran and Paul M. Sweezy, *The Age of Monopoly Capital* [New York: Monthly Review Press, 2017], 394). The question then becomes not the changing views themselves, but how these shifts in perspective reflect changing historical circumstances.

The very first Review of the Month in the first issue of *Monthly Review*, written by its founding editors Leo Huberman and Paul M. Sweezy, included a section on "China and Socialism." As the MR editors stated at the time:

The New Cold War on China

JOHN BELLAMY FOSTER

On March 24, 2021, a high-profile article proclaiming “There Will Not Be a New Cold War” appeared in *Foreign Affairs*, the flagship publication of the Council on Foreign Relations, the principal think tank for U.S. grand strategy. The author, Thomas Christensen, a professor of international affairs at Columbia University and former deputy assistant secretary of state for East Asian and Pacific affairs in the George W. Bush administration, went so far as to acknowledge that “the [Donald] Trump administration basically declared a cold war on China.”¹ Nevertheless, no New Cold War, Christensen optimistically indicated, would actually materialize, since Washington under Joe Biden would presumably back away from Trump’s extreme policies toward China given its “vital position in the global value chain.”² Beijing could not be seen as an aggressive power in ideological or geopolitical terms, but was simply interested in economic competition.

Yet, what Christensen’s analysis excluded was any mention of the imperialist world system, crowned by U.S. hegemony, which is now threatened by China’s seemingly inexorable rise and pursuit of its own distinctive sovereign project.³ In this respect, the Trump administration’s prosecution of a New Cold War on China was no anomaly, but rather the inevitable U.S. response to China’s rise and the end of Washington’s unipolar moment. Just as the United States declared a Cold War against the Soviet Union and China in the 1940s and ’50s, as part of a grand strategy to secure its global hegemony in the immediate post-Second World War era, today it is declaring a New Cold War on China in the interest of maintaining that same imperial hegemony.

Indeed, days before Christensen’s *Foreign Affairs* article went to print declaring that there would be no New Cold War, the Biden administration made it clear that it not only intended to continue the New Cold War, but to accelerate it, pushing it to greater heights. This was evident in the first high-level bilateral talks between the United States and the Peoples’ Republic of China following the election of Biden as U.S. president, held on March 18, 2021, in the Captain Cook Hotel in downtown Anchorage, with U.S. secretary of state Antony Blinken and national security advisor Jake Sullivan sitting across from China’s director of the Office of the Central Commission for Foreign Affairs Yang Jiechi and Chinese foreign minister Wang Yi.⁴

In the week prior to this high-level meeting, Washington had set the stage, signaling through its actions its intention to promote a hyper-aggressive Cold War 2.0 directed at China. Thus, on March 12, Biden met

with the heads of state of Japan, India, and Australia, representing the new Quad military-strategic alliance led by the United States, widely seen as an attempt to construct an Asian analogue to the North Atlantic Treaty Organization (NATO). The Quad issued a joint statement the entire subtext of which was enmity toward China.⁵ On the same day, the U.S. Federal Communications Commission blacklisted five Chinese companies including Huawei.⁶ Late on March 16, less than two days before the bilateral talks with China were set to begin, the Biden administration renewed sanctions against twenty-four officials of the Chinese government, in response to the suppression of dissent in Hong Kong.⁷

In a break with diplomatic protocol, Blinken started off the March 18 bilateral talks in Anchorage by bluntly stating that he and the U.S. secretary of defense Lloyd Austin had just returned from a meeting with their counterparts in Japan and Korea, two U.S. leading military allies that share many of Washington's concerns with regard to China. Washington's goal, he said, was "to advance the interests of the United States and to strengthen the rules-based international order." He then entered into a direct challenge to Beijing, referring to "deep concerns with actions by China, including in Xinjiang, Hong Kong, Taiwan, cyberattacks on the United States and economic coercion toward our allies. Each of these actions threaten the rules-based order that maintains global stability." The United States was ready not only to be competitive, and in some areas "collaborative," with China, but also to be strongly "adversarial" where necessary.

Sullivan followed up by pointedly referring to Biden's hosting of "the Quad leaders' summit" the previous week, and the Quad military alliance's security concerns in the Indo-Pacific, thereby foregrounding the warlike pact being formed in Asia against Beijing. He added that U.S. allies and partners had expressed "areas of concern" with respect to China's use of "economic and military coercion" in its "assaults on basic values" and that the United States would welcome "stiff competition" with China, but that it was also, he intimated, prepared for full-scale conflict.⁸

Yang responded by insisting that China firmly upheld "the United Nations-centered international system and the international order underpinned by international law, not what is advocated by a small number of countries [as] the so-called rules-based international order." "The Chinese people," he said, "are wholly rallying around the Communist Party of China. Our values are the same as the common values of humanity. Those are: peace, development, fairness, justice, freedom, and democracy." He stressed the quite different conceptions of democracy represented by China and the United States. Contrasting Beijing's foreign policy to that of Washington, both historically and in the present, he stated:

We do not believe in invading through the use of force, or to topple other regimes through various means, or to massacre the people of other countries.... The United States has exercised long-arm jurisdiction and suppression and overstretched [its] national security through the use of force or financial hegemony, and this has created obstacles for normal trade activities, and the United States has also been persuading some countries to launch attacks on China.... With [respect to] Xinjiang, Tibet and Taiwan, they are [each] an inalienable part of China's territory. China is firmly opposed to U.S. interference in China's internal affairs. We have expressed our staunch opposition to such interference, and we will take firm actions in response.

Yang insisted that Washington had no basis to lecture Beijing on human rights given its own record, as symbolized by the protests of the Black Lives Matter movement. "The United States itself does not represent international public opinion, and neither does the Western world." With respect to "cyberattacks," he stated, "whether it's the ability to launch cyberattacks or the technologies that could be deployed, the United States is the champion in this regard. You can't blame this problem on somebody else."

Wang, in turn, indicated that

China urges the U.S. side to fully abandon the hegemonic practice of willfully interfering in China's internal affairs.... And in particular on the 17th of March [the day before the meeting], the United States escalated its so-called sanctions on China regarding Hong Kong, and the Chinese people are outraged by this gross interference in China's internal affairs and the Chinese side is firmly opposed to it.... Just the other day, before our departure, the United States passed these new sanctions. This is not supposed to be the way one should welcome his guests [in these bilateral talks taking place in Alaska], and we wonder if this is a decision made by the United States to try to gain some advantage in dealing with China.⁹

Blinken retorted by referring again to questions raised by U.S. allies and partners with respect to China's actions in violation of the rules-based international order. He emphasized Washington's determination to build strategic alliances directed at China. Sullivan then touted U.S. technological prowess and its landing, a couple weeks before, of another rover on Mars, working with its allies in Europe—a comment designed to deflate in advance China's planned landing of its rover Tianwen [Questions to Heaven] 1 on Mars, to take place in May. He harshly criticized the Chinese delegation for its "lectures" and "long, winding statements."¹⁰

Yang responded that he had "felt compelled to make this speech because of the tone on the U.S. side," in which the U.S. diplomats chose "to speak to China in a condescending way from a position of strength," with all the appearance of having carefully "planned" and "orchestrated" this confrontation. Wang followed by returning to Blinken's veiled reference

to Japan and South Korea regarding their concerns about coercion from China. He indicated that it was not clear whether this was actually coming from these countries themselves or was simply a U.S. projection.¹¹

“For an astonished press, witnessing the [entire] exchange,” as Thomas Wright, a Brookings Institution senior fellow, observed shortly after in the *Atlantic*, it “was like being present at the dawn of a new cold war.”¹² Indeed, as David Stilwell, former assistant secretary of state for East Asian and Pacific affairs under Trump, and Dan Negrea, senior associate of the Center for Strategic and International Studies, wrote ten days later in the *National Interest*: “Thirty years after the demise of the Soviet Union and the end of the Cold War, the world finds itself in a new cold war” centered on China.¹³

Washington continued in the following weeks with its aggressive attacks on China:

- March 22: The United States, along with the European Union, the United Kingdom, and Canada, issued sanctions on four Chinese officials over alleged human rights violations in Xinjiang.¹⁴
- March 24: The foreign ministers of NATO’s thirty states declared that they were ready to oppose the “authoritarian threats to the rules-based international order,” in cooperation with their allies and partnerships in the Asia-Pacific, thereby singling out China as a common foe.
- March 25: A week after the bilateral talks, Biden in a press conference declared that “Xi [Jinping, the president of the People’s Republic of China], doesn’t have a democratic – with a small ‘d’ – bone in his body” and referred to him as an “autocrat.”¹⁵
- March 28: U.S. trade representative Katherine Tai announced that the United States had no intention of removing the tariffs that Trump had imposed on Chinese goods imported to the United States, affecting a majority of Chinese exports to the United States, and designed to get multinational corporations to delink their value chains from China.¹⁶
- March 30: The Biden administration unilaterally accused China of “genocide and crimes against humanity,” presenting this formally in its annual human rights report, though lacking any credible evidence to support its charges.¹⁷
- April 8: Washington blacklisted seven Chinese supercomputing firms.¹⁸
- April 30: The Biden administration arranged a public meeting between official U.S. State Department representatives and their Taiwan counterparts. This broke with the agreement with China, going back to the 1970s – known as the Three Communiques – according to which the United States would avoid all official contacts with Taiwan, which China considers to be part of One China, with two governing systems.¹⁹
- May 5: The Group of Seven core capitalist nations, consisting of the United States, Japan, Germany, France, the United Kingdom, Italy, and Can-

ada, presented itself as the global guarantor of the “rules-based international order,” strongly criticizing China over its domestic affairs.²⁰

- May 7: In a UN Security Council meeting chaired by Wang Yi, Blinken criticized China and Russia for flouting international law, and while not actually referring to China by name, which he has repeatedly accused of genocide, he stated: “Asserting domestic jurisdiction doesn’t give any state a blank check to enslave, torture, disappear, ethnically cleanse their people, or violate human rights in any other way.”²¹
- May 26: (1) Biden ordered U.S. intelligence agencies to investigate the laboratory theory of the origins of SARS-CoV-2 in China; (2) Kurt Campbell, coordinator for Indo-Pacific affairs on the National Security Council, Biden’s Asia tsar, declared that “the period that was broadly described as engagement [with China] has come to an end.”²²

In its first one hundred days, the Biden administration wasted no time in ratcheting up U.S. military pressure on China. From January to April 2021, U.S. military activity along China’s borders increased sharply, with incursions of U.S. military ships in Chinese-claimed territorial waters rising by 20 percent and U.S. military aircraft incursions in Chinese air space growing by 40 percent. In March, Germany deployed a warship in the South China Sea aimed at China, with Washington welcoming “Germany’s support for a rules-based international order in the Indo-Pacific.” In April, the United States sent an additional carrier strike group to bolster its forces in the South China Sea. Meanwhile, Britain is sending its Queen Elizabeth II carrier strike group into the South China Sea in a tilt to the Indo-Pacific. The United States currently has four hundred military bases and some 375,000 command personnel (military and civilian) in the Indo-Pacific encircling China, including more than eighty thousand troops stationed in Japan and South Korea.²³

Viewed in this overall context, the confrontation between Washington and Beijing in Anchorage, rather than simply constituting an angry exchange between irate diplomats, can be seen as revealing the basic contours of the U.S. imperial grand strategy with respect to China, along with the nature of China’s strategic response. Washington’s insistence on what it calls a “rules-based international order,” in contrast to Beijing’s advocacy of a broad UN-based order of sovereign states underpinned by international law (traditionally referred to as the Westphalian system), is more than a dispute over phraseology. Rather, it stands for the current U.S. strategy of compelling China to comply with the hegemonic political-economic order imposed by an alliance of major powers under U.S. leadership, so as to “lock in” current imperial power relationships.²⁴ As China has indicated, if the “rules-based order” is “set by the US alone, then it cannot be called international rules, but rather ‘hegemonic rules.’... If it refers to rules set by the US and a handful of other countries, then it cannot be called international rules

either, but rather ‘clique rules,’ which run counter to the principle of democracy and won’t be accepted by the majority of countries in the world.”²⁵

In particular, the United States and the other capitalist economies at the apex of the world system, notably the triad of the United States/Canada, Western Europe, and Japan, are committed to preserving not only the hegemonic institutions forged in the Cold War era, such as the World Bank and International Monetary Fund, coupled with the system of U.S.-dominated military alliances, but also what is referred to as the post-Westphalian system or liberal international order that emerged during the era of “naked imperialism” from the 1990s to the present, made possible by the vacuum created by the Soviet Union’s disappearance from the world stage and the resulting U.S. “unipolar moment.”²⁶ During the post-Cold War era, a continuing stream of “humanitarian interventions” in the affairs of other states have been carried out by the United States and its allies, generating an era of perpetual war – beginning with the expansion of U.S. (and NATO) power in Eastern Europe with the dismemberment of Yugoslavia, as well as military interventions in the Middle East and Africa – in violation of the sovereignty of states.²⁷ This new aggressive imperial posture has been legitimated in terms of the “responsibility to protect” and the promotion of “democracy” and “humanitarian” values – as these are determined by the United States and other core capitalist powers, standing in for the “rules-based international order.”²⁸

The strategic objective of the New Cold War on China from the standpoint of the United States and its allies is not so much to *contain* China economically, politically, and militarily, which is not possible, but rather to find ways to *constrain* it, making it impossible for it to effect changes in the global order despite its emerging power position. The new imperial grand strategy is thus designed to replicate on a global scale (and in the thermonuclear age) the famous “gunboat diplomacy” imposed on the Qing dynasty by the leading imperial powers during China’s “Century of Humiliation,” stretching from the Opium Wars up to the Second World War.²⁹ This was symbolized above all by the British destruction of the emperor’s Summer Palace in 1860, designed to humiliate the Qing dynasty. In 1900, during the so-called Boxer Rebellion (Yihetuan Movement), the great powers invaded China in what was referred to as the Eight-Nation Alliance (then consisting of Britain, the United States, France, Germany, Austria-Hungary, Italy, Japan, and Russia), imposing their authority on the Qing dynasty and forcing further unequal treaties on the country.³⁰ Part of the justification given at the time was that China needed to conform to international rules of trade and conduct.³¹

In an analogous fashion to the treatment of China in the nineteenth and early twentieth centuries, China today, according to current U.S. imperial grand strategy, is to be economically, geopolitically, and mili-

tarily constrained by a broad alliance of imperial powers. The object is ultimately that of bringing about the demise of the Communist Party of China (CPC) and tightly binding China to the imperial order of global monopoly-finance capital, while reducing it to permanent subaltern status. The principal means of achieving this will be a system of unequal treaties – *the rules-based international order* – imposed by a coalition of great powers, with the United States at the top.³²

The chief mechanism for defeating China was spelled out in 2017 by Harvard foreign policy analyst Graham Allison, a member of the Council on Foreign Relations, in his book *Destined for War: Can America Escape the Thucydides Trap?*, a work highly praised by Biden, former U.S. secretary of state Henry Kissinger, and former CIA director and former commander of the U.S. Central Command David Petraeus. In Allison's words:

US forces could covertly train and support separatist insurgents. Fissures in the Chinese state already exist. Tibet is essentially occupied territory. Xinjiang, a traditionally Islamic region in western China, already harbors an active Uighur separatist movement responsible for waging a low-level insurgency against Beijing. And Taiwanese who watch Beijing's heavy-handedness in Hong Kong hardly require encouragement to oppose reunification with this increasingly authoritarian government. Could US support for these separatists draw Beijing into conflicts with radical Islamist groups throughout Central Asia and the Middle East? If so, could these become quagmires, mirroring the Soviet intervention in Afghanistan where U.S.-supported mujahideen "freedom fighters" bled the Soviet Union?

A subtle but concentrated effort to accentuate the contradictions at the core of Chinese Communist ideology...could, over time, undermine the regime and encourage independence movements in Taiwan, Xinjiang, Tibet, and Hong Kong. By splintering China at home and keeping Beijing embroiled in maintaining domestic stability, the US could avert, or at least substantially delay, China's challenge to American dominance.³³

All of this is now New Cold War policy.³⁴ Moreover, by attacking China with allegations of "genocide" and "crimes against humanity" in relation to its internal populations, the United States is able to justify its New Cold War on China, including its actual hybrid warfare, combining an array of political, economic, financial, technological, cyber, and more traditional overt and covert military means.³⁵

The "Rules-Based Order" and New U.S. Imperial Grand Strategy

The foremost U.S. theorist of the rules-based international order is G. John Ikenberry, a professor of politics and international affairs at Princeton University and a member of the Council on Foreign Relations, whose work has had a strong influence on the Biden administration.³⁶ In a famous

2004 essay on “Liberalism and Empire,” Ikenberry – although not denying that the U.S. past and present had often been characterized by imperial domination (even going so far as to cite leading left revisionist historians such as William Appleman Williams, Gabriel Kolko, and Joyce Kolko) – nonetheless argued strongly against those in U.S. foreign policy circles who believed that the United States should openly comport itself as an empire.³⁷ A more effective hegemonic strategy, Ikenberry argued at the time, would be to utilize the unipolar moment to establish a rules-based international order that would secure U.S. and Western global domination as a *fait accompli* well into the future, even in the face of eventual declining U.S. power.³⁸

As China’s historic rise became more apparent, Ikenberry wrote a 2008 essay for *Foreign Affairs* on “The Rise of China and the Future of the West,” in which he insisted that the “globalized capitalist system” and the Western liberal international order could only be preserved if direct U.S. hegemony gave way to the rules-based order enforced by the collective weight of the United States together with its major allies.³⁹ In this way, an “American-led liberal hegemonic order” could be secured indefinitely.⁴⁰ As U.S. secretary of state Hillary Clinton put it, it was essential to prevent a more “multi-polar world” from emerging by instituting in its stead a “multi-partner world,” a set of U.S.-led alliances and partnerships that would guarantee Washington’s continued dominance in the twenty-first century.⁴¹

This conception of a rules-based order as means of organizing a global counterrevolution found strong bipartisan support in the United States and, most significantly, within the Pentagon. For Trump’s secretary of defense James N. Mattis (known as Mad Dog Mattis), speaking to cabinet secretaries and the joint chiefs of staff on July 20, 2017, “the greatest gift the greatest generation left us was the rules-based postwar international order,” which he illustrated by pointing to “color representations of NATO, capital markets and various trade deals to which the United States is signatory,” standing not for international law – certainly not the UN system – but rather for the U.S./NATO-dominated liberal international and strategic order.⁴²

Thus, central to the whole conception of a hegemonic rules-based international order, according to Ikenberry, is the surmounting of a UN-based system geared to the sovereign equality of states and a polycentric world, and which includes China and Russia as permanent members of the Security Council. Instead, the rules-based international order is meant to codify the changes introduced in the 1990s, establishing the “contingent character of sovereignty,” such that the great powers have a “a right – even a moral obligation – to intervene in troubled states to prevent genocide and mass killing. NATO’s interventions in the Balkans and the war against Serbia,” he wrote, “were defining actions of this sort.”⁴³

The doctrine of humanitarian imperialism based on “the right to protect” thus became key to the definition of the rules-based international order.

This notion of the contingent character of sovereignty was clarified by Richard Haass, former deputy secretary of state in charge of policy planning in the George W. Bush presidency and current head of the Council on Foreign Relations, who explained that the shift to more limited conceptions of sovereignty reflected the new hegemonic view that “sovereignty is not a blank check. Rather, sovereign status is contingent on the fulfillment by each state of certain fundamental obligations, both to its own citizens and to the international community. When a regime fails to live up to these responsibilities or abuses its prerogatives, it risks forfeiting its sovereign privileges including, in extreme cases, its immunity from armed intervention.”⁴⁴ And when it comes to armed intervention, as Haass famously argued elsewhere, the United States is the self-appointed “sheriff” of the international order, while the remainder of the triad is the “posse.”⁴⁵ Although the United States has recently complained of Chinese aggression and its growing global threat, due to its one foreign military base located in Djibouti in Africa, Washington as the global sheriff has up to a thousand military bases spanning the entire globe, many of these surrounding China.⁴⁶

The doctrine of a rules-based international order has been used to justify the continual U.S./NATO military interventions and U.S.-sponsored coups directed at populations in five of the six inhabited continents since the 1990s – all in the name of the promotion of democracy and human rights.⁴⁷ “Liberal internationalism,” Ikenberry, its strongest intellectual defender, indicates in his latest work, “is implicated in almost constant military interventions during the era of American global dominance,” while under neoliberalism, the economic counterpart of this has become a mere “platform of rules and institutions for capitalist transactions,” invariably favoring the powers-that-be.⁴⁸

The People’s Republic of China: An Emerging Sovereign Superpower

Commenting in January 1850 on the first stirrings of the Taiping Revolution (1850–64) in China, Karl Marx and Frederick Engels pointed to the birth of “Chinese socialism.” European reactionaries with their armies, they indicated, might someday arrive at the frontiers of China only to “find there the inscription”:

RÉPUBLIQUE CHINOISE,
LIBERTÉ, ÉGALITÉ, FRATERNITÉ⁴⁹

Marx and Engels’s extraordinarily prescient insight was a century premature. Six years after they wrote this, the British and French armies attacked

China again in the Second Opium War, taking advantage of the disorder created by the Taiping Revolution to extend the European imposition of unequal treaties on China. Here they built on a process initiated by the British in the First Opium War in 1839, at the end of which China had been compelled to cede Hong Kong to Britain in the Treaty of Nanking in 1842.⁵⁰ The Opium Wars introduced the Century of Humiliation in China that was to last until the victory of the Chinese Revolution in 1949 and the founding of the People's Republic of China.⁵¹ The period of humiliation is seen as having finally ended with Mao Zedong's speech "The Chinese People Have Stood Up," on September 21, 1949, his opening address at the First Plenary of the Chinese People's Political Consultative Conference. On that occasion, Mao declared:

The Chinese people, comprising one quarter of humanity, have now stood up. The Chinese have always been a great, courageous and industrious nation; it is only in modern times that they have fallen behind. And that was due entirely to oppression and exploitation by foreign imperialism and domestic reactionary governments. For over a century our forefathers never stopped waging unyielding struggles against domestic and foreign oppressors, including the Revolution of 1911 led by Dr. Sun Yat-sen, our great forerunner in the Chinese revolution.... We have closed our ranks and defeated both domestic and foreign enemies through the People's War of Liberation and the great people's revolution, and now we are proclaiming the founding of the People's Republic of China.... Ours will no longer be a nation subject to insult and humiliation. We have stood up.... Our national defense will be consolidated and no imperialists will ever again be allowed to invade our land.... Hail the founding of the People's Republic of China!⁵²

Today, the People's Republic of China remains focused – through what is now seen as a century-long struggle, to culminate in 2049 – on overcoming the remaining traces of what Mao called the "history of insult and humiliation" going back to the Opium Wars.⁵³ In doing so, it has initiated a course known as "China's Dream," enunciated by Xi in November 2012, but reflecting the entire path of Chinese postrevolutionary development. "Only by upholding socialism with Chinese characteristics," Xi has declared, "can we bring together and lead the whole Party, the whole nation and the people of all ethnic groups in realizing a moderately prosperous society by the centenary of the CPC in 2021 and in turning China into a prosperous, democratic, culturally advanced and harmonious socialist country by the centenary of the People's Republic of China in 2049."⁵⁴ To this has been added the longer term objective of creating an ecological civilization and a beautiful China, with ecology seen as "the most inclusive form of public wellbeing."⁵⁵ The first centenary goal, that of 2021, is now seen as fulfilled. But the second centenary goal still needs to be achieved. The centenary of the People's Republic of China, 2049, is to mark via "so-

cialist modernization” the “national rejuvenation” of China, having finally triumphed over the century or more of foreign and domestic oppression that produced the great divergence between China and the West.⁵⁶

Driven by this sovereign historical project, China has remained an enemy of imperialism and a strong, unswerving defender of the Westphalian system of state sovereignty, not only in terms of the original Peace of Westphalia and the UN Charter, but also backing the anti-imperialist objectives of the Third World Bandung Conference of 1955, which, based partly on V. I. Lenin’s principle of the self-determination of nations, asserted the equal rights of developing countries, and the importance of a polycentric world.⁵⁷ Xi articulated this anti-imperialist stance in 2017:

From the principles of equality and sovereignty established in the Peace of Westphalia over 360 years ago to international humanitarianism affirmed in the Geneva Convention more than 150 years ago; from the four purposes and seven principles enshrined in the UN Charter more than 70 years ago to the Five Principles of Peaceful Coexistence championed by the Bandung Conference over 60 years ago, many principles have emerged in the evolution of international relations and have been widely accepted. These principles should guide us in building a community of shared future for [hu]mankind.

Sovereign equality has been the most important norm governing state-to-state relations over the past centuries, and the cardinal principle observed by the United Nations and its agencies and institutions. The essence of sovereign equality is that the sovereignty and dignity of all nations, whether big or small, strong or weak, rich or poor, must be respected; their internal affairs brook no interference, and they have the right to independently choose their social system and development path.⁵⁸

China’s anti-imperialist stance is tied up with its whole developmental path. Its extraordinary advance, including the more than quadrupling of its economy since the late 1970s and the recent elimination of absolute poverty, has been dependent not only on its growing integration into the world economy, but also, and no less importantly, on the limitations that it has been able to impose on the capitalist nature of that integration.⁵⁹ Crucial in this regard is the existence of a number of key socialist-oriented elements distinguishing the Chinese system: (1) social ownership of land, which in the countryside is still partially managed collectively by village communities; (2) state control of money and finance; (3) state ownership of key sectors of industry, including banks, allowing for high rates of investment; and (4) a planning system, complementing the market economy, directed by the CPC by means of five-year plans. There is a continuing emphasis within the CPC on Marxist and dialectical conceptions, which are seen as keys to the fulfillment of China’s sovereign project of the creation of a modern, developed “socialist democracy” with Chinese characteristics. A core element in Chinese revolu-

tionary theory, practice, and conception of socialist democracy is the *mass line*, or the notion of “from the masses to the masses.”⁶⁰ Together, these traits mark China as a postrevolutionary society that is neither entirely capitalist nor entirely socialist, but that is following an overall developmental path that holds open the possibility of continued movement toward the latter.⁶¹

The internal dynamism of the Chinese economy, its highly developed infrastructure, and its low unit labor costs (often entailing extreme exploitation in export industries) has attracted enormous investments by multinational corporations, allowing China to become the new workshop of the world in what has been called the Third Industrial Revolution, based on digital technology.⁶² Due to the strength of its planning system, China was able to retain a larger portion of overall surplus value generated than in the case of most developing countries, and to create partnerships with multinationals that allowed it to acquire advanced technology.⁶³

While still a poor country, with per capita income one-fifth that of the United States, China has managed to move to the forefront of what Klaus Schwab, founder and executive chairman of the World Economic Forum, has called the Fourth Industrial Revolution characterized by new technologies that are designed to fuse the physical, digital, and biological worlds.⁶⁴ It is China’s technological prowess, its financial controls that limit the power of the U.S.-dominated imperial order, and its geopolitical assertion of a One China, which includes recapturing its historic territory, that have most disturbed the core capitalist countries. The United States and its chief imperial allies would like to see China tightly bound within what Thomas Friedman called the “golden straitjacket” of the prevailing globalized order, which is designed to place constraints on the political and economic freedoms of nations (particularly those outside the core), preventing them from going against the existing rules and relations of global power.⁶⁵

Part of the present rejuvenation of China’s historical role as a civilization, as conceived by Beijing today, is the resurrection of the ancient Silk Road, a trade route that extended from China to South Asia and the Middle East all the way to Europe. In fall 2013, Xi proposed his vast One Belt, One Road project (known in the West as the Belt and Road Initiative) involving building a Silk Road Economic Belt, extending from South and Central Asia to the Middle East and Europe, coupled with a Twenty-First-Century Maritime Silk Road that would connect China to Southeast Asia, the Middle East, Africa, and Europe via various sea lanes. In 2017, China further extended its Maritime Silk Road to Latin America. China was to be the principal initiator and founder of One Belt, One Road, providing the seed money, but other countries were invited to join with the financing and planning of infrastructure. Thirty-nine countries in sub-Saharan Africa, thirty-four in Europe and Central Asia, twen-

ty-five in East Asia and the Pacific, eighteen in Latin America and the Caribbean, seventeen in the Middle East and North Africa, and six in South Asia are now affiliated with One Belt, One Road. All told, the Belt and Road Initiative encompasses 139 countries and close to two-thirds of the world population. As the Council of Foreign Relations noted to its chagrin, “Xi Jinping invites heads of state to China for Belt and Road forums, contributing to the view that Beijing is an economic power on par with the United States.”⁶⁶

At the Anchorage meeting between the top U.S. and Chinese diplomats in March 2021, Blinken lauded the efforts of the present U.S. administration at gaining control of the COVID-19 pandemic.⁶⁷ His Chinese counterparts were no doubt unimpressed. In May 2021, the United States has seen over six hundred thousand deaths from COVID-19, a mortality rate of over 1,800 deaths per million. In contrast, China had experienced less than five thousand deaths, a rate of 3 deaths per million.⁶⁸ The Chinese government years before, at the highest level, had stressed the dangers of new pandemics emerging, and was consequently far better prepared. In 2017, Xi declared before the UN General Assembly: “Pandemic diseases such as bird flu, Ebola and Zika have sounded the alarm for international health security. The WHO [World Health Organization] should play a leadership role in strengthening epidemic monitoring and in sharing information, best practices and technologies. The international community should step up support and assistance for public health in African countries and other developing countries.”⁶⁹ Confronted with the emergence of a novel coronavirus (SARS-COV-2), the Chinese government made various false steps (at the local level) in the initial days, followed by the Chinese state attacking the epidemic full force, in cooperation with the population, which self-mobilized on the model of “people’s revolutionary war,” involving self-organization in localities. This revolutionary mobilization in response to the epidemic was a resounding success, pointing to the internal solidity of the polity and the vast potential revolutionary protagonism of the Chinese people.⁷⁰

China has declared that its COVID-19 vaccines constitute a “public good.” Already by April 2021 China had donated and exported 48 percent of its domestically manufactured vaccines—donating the vaccines to eighty countries and exporting to forty. The United States and United Kingdom had meanwhile shared their vaccines with zero countries, while insisting on maintaining international patent restrictions on the vaccines. By June 1, China had shared (exports and donations) 323.3 million doses of their COVID-19 vaccines with other countries, the European Union had shared 143.8 million doses, mostly with other developed countries, and the United States had shared a mere 7.5 million doses.⁷¹ Washington has accused China of “vaccine diplomacy” and has suggested that it is breaking the rules-

based order to “outcompete the United States and its allies” in the international market for COVID-19 vaccines.⁷² China has geared up its production of COVID-19 vaccines to around five billion doses a year, most of which it plans to share as an international public good with the developing world.⁷³

China’s Third Revolution and the U.S.-Led Global Counterrevolution

In his October 18, 2017, report to the Nineteenth National Congress of the CPC, Xi stated that “the Chinese nation, which since modern times began had endured so much for so long [an allusion to the Opium Wars and the Century of Humiliation], has achieved a tremendous transformation: it has stood up, become better off, and grown in strength; it has come to embrace the brilliant prospects of rejuvenation.”⁷⁴ For those aware of the history of the People’s Republic of China, it was clear that Xi was speaking of the entire revolutionary process of national rejuvenation. Mao famously declared that, with the Chinese Revolution, China had *stood up*. The Deng Xiaoping era, often referred to as the second era in the process of national rejuvenation, was just as clearly about China becoming *better off*, through rapid economic development and integration within the capitalist world economy. The New Era, in the period of Xi’s leadership, has been directed toward constructing a *strong*, self-sufficient, and sustainable Chinese system, aimed at “building a moderately prosperous society in all respects” by 2021, and “of moving on to all-out efforts to build a great modern socialist country” by 2049.⁷⁵

Each stage in the Chinese Revolution has meant a major shift in the revolutionary process, so that the Mao, Deng, and Xi periods are sometimes referred to as China’s First, Second, and Third Revolutions.⁷⁶ The “principal contradiction” in the New Era (or Third Revolution), the surmounting of which is necessary if China is to achieve its objectives, according to Xi, is the “unbalanced” or uneven and thus “inadequate” nature of Chinese development, characteristic of the capitalist growth model. This is manifested in deepening class inequality, divisions between rural and urban areas, promotion of economic development at the expense of cultural development, and an unsustainable human relation to the environment.⁷⁷ Hence, a socialist-motivated shift toward greater economic equality, national self-sufficiency, ecological civilization, rural revitalization, cultural development, and the forging of a “dual circulation” model (designed to reduce China’s dependence on foreign markets and technology) are all seen as crucial to China’s emergence as a “great modern socialist society.”⁷⁸

The CPC leadership has continued to define China as “the world’s largest developing country,” albeit one in “the primary stage of socialism,” thus emphasizing its direct connections to the Global South of which it sees itself a part. Its official international stance is dictated by the “five princi-

ples of peaceful coexistence,” defined as: (1) mutual respect for sovereignty and territorial integrity, (2) mutual nonaggression, (3) mutual noninterference in each other’s internal affairs, (4) equality and mutual benefit, and (5) peaceful coexistence.⁷⁹ Although China as an emerging global power has been increasingly accused of setting a new agenda and seeking to overturn the existing rules-based international order imposed by the core capitalist states, this, rather than presaging anarchy or “might makes right,” as indicated by Blinken at the March 18 bilateral meetings, has largely taken the form of a strong defense of the concept of sovereign equality, which necessarily goes against the structure of the existing imperial system.⁸⁰

The path forward in China’s Third Revolution will not of course be easy, and what Xi has referred to as the “principal contradiction” in the form of uneven development is evident in vast struggles taking place at all levels in the society – and in China’s external relations.

It would not be an exaggeration to say that China’s Third Revolution has been greeted by the United States and the other core capitalist powers with a combination of disbelief, shock, and anger. Unaccustomed to thinking historically and dialectically, relying on mere formalistic frames of analysis, and believing in the inevitable triumph of capitalism, the dominant ideology in the West has been one quite literally of “the end of history.”⁸¹ The idea that China’s sovereign project would eventually lead to a critical challenge to, rather than absorption within, the existing capitalist and imperialist order was thus scarcely entertained in Washington. As Kurt M. Campbell, former assistant secretary of state for East Asia and Pacific Affairs in the Barack Obama administration, and Ely Ratner, Biden’s nominee for assistant secretary of defense for Indo-Pacific security affairs, wrote in “The China Reckoning: How Beijing Defied American Expectations” in *Foreign Affairs* in February 2018, the notion that “U.S. power and hegemony” would fail to “mold China to the United States’ liking” was until recently completely foreign to the U.S. establishment. Even more shocking was the discovery that China’s New Era, associated with Xi, would begin to look in many ways more like the revolutionary China of Mao than the reform era of Deng.⁸²

The enraged response of the U.S. power elite to China’s undeterred pursuit of its own sovereign project has been to launch the New Cold War centered on China (also encompassing its allies like Russia and Iran). This is now seen in U.S. ruling class circles as a new war for hegemony – though minus any genuine historical analysis, which would require an honest assessment of imperialism past and present. Rather, Allison’s *Destined for War*, which directly influenced Biden, drew its supposed historical frame, not from a conception of the capitalist world system, or from an understanding

of the imperial imposition of unequal treaties on China. Instead, it turned to a transhistorical law of conflict associated with the “realist” perspective on international relations, derived from Thucydides, the ancient Greek historian of the Peloponnesian War, who wrote in 411 BCE: “It was the rise of Athens and the fear that this instilled in Sparta that made war *inevitable*.”⁸³

In contrast, from a Marxian perspective, any meaningful assessment of hegemonic transition in the context of the modern world must be seen as a product of the internal dynamics of the capitalist world economy, which has been characterized throughout its history by the imperialism of the core directed at the periphery and by periodic wars over imperial hegemony: the only “answer” that the capitalist system is capable of providing to the question of world power.⁸⁴

Reflecting this logic, the New Cold War on China initiated by the United States seeks to draw together the leading imperial capitalist states in a global alliance aimed at binding Beijing, together with its allies and the entire periphery of the capitalist system, to the rules-based international order controlled by the triad, while at the same time keeping the Chinese economy, the motor of world economic growth, going. China, it is recognized, is too big simply to be conquered, and too big economically to be allowed to fail. What is required, therefore, according to the ruling Washington Consensus, is a counterrevolution unleashed by the reigning powers directed at reimposing a new global set of unequal treaties on China, along with the bulk of the developing world. The object is less to contain than to constrain China. Ultimately, such a strategy is to be backed up by military force. This was what Bill Clinton’s secretary of state Madeleine Albright was to call “assertive multilateralism.” For Hillary Clinton, speaking at Chatham House on May 6, 2021, it is essential in this context for the United States to “take back the means of production” from China to ensure that the latter is kept in a perpetual subaltern state.⁸⁵

To say that these conditions puts the world’s population in an era of almost unprecedented danger would be an understatement. No New Cold War can take place without a nuclear arms race and increased danger of thermonuclear war. China, whose nuclear warheads are in the low 200s, compared to the 1,400 deployed nuclear warheads of the United States, is seeking to double its number of warheads by 2030. The United States, for its part, is currently committed to spending \$500 billion on its nuclear forces alone over the next decade, \$50 billion a year. This includes \$100 billion on its so-called Ground-Based Strategic Deterrent, a land-based nuclear missile system designed to replace the aging Minuteman III Intercontinental Ballistic Missile system. The Ground-Based Strategic Deterrent missiles will be capable of traveling six thousand miles with greater

throw weight and accuracy, each one carrying a warhead twenty times as powerful as the bomb dropped on Hiroshima.⁸⁶

The world survived the Cold War. We do not know if it will survive the New Cold War. Twenty-first-century humanity is now faced, in every sphere of its existence, with an inescapable choice: “ruin or revolution.”⁸⁷

Notes

1. Thomas J. Christensen, “There Will Not Be a New Cold War,” *Foreign Affairs*, March 24, 2021. On the Council on Foreign Relations and the Biden administration, see Laurence H. Shoup, “The Council on Foreign Relations, the Biden Team, and Key Policy Outcomes,” *Monthly Review* 73, no. 1 (May 2021): 1–21.
2. Christensen, “There Will Not Be a New Cold War.” Most of Christensen’s arguments rely on the unspoken assumption that a New Cold War would take exactly the same form as the old Cold War. This is of course a misnomer. History does not repeat itself in that way.
3. For a persuasive depiction of the prevailing imperialist order, see Cheng Enfu and Lu Baolin, “Five Characteristics of Neoimperialism,” *Monthly Review* 73, no. 1 (May 2021): 22–58.
4. “How It Happened: Transcript of the U.S.-China Opening Remarks in Alaska,” *NIKKEI Asia*, March 19, 2021.
5. “Quad Leaders’ Joint Statement: ‘The Spirit of the Quad,’” White House, March 12, 2021.
6. “US-China Relations in the Biden-Era: A Timeline,” *China Briefing*, May 13, 2021.
7. “US Sanctions 24 China and Hong Kong Officials Ahead of Talks,” *U.S. News*, March 17, 2021.
8. “How It Happened.”
9. “How It Happened.”
10. “How It Happened.”
11. “How It Happened.”
12. Thomas Wright, “The U.S. and China Finally Get Real with Each Other,” *Atlantic*, March 21, 2021.
13. David Stilwell and Dan Negrea, “Wanted: Alliance Networks for a New Cold War,” *National Interest*, March 28, 2021.
14. “US-China Relations in the Biden-Era.”
15. “Biden: China’s Xi Jinping Doesn’t Have ‘a Democratic...Bone in His Body,’” *USA Today*, March 25, 2021.
16. “Trade War: Biden Administration Not Ready to ‘Yank’ China Tariffs, but Open to Talks,” *Forbes*, March 28, 2021; “Biden Has Left Trump’s China Tariffs in Place,” *CNN*, March 25, 2021; John Bellamy Foster and Intan Suwandi, “COVID-19 and Catastrophe Capitalism,” *Monthly Review* 72, no. 2 (June 2020): 14–15.
17. “In Report, Biden Administration Formalizes Genocide Declaration in China,” *Seattle Times*, March 30, 2021. To say that charges of genocide are false is not of course to deny that repression has taken place. But the issue remains the former. Claims of Chinese “genocide” in Xinjiang constitutes one of the most extreme instances of the Big Lie propaganda technique in modern times. Although repression has been exercised by China in its Xinjiang Autonomous Region in response to terrorist activity in the region, the evidence points to a reality far removed from anything resembling genocide. See “Xinjiang: A Report and Resource Compilation,” Qiao Collective, September 1, 2020; “The Xinjiang Genocide Determination as Agenda,” Transnational Foundation for Peace and Future Research, April 27, 2021; Kim Petersen, “Does the West Repeating Claims That China Committed Genocide in Xinjiang Reify It?,” *Dissident Voice*, February 22, 2021. Even the Council of Foreign Relations has noted that what indications of repression there are hardly fit the definition of genocide in the Geneva Convention. John B. Bellinger III, “China’s Abuse of the Uighurs: Does the Genocide Label Fit?,” Council on Foreign Relations, February 3, 2021. For an informative discussion of conditions in China today, see Keith Lamb (interviewed by Alexander Norton), “All the Questions Socialists Have About China but Were Too Afraid to Ask,” *Challenge*, May 24, 2021.
18. “US-China Relations in the Biden-Era.”
19. “China Slams U.S.-China Meeting as Biden Flexes New Diplomatic Muscle Against Beijing,” *U.S. News*, May 3, 2021; Peter Beinart, “Biden’s Taiwan Policy Is Truly, Deeply Reckless,” *New York Times*, May 5, 2021; Xi Jinping, *The Governance of China*, vol. 1, 2nd ed. (Beijing: Foreign Languages Press, 2018), 2; Xi Jinping, *The Governance of China*, vol. 3 (Beijing: Foreign Languages Press, 2020), 26.
20. “G7 Foreign and Development Ministers’ Meeting: Communiqué,” European Union External Action, May 5, 2021.
21. “U.S., Russia, China Poke Each Other at UN Security Council,” *Reuters*, May 7, 2021.
22. “Biden Orders Review of COVID Origins as Lab Leak Theory Debated,” *Reuters*, May 27, 2021; “Biden’s Asia Czar Says Era of Engagement with China Is Over,” *Bloomberg*, May 26, 2021.
23. “China Says US Increasing Military Activity Directed at It,” *Associated Press News*, April 29, 2021; “U.S. Military Activity on China’s Borders Has ‘Sharply Increased’ Since Biden Took Charge,” *Morning Star*, April, 6, 2021; Sam LaGrone, “U.S. Carrier Strike Group, Amphibious Warships Massed in South China Sea as Regional Tensions Simmer,” *USNI News*, April 9, 2021; Rick Rozoff, “International Law vs. Rules-Based International Order: China, Russia Call for UN Security Council Summit,” *Anti-Bellum*, March 23, 2021; “The US Has a Massive Presence in the Asia-Pacific,” *The World*, August 11, 2017.
24. G. John Ikenberry, *Liberal Leviathan* (New Haven: Yale University Press, 2020), 97–98, 144, 207, 234, 273; Joe Biden, “Why America Must Lead Again,” *Foreign Affairs* 99, no. 2 (2020); Stephen M. Walt, “China Wants a Rules-Based International Order, Too,” *Foreign Policy*, March 31, 2021. On China and the Westphalian system, see Xi Jinping, *The Governance of China*, vol. 2 (Beijing: Foreign Languages Press, 2017), 590.
25. “Foreign Ministry Spokesperson Wang Wenbin’s Regular Press Conference on May 6, 2021,” Ministry of Foreign Affairs, May 6, 2021.

eign Affairs of the People's Republic of China, May 6, 2021.

26. See John Bellamy Foster, *Naked Imperialism* (New York: Monthly Review Press, 2006).
27. Diana Johnstone, *Fool's Crusade: Yugoslavia, NATO, and Western Delusions* (New York: Monthly Review Press, 2002); Jean Bricmont, *Humanitarian Imperialism: Using Human Rights to Sell War* (New York: Monthly Review Press, 2006); Horace Campbell, *Global NATO and the Catastrophic Failure in Libya* (New York: Monthly Review Press, 2013).
28. "Foreign Ministry Spokesperson Wang Wenbin's Regular Press Conference on May 6, 2021."
29. Matt Schiavenza, "How Humiliation Drove Modern Chinese History," *Atlantic*, October 25, 2013; Xi, *The Governance of China*, vol. 2, 269-70. Chinese narratives do not emphasize the notion of the Century of Humiliation, since this history is well known and painful, preferring to allude to it indirectly, or referring to the Opium Wars. The emphasis is rather placed on rejuvenation. The notion of China's Century of Humiliation is, however, a central coordinate of U.S. military discussions of China. See Elizabeth C. Economy, *The Third Revolution: Xi Jinping and the New Chinese State* (Oxford: Oxford University Press, 2018), 3; Major Daniel W. McLaughlin, "Rewriting the Rules: Analyzing the People's Republic of China's Efforts to Establish New International Rules," *Journal of Indo-Pacific Affairs: The Department of the Air Force's Professional Journal for America's Priority Theater*, March 8, 2021.
30. L. S. Stavrianos, *Global Rift* (New York: William Morrow, 1981), 309-32; Dong Wang, "The Discourse of Unequal Treaties in Modern China," *Pacific Affairs* 76, no. 3 (2003): 399-425. It would be wrong, as Wang Hui has argued, to say that modernization in China was propelled by the shock of the Opium Wars. Rather, China was already undergoing its own modernization process. Wang Hui, *The End of Revolution* (London: Verso, 2009), 126-29.
31. Ironically, this imperialist notion was perhaps best expressed by George Bernard Shaw in his drafting of *Fabianism and Empire: A Manifesto by the Fabian Society*, where Shaw declared that Britain was correct in its imperialist wars designed to enforce "international rights of trade and travel.... If the Chinese themselves cannot establish order in our sense, the Powers must establish it for them." George Bernard Shaw, *Fabianism and Empire: A Manifesto of the Fabian Society* (London: Grant Richards, 1900), 44-47.
32. See John Bellamy Foster, "China 2020: An Introduction," *Monthly Review* 72, no. 5 (October 2020): 1-5.
33. Graham Allison, *Destined for War: Can America and China Escape the Thucydides Trap?* (Boston: Houghton Mifflin Harcourt, 2017), 224-25.
34. Vijay Prashad and Jie Xiong, "Why Xinjiang Is Emerging as the Epicenter of the US War on China," *People's Dispatch*, April 17, 2021; "Wipe Out China: US-Funded Uyghur Activists Train as Gun-Toting Foot Soldiers for Empire," *Grayzone*, March 31, 2021.
35. On the bogus, evidence-less "genocide" and "crimes against humanity" charges directed at China with respect to Xinjiang, and the relation of this to U.S. imperial grand strategy, see Max Blumenthal, "Xinjiang Shakedown: U.S. Anti-China Lobby Cashed in on 'Forced Labor' Campaign that Cost Uyghur Worker Their Jobs," *Grayzone*, April 30, 2021; Gareth Porter and Max Blumenthal, "US State Department Accusation of China 'Genocide' Relied on Data Abuse and Baseless Claims by Far-Right Ideologue," *Grayzone*, February 18, 2021.
36. Michael Hirsh, "Why Liberal Internationalism Is Still Indispensable and Fixable," *Foreign Policy*, December 5, 2012.
37. G. John Ikenberry, "Liberalism and Empire: Logics of Order in the American Unipolar Age," *Review of International Studies* 30, no. 4 (2004): 611; Ikenberry, *A World Safe for Democracy* (New Haven: Yale University Press, 2020), 297; William Appleman Williams, *The Tragedy of American Diplomacy* (New York: Dell, 1972); Gabriel and Joyce Kolko, *The Limits of Power* (New York: Harper and Row, 1972).
38. See "Australia's Security and the Rules-Based Order," Lowy Institute, March 12, 2021.
39. G. John Ikenberry, "The Rise of China and the Future of the West," *Foreign Affairs* 87, no. 1 (2008): 32-34.
40. Ikenberry, *Liberal Leviathan*, 281.
41. Hillary Clinton (speech, Council on Foreign Relations, Washington DC, July 15, 2009), quoted in Ikenberry, *Liberal Leviathan*, 325.
42. Robert F. Worth, "Can Jim Mattis Hold the Line in Trump's War Cabinet?," *New York Times Magazine*, March, 26, 2018. Trump's policy from the start was to engage in a New Cold War with China, while reaching a détente with Russia. In the end, the bipartisan result was to attack both China and Russia, treated as a two-headed monster, but with the New Cold War with China as the principal directive of the administration. Although Mattis, as Trump's secretary of defense, sought to weaponize the notion of the rules-based international order, Trump himself did not subscribe to the notion—and was strongly opposed not only by Mattis but also by Blinken, Biden's now secretary of state, on that basis. Steve Bannon, Trump's White House advisor, referring to Mattis's presentation, reportedly stated: "if you stood up and threatened to shoot [Trump] he couldn't say postwar rules-based international order." "Australia's Security and the Rules-Based Order"; Antony Blinken, "Bannon's Vision of the World Isn't What Makes America Great," *Foreign Policy*, February 28, 2017; John Bellamy Foster, *Trump in the White House* (New York: Monthly Review Press, 2017), 32, 51-52, 84-85.
43. Ikenberry, *Liberal Leviathan*, 247; Samuel Moyn, "Soft Sells: On Liberal Internationalism," *Nation*, October 3, 2011, 43.
44. Richard Haass, "Sovereignty: Existing Rights, Evolving Responsibilities" (lecture, Georgetown University, January 4, 2003), quoted in Ikenberry, *Liberal Leviathan*, 249. On Haass, see Foster, *Naked Imperialism*, 97-106.
45. Foster, *Naked Imperialism*, 115-16; Richard Haass, *The Reluctant Sheriff: The United States After the Cold War* (New York: Council on Foreign Relations, 1997), 54, 93.
46. Kurt M. Campbell and Ely Ratner, "The China Reckoning: How Beijing Defied American Expectations," *Foreign Affairs* 97, no. 2 (2018); Nick Turse, "Does the Pentagon Really Have 1,180 Foreign Bases," *Guerica*, January 9, 2011; "US General Warns China Is Actively Seeking to Set Up an Atlantic Naval Base," *The Hill*, May 7, 2021; John Reed, "Surrounded: How the U.S. Is Encircling China with Military Bases," *Foreign Policy*, August 20, 2013; Economy, *The Third Revolution*, 213.
47. Ikenberry has recently argued that the new opening to so-called humanitarian interventions is itself built on the Westphalian system of the sovereignty of states. But this goes against the widespread sense that these interventions, which have led to continual warfare un-

- der U.S. auspices since the 1990s, constitute in fact a fundamental change in the international order, identified with the notion of the rules-based international order. Perhaps because of the conflict that this poses for Ikenberry's own conception of liberal internationalism, he has, in his latest work, largely abandoned the term *rules-based order* that he himself did so much to promote, and that is now associated with a system of liberal-interventionist hegemony enforced by the United States and its allies. Ikenberry, *A World Safe for Democracy*, 298.
48. Ikenberry, *A World Safe for Democracy*, 245, 253, 276.
49. Karl Marx and Frederick Engels, *Collected Works*, vol. 10 (New York: International Publishers, 1975), 266–67, 672–73. Compare Samir Amin, "China 2013," *Monthly Review* 64, no. 10 (March 2013): 25. On the Taiping Revolution, see John Newsinger, "The Taiping Peasant Revolt," *Monthly Review* 52, no. 5 (October 2000): 29–37.
50. Marx was perhaps the foremost European critic of the Second Opium War. See Karl Marx and Frederick Engels, *On Colonialism* (New York: International Publishers, 1972), 112–25, 212–25, 231–49; Samir Amin, "Forerunners of the Contemporary World: The Paris Commune (1871) and the Taiping Revolution (1851–1864)," *International Critical Thought* 3, no. 2 (2013): 159–64.
51. Amin, "China 2013," 25–26.
52. Mao Zedong, "The Chinese People Have Stood Up!" (opening address, First Plenary Session of the Chinese People's Political Consultative Conference, Beijing, September 21, 1949), available at china.usc.edu.
53. Xi, *The Governance of China*, vol. 1, 37; Xi Jinping, *The Governance of China*, vol. 3, 14; Allison, *Destined for War*, 122.
54. Xi, *The Governance of China*, vol. 1, 6–22; Xi, *The Governance of China*, vol. 2, 269.
55. Xi, *The Governance of China*, vol. 3, 6, 20, 25, 417–24.
56. Xi, *The Governance of China*, vol. 3, 20; Kenneth Pomeranz, *The Great Divergence: China, Europe and the Making of the Modern World Economy* (Princeton: Princeton University Press, 2000).
57. Vijay Prashad, "The Internationalist Lenin: Self-Determination and Anti-Colonialism," MR Online, August 10, 2020.
58. Xi, *The Governance of China*, vol. 2, 590.
59. Ikenberry, "The Rise of China and the Future of the West," 26; "What Does It Mean to Eradicate Absolute Poverty?," Qiao Collective, December 3, 2020; "China's Economic Development in 40 Years," *China Daily*, accessed June 4, 2021.
60. Amin, "China 2013," 14–28; Foster, "China 2020"; Wang Hui, *China's Twentieth Century* (London: Verso, 2016), 140; Xi, *The Governance of China*, vol. 2, 311–17, 352–58. Xi indicates in the foregoing pages his admiration for Robert Heilbroner's *Marxism: For and Against* (New York: W. W. Norton, 1980). See also Xi, *The Governance of China*, vol. 3, 96–98.
61. Amin, "China 2013," 26; Paul M. Sweezy, "Post-Revolutionary Society," *Monthly Review* 32, no. 6 (November 1980). China's political-economic system is sometimes referred to as "state capitalist." Amin adopted this term, for the sake of argument, as a useful but somewhat misleading designation, recognizing that it tended to oversimplify. For Amin, state capitalism was a necessary phase in the development of socialism for developing countries. What mattered was the particular character of state capitalism, which in the Chinese case was seen as part of the long route to socialism. More recently, the "state capitalist" designation for China has been embraced by the Council on Foreign Relations. Others, such as Lowell Dittmer, an East Asian specialist at Berkeley, refer to China's present reality, particularly in the Xi era, as "an adoptive Chinese form of state socialism, with limited (and closely monitored) capitalist characteristics." Neither characterization quite captures the complexity of the current Chinese social formation, which the Chinese leadership refer to as a society in the primary stage of socialism. See Amin, "China 2013," 20; Robert D. Blackwill and Jennifer M. Harris, *War by Other Means* (Cambridge, MA: Harvard University Press, 2016), 36–37; Lowell Dittmer, "Transformation of the Chinese Political Economy in the New Era," in *China's Political Economy in the Xi Jinping Epoch*, ed. Lowell Dittmer (Singapore: World Scientific Publishing, 2021), 6–8.
62. John Bellamy Foster and Robert McChesney, *The Endless Crisis* (New York: Monthly Review Press, 2012), 155–83; Intan Suwandi, *Value Chains* (New York: Monthly Review Press, 2019), 42–67.
63. Peter A. Petri, "Technological Rivalry," in *China 2049*, ed. David Dollar, Yiping Huang, and Yang Yao (Washington DC: Brookings Institution, 2020), 278–301; Amin, "China 2013," 24, 27.
64. Klaus Schwab, *Shaping the Fourth Industrial Revolution* (New York: Currency, 2018); "Comparing United States and China by Economy," *Statistical Times*, May 15, 2021; "How It Happened"; Xi, *The Governance of China*, 523.
65. Thomas Friedman, *The Lexus and the Olive Tree* (New York: Anchor, 2000), 101–11. For China, its historic territory includes not only Hong Kong, Macao, and Taiwan, but also islands in the South China Sea that were long recognized as belonging to China. See "Historical Support for China's South China Sea Territorial Stance," *Maritime Executive*, August 10, 2019.
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Is China Transforming the World?

TONY ANDREANI, RÉMY HERRERA, AND
ZHIMING LONG

In the early years of the twenty-first century, China was seen by many Western capitalists as a “new El Dorado.” Since it became more open to international trade (starting in the early 2000s especially) and was admitted to the World Trade Organization in December 2001, China was supposed to become a huge market accessible to investors from industrialized countries, where their multinational firms could sell a good part of their chronic overproduction. In addition, with its enormous pool of labor, both highly educated and relatively inexpensive, it was to see its role confined to that of a “workshop of the world,” which allowed it, more than any other economy in the South, to supply the countries of the North with low-cost goods on a massive scale.

In most mainstream Western media, China is now presented as a threat, a conquering “empire,” an “imperialist” power – even though the term *imperialism* is taboo when it is about the behavior of global banking establishments, enterprises, or Western institutions. And this threat appears all the more serious as the Beijing “regime” is readily described as “dictatorial,” or, in diplomatic terms, “authoritarian.” Still the global hegemon, the United States is worried about the Chinese rise in strength, and their successive administrations are building the anxiety-provoking image of a China eager to supplant it and steal its leadership of the capitalist world system. Moreover, this is also the case, to some extent, albeit on a smaller scale, with the governing bodies of the European Union that realize they have become trapped in their free trade dogma.

As a matter of fact, in commercial matters, China has indeed succeeded in crushing its main capitalist competitors on their own terms – free trade. In the North, we no longer count the headlines, editorials, and articles of the mainstream press, nor the comments, debates, and radio or television broadcasts of the big establishment channels devoted to covering the “Chinese peril,” often in reference to purchases by China of various assets: land, equity investments in companies, debts, and so on – in addition to the strong presence of Chinese-made products or equipment in computer

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and telecommunications. Brussels, in the wake of Berlin, is alarmed by Chinese investments in the economies of Central and Eastern Europe, where everywhere one sees the hand of Beijing and its maneuvers aimed at the division of the European Union. What could be more moving than to see Washington – after U.S. governments have subjected a good part of the Arab countries to fire and blood during the last decades, with the submissive complicity of the Europeans – worry so spontaneously about the fate of the Muslim populations of China, the Uighurs of Xinjiang in the lead? Behind it all is little serious analysis, a lot of ideological blindness, bad faith, fantasies, and a vast disinformation operation.

China Is Not the Champion of “Happy Globalization”

From speeches by president Xi Jinping, including the one he gave at the World Economic Forum in Davos in 2017, journalists only wanted to retain his support of globalization – that is, his praise of free trade without obstacles – and a denunciation of protectionism. It is clear that the Chinese president was saying that “economic globalization has provided a powerful driving force for world growth, by facilitating the movement of capital and goods, the advancement of science, technology and human civilization, as well as exchanges between peoples.”¹ What a sweet song in the ears of the neoliberals! Nevertheless, we should not hide the setbacks and problems, also underlined in this same speech: “Globalization is a double-edged sword.... The contradiction between capital and labor is accentuated.... The gaps between the rich and the poor, between the North and the South, are constantly widening.... The richest [elements] represent 1 percent of the world’s population, but have more wealth than the remaining 99 percent.”²

With their marked bias and selective reading, mainstream commentators and journalists have above all revealed a complete ignorance of the rhetoric used by most Chinese leaders: indeed, the vast majority of the speeches of the latter generally begin by showing the positive aspects of a process or an economic policy, then strive to develop its negative or insufficient results, and finally seek the dialectical resolution of the issue under consideration. However, we must understand here the point of view of the Chinese: their reforms to open up the economy have been extremely beneficial for them, and they therefore tend to consider that all countries have an interest in international trade to ensure their development, but under the condition only – let us insist on this point – of having the proper control of such an opening and its consequences on the domestic economy, as the Chinese themselves have always done and continue to do today.³ It should be added that their trade policy is by no means mercantilist: China imports almost as much as it exports, overall.

Much of the U.S. bilateral trade deficit is basically the result of its own offshoring strategy, which backfired. This can be observed in many manufacturing industries, from basic pharmaceuticals and pharmaceutical preparations to electronic components.⁴

The “Five Principles of Peaceful Coexistence” Duly Respected

As a reminder, according to the Chinese government, the “five principles of peaceful coexistence” are: (1) respect for sovereignty and territorial integrity; (2) mutual non-aggression; (3) non-interference in the internal affairs of foreign countries; (4) equality and mutual benefit; and (5) peaceful coexistence as such. Since 1957, these principles, enshrined in several international treaties with Asian partner countries, have been continually reaffirmed.

The Chinese leaders insist in the first place on sovereign equality: “The central idea of this principle, declared President Xi Jinping, is that the sovereignty and the dignity of a country, whatever its size, its power or its wealth, must be respected, that no interference in its internal affairs is tolerated, and that countries have the right to freely choose their social system and their path of development.” This is not a simple statement of principle. The Chinese have always wanted to place their actions within the framework of those of the United Nations and their international institutions, which they have increasingly supported. One is sometimes surprised at their passivity or very weak involvement in the bloody conflicts that have marked the last decades, but this is deliberate. They are accused of being discreet and doing nothing either against dictatorial or theocratic regimes, which are still legion in the present-day world, and of doing profitable business with them – should not the West start by taking out its own garbage, its own support for most of these regimes? Nevertheless, this stance is because the Chinese are resolutely opposed to any imperialism disguised as a false democratic screen or under the pretext of supposedly humanitarian interventions. It is only up to the peoples to emancipate themselves and devise their own development strategy, and, if conditions permit, to carry out their own revolution. The Chinese are similarly disinclined to export, by force or insidiously, their own political and social system, and state clearly: “Willing to share our experience of development with the countries of the world, we have, however, no intention to export our social system and our development model, or to impose our will on them.” Rather, they prefer to speak of some “Chinese solutions,” from which other countries could “learn.”

As for their declarations in favor of peace and the peaceful resolution of conflicts, one must approach things in bad faith not to recognize that they are respected. We must remember here that China, at least in terms of its

modern history, has never practiced colonial or expansionist policies at the expense of other peoples or countries. How many “Western” or “Northern” countries – including Australia and Japan – could pretend the same? Today, China does not wish in any way to resuscitate a climate of confrontation, which would be contrary to its very conception of peace among nations. Furthermore, it firmly refuses any form of military alliance. It has never directly participated in a military coalition – not even against Daesh. And it has not set up the slightest military base abroad, with the very recent exception of a base in Djibouti, in a particularly sensitive location for maritime traffic, which it presents as a “simple logistics facility.”

The contrast with the actions of numerous Western powers is therefore striking, particularly compared to the United States, which has fomented an incalculable number of military or political coups d'état, launching brutal assaults and interventions abroad throughout its history, to the point that one can count the years they have not been at war on one hand.⁵ This is especially true given that for many years now, well before the trade war unleashed under the presidency of Donald Trump, the United States has kept China under strong pressure and multiplied the points of tension (Taiwan, Tibet, Xinjiang, Hong Kong, and so on) of what looks more and more clearly like a new Cold War. The intensity of the conflict has not subsided with Joe Biden's Democratic mandate.

A Policy at the Service of Codevelopment

China's policy emphasizes on the service of codevelopment is aimed primarily at countries described as “least developed” or “emerging.” It is not classic state-to-state aid – because official development aid provided by Western countries is almost always “tied,” very often selective, and sometimes even a source of corruption – but rather a launching of very large financing and investment programs: zero-interest loans for construction of public infrastructure, granted by its specialized banks (in particular, the Development Bank and the Import-Export Bank); “concessional” loans (that is, at below-market rates) for other large-scale projects, granted from other national public banks; credits repayable in resources (in raw materials, for example); direct investments (such as the establishment of Chinese companies, whether state or private); as well as a host of subsidies intended to support smaller projects with the purpose of benefitting the countries concerned. Some see it as evidence of a hegemonic ambition, implemented through the use of “economic weapons.” However, this is to ignore or neglect the principles on which this codevelopment policy is based, namely: cooperation, shared advantage (or the so-called win-win principle), and priority support for development.

In recent years, foreign direct investments from China have been directed toward the most industrialized countries (through acquisitions, equity investments, service contracts, and so on), in order to accelerate the development of the Chinese economy, provide it with resources and technologies that it lacks, and push it upmarket. At the same time, investment in countries that need it most has not declined. In addition, there are many other forms of aid being distributed, especially in the area of training. China indeed offers many scholarships to students and various training courses to more than five hundred thousand professionals coming primarily from developing countries.

This is thus where the vast project, already partly implemented, of the Silk Road intervenes: in reality, land routes (the Belt) and sea routes (the Road). But why does this cooperation primarily concern Asian countries? It is not because China would like to consolidate its power by creating obligations for the Asian continent nor would it, by this way, seek revenge on the West—a motive not to be confused with a certain regained pride. Rather, it is simply because these are its neighbors, both the closest and a little more distant, as in the Middle East, and because the Silk Road must first pass through their territories, which are extremely lacking in investments needed for development—including in the case of India, the only country still relatively reluctant. In addition to this “neighborhood policy,” China also sees a particular advantage, of course, in promoting the development of its western provinces, which lag behind those on the east coast.

What about Africa, we ask? Why is it integrated into such a project? One of the reasons put forward by China is that, in addition to the longstanding ties forged during and after the Bandung Conference with the third world, it was the African countries that were most affected by the difficulties of what is called, in the West or in the North, “underdevelopment.” China is currently accused of neocolonialism: in its exchanges with this third world, it only imports raw materials and buys land and mines there. This is to forget that it provides in return crucial infrastructure, including hospitals, roads, railways, ports, airports, cultural, or sporting facilities—something that Westerners have rarely done. No wonder African heads of state are rushing to Beijing, especially since the Chinese government does not impose any crippling political conditions. Let us put it bluntly: this cooperation is far from perfect. Despite this, the rewards are there, and they are substantial.

The land and sea routes of the Silk Road will have to be extended as far as Europe, and that is precisely what annoys some capitalists, because they see China as a “strategic competitor.” Since European countries in principle have the resources to develop themselves, they would not really need Chinese investments. It should be observed incidentally that, on the

contrary, foreign direct investments are welcomed when they come from the United States or Japan. Nevertheless, it is worth asking why some countries such as Greece and Portugal have ceded the exploitation of public flagships to Chinese companies. The reason is quite clear: as victims of the austerity policies of the European Union and of constant injunctions to reduce their deficits and their debts, and therefore of forced privatization by authoritarian memoranda, these countries have sold to the highest bidders. Chinese investments, under these conditions, are considered by these countries as a means of development. There is also another dynamic at play. Many other states have signed protocols of accession to the Silk Roads. This is because they are undergoing economic stagnation (like Italy) or a considerable delay in development (in the east and south) compared to the most advanced countries of the European Union, as well as a dependence that makes them economies specialized in a very limited range of activity sectors, with many subcontractors. Obviously, such investments are sometimes mainly speculative (for example, in real estate and hotels), but they are publicly discouraged by Beijing. It goes without saying that the vast majority of directly or indirectly productive investments made, in particular those in port infrastructure, are also of definite interest for Chinese foreign trade, but in keeping with a “win-win” logic. For sure, China has invested outside the European Union, especially in the Balkans, which are also left lagging behind on this continent. It should come as no surprise then that seventeen Eastern and Southern European countries, including eleven members of the European Union, have so far joined the Silk Road initiative.

The Silk Road does not stop at the Euro-Asian continent and Africa. Cooperation is also very advanced with the countries of Latin America and the Caribbean, and especially the poorest. China has already become the main trading partner of this part of the “American hemisphere.” The Chinese do not pretend to be generous donors, which would only be a stopgap for them, but recognize that they have an interest in this cooperation, in particular as a means of disseminating their surplus production. So why not, if the Chinese products exhibit some cost advantages for the Latin American and Caribbean countries of destination?

Development support here is mainly provided by loans, at very favorable rates, granted by its Silk Road Fund (a sovereign fund) and its public banks. However, China does not want to be the exclusive financier, and wishes to involve all countries that have the means to – and that do not impose political-economic conditions on this funding (unlike the International Monetary Fund or the World Bank) – in participating in these targeted loan programs aimed at promoting infrastructure (for example,

high-speed trains, energy investments, pipelines, water treatment), on the basis that such infrastructure constitutes a solid foundation for rapid development. This is the fundamental meaning of the creation of the Asian Bank for Infrastructure and Investment, which today has around one hundred members. Among the latter are countries like France, Germany, and the United Kingdom, but not, of course, the United States, which can in no way control this institution, as they have become accustomed to doing with the International Monetary Fund and World Bank. On the contrary, China, the largest shareholder of the Asian Infrastructure Investment Bank, expressly forbids itself any veto power.

Chinese loans have been criticized for having pushed countries to take on excessive debt, and thus to place themselves in a situation of dependence, or even to cede the management of key public assets in order to compensate for possible refunding noncompliance (this is the case of Sri Lanka, for example, with regard to its largest port). It is true that these loans sometimes represent a huge share of the gross domestic product of these countries. Recognizing this fact, the Chinese have most frequently agreed to revise and renegotiate these programs, and have even expressed a willingness to allow some debts to be cancelled and written off. It must be recognized that these credits also greatly serve the interests of China's economy, especially when they allow China, among other things, to increase and secure its supplies of oil or gas, but always on the principle of mutual benefit.

China is also accused, through its Silk Road Initiative, of exporting its soft power, in particular its educational model (considered the most efficient in the world, according to the ranking of the last Programme for International Student Assessment survey carried out by the Organisation for Economic Co-operation and Development) and legal system. This is an unwelcome accusation when we know how the United States uses its transnational firms to disseminate their values, way of life, and ideology, and when we see how it uses the extraterritoriality of its law to sanction foreign banks or competing companies. Culturally, China claims to respect all other civilizations and wants to enrich itself through contact with them. On the legal level, it promises to fight against corruption in the implementation of its programs (and not to use the latter as a pretext to put rivals in difficulty). Recently, Beijing has even helped create several international tribunals – as impartial as possible, to maintain good relations – responsible for settling disputes relating to its loans and investments.

As a consequence, in just a few years, the Silk Road has boomed: 124 countries have already signed association agreements, along with 24 international organizations, representing in total more than two-thirds of the world's population. We would like to insist here on the fact that this pro-

gram is intended to be exclusive of all political considerations. “Open to all countries,” it has no other objective, fundamentally, than codevelopment.

Let us also mention the partnerships that China has made with various countries, focusing on economic cooperation and the building of free trade zones, from a multilateralist perspective. Most spectacular of all – because it constitutes the largest trade agreement in the world to date – is the Regional Comprehensive Economic Partnership. It is a free trade agreement signed on October 15, 2020, with the ten members of the Association of Southeast Asian Nations countries, plus Japan, South Korea, Australia, and New Zealand, representing some three billion inhabitants and nearly 30 percent of global gross domestic product.⁶ This is obviously a success, particularly after President Trump scrapped a competing treaty, in that it challenges the hegemony of the United States – especially since trade and investment will no longer be in dollars, but in the national currencies of partners. Washington is to be expected to respond – including through strengthening military alliances with India, Japan, and Australia, and further demonstrations of naval forces, the clear aim of which is to try to surround China by occupying and obstructing its maritime routes. Against this background, it is very likely that the new U.S. administration led by President Biden will reinforce the “arms race” that once served to bring the Soviet Union to its knees. But this dangerous escalation is no longer enough to impress a China in good economic health and with sufficient deterrent weapons.

In addition, China has powerfully developed its diplomatic network (now the largest in the world, ahead of that of the United States) and its diplomats are increasingly present and active on the international scene. This is not just to support its geopolitical strategy, as it also has had to face increasingly aggressive smear campaigns.

How Is China, in Its Own Way, “De-Globalizing”?

Globalization has been, as we know, a boon for the capitalists. By offering them the possibility of breaking down value chains and producing ever more segments in low-wage countries, it has enabled them both to raise profit rates whose trends were falling and to maintain (rather poorly) the standard of living of the impoverished classes – the credit system helping. Financialization has accelerated social inequalities, which have reached levels unprecedented in history and undermined the sovereignty of states and nations. The health crisis caused by the COVID-19 pandemic has demonstrated the costs of becoming dependent in sectors that are absolutely vital for people. Finally, the environmental cost of globalization is now so high that it conflicts with the preservation of a habitable planet in the short term – not to mention, in the immediate future, through

risks of spreading epidemics. Challenged by the health crisis, and shaken by popular revolts all over the world (from India to Lebanon to Colombia), the capitalist system is currently reaching its limits.

China, it is true, has benefited enormously from this capitalist globalization, but it is just as true that it did so by laying down its conditions, starting with the control of foreign direct investment and capital movements. Chinese authorities are perfectly aware that the benefits of this globalization are shrinking and, with them, economic growth rates. They are therefore turning more and more to their domestic market, even far within the national territory.⁷

Above all, let us hope that they will ensure that the new Regional Comprehensive Economic Partnership does not reproduce the same negative consequences as globalization. Respect for the codevelopment policy should go in the direction of tight control of such effects – that is, as a country develops, it can become more autonomous and import less. This is the paradox, but also the stake, of the Silk Road: this program aims to increase the circulation of products and international maritime and land trade, but by promoting the construction of infrastructures other than those of transport, it should and could promote relocation by laying the foundations for reindustrialization and developing energy production. This is arguably, in our view, an aspect that is not clearly enough articulated in the exposition of China's official conception of globalization. As much as scientific and cultural exchanges are beneficial, commercial and above all financial globalization leads to dead ends. Likewise, a partial shift in the productive paradigm in favor of “low technologies,” less capital intensive and more accessible to local users, would greatly facilitate relocation, as well as environmental protection.

We see, in the end, that it is capitalism itself that becomes unsustainable. Doomed to incessant accumulation, capitalism is incompatible with a planet of finite resources. The generator by its very essence of increasingly accentuated and shocking inequalities, it destroys all forms of social cohesion, and even many individuals themselves. China has taken the gamble of using the dynamics of the capitalist system to break out of its logic and to develop quickly, by controlling its contradictions and containing its destructive effects. “Chinese-style” market socialism will gradually and evermore sharply have to move away from capitalism if it is to embody a genuinely alternative path for all of humanity.⁸ And this is precisely its ambition: according to senior Chinese officials, and even more explicitly nowadays, the borrowing from capitalism was only a way of “crossing the river,” and will only be a very long “detour” – more or less as the New Economic Policy should have been for V. I. Lenin – on the road to communism.⁹

Notes

1. See the collection of speeches: Xi Jinping, *Construisons une communauté de destin pour l'Humanité* (Beijing: Central Compilation & Translation Press, 2019), 439. The other quotes from president Xi Jinping made in this article are also taken from the same collection.
2. Xi, *Construisons une communauté de destin pour l'Humanité*.
3. See Tony Andréani, *Le "Modèle chinois" et nous* (Paris: L'Harmattan, 2018).
4. Zhiming Long, Zhixuan Feng, Bangxi Li, and Rémy Herrera, "U.S.-China Trade War: Has the Real 'Thief' Finally Been Unmasked?," *Monthly Review* 72, no. 5 (October 2020): 32–43.
5. See, on the main U.S. interventions in Latin America and the Caribbean, the appendices to Rémy Herrera, *Les Avancées révolutionnaires en Amérique latine—Des Transitions socialistes au XXIe siècle?* (Lyon: Parangon, 2010).
6. Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.
7. Rémy Herrera and Zhiming Long, "The Enigma of China's Economic Growth," *Monthly Review* 70, no. 7 (December 2018): 52–62. See also Rémy Herrera and Zhiming Long, *La Chine est-elle capitaliste?* (Paris: Éditions Critiques, 2019).
8. Tony Andréani, Rémy Herrera, and Zhiming Long, "On the Nature of the Chinese Economic System," *Monthly Review* 70, no. 5 (October 2018): 32–43.
9. See Tony Andréani, *Le Socialisme est (a) venir*, 2 vols. (Paris: Syllepse, 2001–2004); Tony Andréani, *Dix Essais sur le socialisme du XXIe siècle* (Paris: Le Temps des Cerises, 2011).

MONTHLY REVIEW *Fifty Years Ago*

The present stage of imperialist domination in Latin America is characterized by two overlapping, tension-filled, and contradictory implicit models. The first is what may be called "traditional" imperialism, with the United States as the hegemonic power operating in the economic field largely through "enclaves," i.e., enterprises totally controlled by imperialist capital and with relatively few ties to the rest of the economies of the host countries. The second pattern is of more recent origin, dating from approximately the Second World War and consisting of a progressive shift in the axis of domination from agro-extractive to the urban-industrial sector. Simultaneous with this shift there have taken place (1) a relative decline in U.S. hegemony and a concomitant rise in the weight of the other imperial powers, especially Germany and Japan, and (2) a tendency for old forms of financial domination to be replaced by new monopolistic conglomerates on the one hand and "cosmopolitan" or "supranational" nuclei within the imperialist bourgeoisie on the other....

An essential task which must under no circumstances be neglected is to keep a watchful eye, in each country and in Latin America as a whole, on the extent to which U.S. hegemony maintains itself, grows stronger, or declines within the framework of the developing inter-imperialist battle, on the vigor and power of the dependent bourgeoisies, on the development of the sources of their power, on the shifts of power among the various interest groups which make up the dependent bourgeoisies, on the new ways in which they ally themselves or become subordinate to the imperialisms which are now active or will be active in the future, on their contradictions and weaknesses.

— ANÍBAL QUIJANO, "Nationalism and Capitalism in Peru," *Monthly Review*, July–August 1971, 4, 11.

Legacies of Definancialization and Defending Real Economy in China

SIT TSUI, HE ZHIXIONG, AND YAN XIAOHUI

People's Lives and Property

Confronting the triple trap of the COVID-19 pandemic, economic downturn, and ecological crisis, the Chinese leadership has reiterated that “China puts the people’s interests first – nothing is more precious than people’s lives.” This kind of people-centered governance philosophy is ostensibly meant to protect the lives and health of the people, while defending people’s property under the basic system of collective ownership. Since 1949, China has struggled to maintain its national sovereignty over land resources and the financial system through policies of capital control and definancialization. Historically, China has practiced financial containment and control of speculative capital for about forty years. China has integrated itself into the world economy and to a certain degree into Western-dominated financial institutions since the 1970s. It has gradually relaxed or removed some of the limits on foreign banks, insurers, and money management firms. China approved the establishment of more than one hundred foreign banking and insurance institutions in the country, such as Allianz, Cr dit Agricole Corporate, BlackRock, and Schrodgers. However, it has never relinquished its goal of capital control and its financial opening is comparatively limited. Foreign investors who want to enter China’s domestic capital market are subject to strict control. Qualified Foreign Institutional Investor is allowed, but its quota has a very small value. Foreign capital is not yet predominant in China’s domestic capital market.

On March 2, 2021, in a news conference on the development of banking and insurance held by the State Council, Guo Shuqing, party secretary of the People’s Bank of China and the China Banking and Insurance Regulatory Commission, claimed that

it is inevitable to see foreign capital inflows. For now, the size and speed of foreign capital inflows remain controllable.... Foreign-funded institutions generally observe Chinese laws in their operations. The amount of their

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total assets, loans and deposits in the Chinese market is on the rise, but the proportion is in decline. For example, foreign-funded banks now account for only 1% of China's banking industry, down from 1.3% and 1.4% before. Their market competitiveness is limited.¹

At the Boao Forum on April 19, 2021, Fang Xinghai, vice chairman of the China Securities Regulatory Commission and member of the China Securities Regulatory Commission Party Committee, stated that foreign investment in China's stock markets started to rise rapidly after their shares were included in the MSCI and Financial Times Stock Exchange indexes. However, the proportion of foreign holdings in Chinese stocks currently stands at 5 percent. Moreover, foreign investors in Chinese listed companies are still subject to a 30 percent ownership cap and have limited derivatives tools at their disposal in Chinese markets.²

China owns the largest financial capital firms in the world. Among the top ten banks globally, according to Tier 1 capital, the top four are China's state-owned banks: Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China, and Bank of China. JPMorgan Chase, Bank of America, Wells Fargo, and Citigroup come after.³ The Chinese state, as the largest shareholder, controls and manages the bank operations. Hence, China's large financial institutions are organized on a similar basis to its large state-owned industrial enterprises. All of them are headed by leading member groups of the Communist Party of China (CPC).⁴ As Guo Shuqing explained, "to integrate the leadership of the Party into corporate governance, we should guarantee the Party's role at the core of leadership through mechanisms like cross appointment and the integration of intra-Party supervision into corporate regulations."⁵ To a large extent, a leading member group of the CPC is obliged to ensure that the state-owned institutions play the role of social enterprises serving public interests and strengthening the real economy (that is, the nonfinancial sector), which can thereby largely guarantee people's employment and livelihoods.

A research report disclosed that 90 percent of banks' profits went back to the real sector. In 2019, listed banks made ¥1.7 trillion of net profit, 87 percent of which (¥1.2 trillion of supplementary capital + ¥280.9 billion of financial dividends) was returned to the real entities. It contained two parts. First, the big portion (¥280.9 billion) of dividends was distributed to state-owned shareholders (including the finance department, social security fund, and state-owned enterprises), which eventually acted as fiscal spending to the real economy. The smaller portion (¥206.9 billion) was distributed to nonstate shareholders and ultimately went to citizens. Second, retained capital indirectly supports the real sector by leveraging credit and bond purchases to the real sector again. Based on the core Tier 1 capital adequacy

ratio of 10.9 percent, the capital of ¥1.2 trillion can support the issuance of enterprise loans of ¥10.9 trillion.⁶ As Andrew Sheng, a former central banker and financial regulator, elaborated, “China uses state-owned enterprises to implement long-term goals, such as modernisation of infrastructure, job stability, regional development and provision of social utilities.” A review of forty years of Chinese state-owned enterprises’ performance has found that they operate more like social enterprises, and are not wholly for profit.⁷

Recent banking rules have not only strictly restricted how much money foreign banks can transfer into China from overseas, but also required many foreign banks to make fewer loans and sell off bonds and other investments. Moreover, domestic and foreign banks were ordered to limit their balance sheets to show only slight growth from last year. This was because China had loosened limits on foreign purchases of bonds, and many foreign banks had been buying more bonds for sale to foreign customers, expanding their balance sheets. Foreign investors had increased their holdings of Chinese bonds by about \$150 billion.⁸ According to UN Conference on Trade and Development statistics, China surpassed the United States by taking in \$163 billion worth of direct investments in factories, office buildings, companies, and other assets in 2020.⁹ According to *China’s Balance of Payments Report 2020*, foreign direct investment to China was \$212.5 billion.¹⁰ How to keep the tremendous national wealth in people’s hands and fight against privatization is always a big challenge for any ruling party if it upholds a pro-people ideology.

When Did Finance Become an Alienated Force?¹¹

China has visibly carried out capital control whenever national sovereignty is endangered. There are historic legacies of definancialization in the seventy-year pursuit of modernization. From 1949 to 1950, a supplies-based value system in three domains was introduced along with the establishment of the People’s Bank of China’s unified monetary system for the whole country. At that time, the bank monitored social inflation and used the price index to determine the amount of money when deposits were withdrawn. In other words, it was a monetary system fully pegged to material supplies such as millet, rice, cotton, and coal. After receiving Soviet aid to implement national industrialization in the 1950s, China’s monetary and financial system was based on the Soviet planned economy, where only one renminbi of currency could be issued for every twelve renminbi of goods produced, which could be called financial containment or definancialization. At that time, finance was only allowed to exist as an intermediary for commodity transactions, and it was not allowed to have other functions—even its savings function was very weak. Therefore, the total volume of finance was very small, and most of the materials were arranged and distributed by national planning.

The distribution of daily necessities relied on vouchers or tokens, and on a work point system that was popular in rural areas. Money was replaced by a voucher system to prevent an emergence of a rent- and profit-seeking class.

Finance has gradually become an alienated force within the economy since the implementation of reform and the opening up to the world economy. Starting from the U.S. president Richard Nixon's visit to China in 1972, China began to introduce a large amount of Western equipment and technology, and all of these purchases into China turned into foreign debts. By the mid- to late 1970s, China faced a foreign debt crisis similar to that of Latin America. The debt crisis contributed to the reform period, which included the reassertion of the role of money as an element of capital. It also made other forms of productivity into monetized factors, such as land. Debt repayment in the 1970s and '80s relied mainly on agricultural products and processed goods made from agriculture such as cotton weaving, bamboo weaving, and woodware, which accounted for 80 percent of China's total exports. The Western equipment and technology imported by China were obsolete production lines, so it was impossible to use the goods produced by these lines to counter sell to the West to obtain hard currency to pay off the debt. This was also the reason that Latin America and all developing countries fell into a debt crisis and were eventually resubordinated to the West economically via neoliberalism.

Under such a system of world trade dominated by the West, it is necessary for productive enterprises to retain foreign exchange, so that there are funds to purchase raw materials and other needed inputs. This meant that China was increasingly marketized and became export oriented. Nevertheless, domestic production remained central to China's five-year plans. So, the dual-track system, mixing state and market, was proposed in 1979 under the pressure of foreign debt. Apart from labor, technology, capital, and foreign exchange, land also became increasingly a factor of production in a more marketized model. A large number of township-village enterprises were developed, which relied on possession of their own land, viewed as a factor of production in market terms, though the gains of development were kept at the local level. Therefore, land increasingly took a dual-track form in these township-village enterprises affecting the structure of local government. In the late 1980s, the township-village enterprises expanded rapidly. Local economies led by township-village enterprises accounted for one-third of the value added of the national industry.

The central government wanted to take over land revenues. In 1987, the land management law was proposed, requiring local governments not to take possession of the proceeds of the primary land market, requiring that land proceeds be paid to the central treasury for unified manage-

ment, and, by then, the Central Rural Policy Research Institute set up the China Rural Trust and Investment Corporation. Local governments were required to pay differential land rent from agricultural and industrial land to the central government, which in turn would make investments in local agricultural infrastructure and water conservancy, among others. However, all local governments resolutely successfully opposed this. During that period, the local economy was very strong and local governments were not willing to make concessions.

China actually started to have a foreign exchange surplus at that time, enabling it to pay off its foreign debts from the 1970s, while also building up its foreign exchange reserves. This gave China a certain degree of financial autonomy. In 1989, political turmoil broke out and the United States sanctioned China. However, China negotiated with the United States to have the blockade lifted. The United States agreed to remove most of the sanctions, but still maintained sanctions in areas such as technology and military. From that point on, China's currency issuance was related to its holdings of U.S. dollar foreign exchange reserves. In other words, China's currency has been more or less anchored to the U.S. dollar since the early 1990s. There was an over-issuance of currency in 1993, which quickly led to inflation of up to 24 percent in 1994. There was also a burst of real estate prices and the stock market. As long as currency issuance is partially dependent on foreign exchange reserves, a triangle of foreign reserves, debt, and currency is formed and it is difficult to establish a truly autonomous monetary policy. The financialization of land resources is one of the consequences and it has not yet successfully been brought under control.

Financialization of Land Resources

Since the 1978 reform, China has experienced intermittent deficit crises, and the fiscal constraints faced by local governments have been a major cause of large-scale land expropriation. The central government responded by decentralizing the tax and revenue system, so that local governments became dependent on local revenues. Starting in 1984, local governments expropriated farmland for industrialization in order to generate income – the period of *land for local industrialization*. In 1994, China was confronted with a triple crisis – a balance of payments, a fiscal deficit, and a banking system crisis. This period also saw its headlong embrace of globalization. The central government then implemented another drastic reform of the tax and revenue system. Before 1994, about 70 percent of local tax revenues went to local governments, but since then, about 50 percent has gone to the central government. To compensate for a drop in their share of revenue, local governments again expropriated farmland to invest in commercial projects.

This was the period of *land for commercial fortunes*. Since 2003, local governments have increasingly mortgaged farmland in order to obtain loans from commercial banks. This was the period of *land for bank loans*.¹²

Land has become the main income of local governments, accounting for more than 80 percent of finance in many places. In 2008, driven by the ¥4 trillion bailout investments in response to the global crisis, the balance of local government debts nationwide increased significantly from ¥5.5 trillion in 2008 to ¥24 trillion by the end of 2014. Local governments mainly used construction land in reserve and the assets attached as collateral for bank loans. In order to maintain the debt chain without breaking, the debt can only be extended by borrowing new loans to repay old loans. This means that the nature of local governments' land policy has changed from *land for bank loans* to *land for supporting debt*.¹³

The central government has been trying to curb the expansion of the real estate bubble. Unfortunately, it has not yet been successful. One of the main reasons is the weakening real economy, making local governments increasingly rely on land revenue to cover their debts. Now China has intermingled internal bubbles – a real estate bubble, a debt bubble, and an investment bubble. Nevertheless, although financialization has become an alienated force in the economy and society, the government is struggling to break the curse of debt/finance through political and disciplinary power.

One of the recent examples of financial evolution is Ant Financial, an affiliate of Alibaba Group, the largest fintech in China and even the world. The formation of Ant as a new giant enterprise is against the backdrop of four decades of reform and open-door policy, which led to astonishing economic growth, but also a worship of individualism and consumerism. Ant, as a symbol of successful private entrepreneurship, is obviously against putting people at the center.

Alibaba's Ant: Too Big to Risk

On November 3, 2020, Ant Group's initial public offering in Shanghai and Hong Kong was suddenly halted at the last minute. It was expected to be the world's biggest initial public offering, after investors signed up for \$37 billion worth of shares. Alibaba Group Holding Limited, the multinational tech company specializing in e-commerce, owned roughly a third stake in Ant Group, while the largest single shareholder was Jack Ma. Ant targets vulnerable groups. This advance of fintech capital works with formal banks to centralize financial holdings. It utilizes big data to discover and exploit customers' weaknesses. And it takes advantage of high interest rates to hedge the risk of lending to a large number of vulnerable groups. Ant Group is almost too big to fail. Let us see how an ant became a giant.

Alipay is a third-party mobile and online payment platform, established in 2004 by the Alibaba Group. The number of Alipay users reached 870 million in 2018. It is the world's number one mobile payment service organization and the second largest payment service organization in the world. According to statistics, Alipay had nearly 60 percent share of the third-party payment market in mainland China. Since 2013, Alibaba's Ant Financial Services have relied on mobile Internet, big data, and cloud computing to carry out micro financial services, including business segments such as Yu'eobao, Ant Credit Pay, Ant Cash Now, and Sesame Credit.

Ant Financial was getting bigger and bigger with the support of local governments and many financial affiliated sectors of state-owned institutions. The trend of financialization was partially intertwined with the process of privatization. In 2013, Alibaba partnered with Tianhong Asset Management Company Limited to develop Yu'eobao, a cash management tool. By the end of 2015, the number of Yu'eobao's users exceeded 260 million, with a scale of ¥620.7 billion, creating revenue of nearly ¥50 billion. In 2015, Tianhong Fund as the largest monetary fund in China was restructured from a state-controlled enterprise into a privately held enterprise, with Alibaba holding 51 percent of its shares.

In 2015, Ant and China National Investment & Guaranty Company Limited applied for the establishment of Zhejiang Internet Financial Assets Exchange Centre and received the consent of the Zhejiang Province government. In 2015, Ant completed its Series A funding round from state-owned institutions, including the National Social Security Fund, China Development Bank Capital Company Limited, and China Life Insurance Company. In 2015, China Post Group Corporation Limited took a 5 percent stake in Ant Financial. In 2016, Ant Financial completed its Series B funding round, the largest single private financing in the global Internet industry to date, with new investors including state-owned enterprises such as China Investment Corporation, China Construction Bank Trust Company Limited, private Primavera Capital Group, as well as further investments from state-owned institutions during the Series A financing.¹⁴ In 2019, the Industrial and Commercial Bank of China signed a comprehensive and deep strategic cooperation with Alibaba and Ant Financial Services to accelerate cooperation in building digital finance.

Ant Group was deeply engaged in promoting the speculative debt economy. In 2010, Alipay issued more than ¥26 billion in loans to merchants on its platform through Alibaba Microfinance, earning more than ¥1 million in interest income on a single day. In 2011, Alipay was granted a microfinance license by Chongqing Municipal Government, and by 2013, Chongqing Ant Microfinance had a registered capital of ¥3 billion and used two times the leverage to lend about ¥6 billion to banks, creating an online microfinance

scale of ¥9 billion, while Ant Group's current capital scale of ¥35 billion was obtained through the high-speed issuance of asset-backed securities during the period. Alibaba accounted for less than 2 percent of the funds lent out on Ant's platform, with over 98 percent coming from financial institutions.

The largest contributor to Ant's revenue is its Alipay debit and credit services – that is, Ant Credit Pay and Ant Cash Now, which accounted for 39.4 percent of the company's revenue and 47.8 percent of its total profit. Of its ¥2.15 trillion in credit, business loans account for ¥0.42 trillion, leaving ¥1.73 trillion in consumer loans, charging an average annual interest rate of 15 percent, close to the regulator's red line of 15.4 percent, the highest annual rate for private lending. Ant Cash Now charged a daily interest rate of 0.05 percent, which means the annual interest rate is actually as high as 18 percent. Ant Financial's Alipay has continued as the leading force in Chinese mobile payments, with a 54.5 percent market share.¹⁵ In this sense, Ant is indeed a loan shark wearing a high-tech coat.

Many young people were trapped in this kind of fintech debt. On November 13, 2019, just two days after the November 11 Singles Day shopping bonanza, Nielsen Corporation's *Debt Status of Young People in China Report* stated that the total credit product penetration rate for China's young adults had reached 86.6 percent, of which only 42.1 percent could pay off their debts in the same month, meaning that more than half were in debt because they could not pay off their loans in time. The average debt level of Chinese millennials was ¥120,000, equal to 1,850 percent of monthly incomes. Moreover, according to the People's Bank of China, as of June 30, 2020, the total amount of overdue credit cards outstanding for six months nationwide in China had soared to ¥85.4 billion, more than ten times the amount of ten years ago, with the generation born after 1990 accounting for almost half of these overdue borrowers.¹⁶ This blooming debt economy could lead to potential social unrest. The central government is determined to break the curse of debt and finance through policies of capital control and antifinancialization, with some similarities with what happened during the 1950s.

On November 2, 2020, one day before the Ant Group's initial public offering, the People's Bank of China, China Banking and Insurance Regulatory Commission, Securities Regulatory Commission, and State Administration of Foreign Exchange claimed that they had conducted regulatory interviews with Ant Group's actual controller Jack Ma, chairman Eric Jing, and chief executive Simon Hu. Some thought that it was because Ma openly criticized China's financial system on October 24, 2021, at the 2020 Bund Summit in Shanghai. Ma remarked that "China doesn't have a systemic financial risk [problem], China's finance basically doesn't have risk, the risk is instead from lacking a system.... Today banks are still operating with a

pawnshop mentality, needing collateral and guarantees are just like pawn shops.... China's financial pawnshop mentality is the most serious."

Afterward, *Caixin News* published a long list of Ant's shareholders, including both domestic and overseas capitalists and organizations. It was named a luxurious banquet for domestic and global capital. The domestic shareholders included state-owned institutions such as the National Council for Social Security Fund, China Life Insurance (Group) Company, China Post Group, China Development Bank, and China International Capital Corporation Limited. Overseas shareholders of individuals and organizations accounted for a total of 52.07 percent, which included private individuals such as Ma's investment partner Yu Feng, Hong Kong billionaire Li Ka Shing, and the Association Familiale Mulliez of France, as well as foreign governmental institutions such as Government of Singapore Investment Corporation Private Limited, Temasek Holdings Private Limited (Singapore), Public Investment Fund of Saudi Arabia (Saudi Arabia), Abu Dhabi Investment Authority (Emirate of Abu Dhabi), Khazanah Nasional Berhad (Malaysia), among others. Wall Street and City (London) financial groups accounted for 27.16 percent – namely, Silver Lake (United States) with 3.28 percent, Warburg Pincus LLC (United States) 3.12 percent, T. Rowe Price Group (United States) 2.74 percent, General Atlantic (United States) 2.74 percent, Carlyle Group 2.74 percent, Sanne Group (United Kingdom) 2.19 percent, BlackRock (United States) 1.45 percent, Baillie Gifford (United Kingdom) 1.44 percent, Discovery Capital Management (United States) 1.31 percent, Fidelity Investment Group (United States) 1.30 percent, Hedosophia Group (United Kingdom) 1.02 percent, Sequoia Capital (United States) 0.82 percent, Dragoneer Investment Group (United States) 0.82 percent, Coatue Management (United States) 0.45 percent, Credit Suisse (Switzerland) 0.44 percent, Falcon Edge Capital (United States) 0.27 percent, GGV Capital (United States) 0.11 percent, and BPAF (United Kingdom) 0.92 percent.¹⁷

In December 2020, the Central Political Bureau meeting of the Communist Party announced that it would “strengthen anti-monopoly measures and prevent disorderly expansion of capital.”¹⁸ Then it initiated a months-long antitrust investigation into Alibaba. In addition, Alibaba's influence was further weakened in the areas of education and media. Previously, Ma led a group of industrial and technology titans to set up Hupan University, an elite business academy, in his hometown of Hangzhou in 2015. On December 16, 2020, the branch of Hupan in western Yunnan Province was suspended. On April 9, 2021, Hupan in Hangzhou was told to suspend new student enrollments. Meanwhile, Alibaba was required to divest some of its holdings from China's leading private media groups.

On April 10, 2021, the State Administration for Market Regulation imposed a record fine of ¥18.2 billion (\$2.8 billion) on Alibaba. It represented 4

percent of its total domestic revenue in 2019, which was ¥455.71 billion. According to the State Administration for Market Regulation, Alibaba abused its market dominance status to force merchants to pick sides among the various e-commerce platforms on the market, known as picking one from two, and violated the rights of both merchants and consumers. The State Administration for Market Regulation's statement particularly highlighted that "Alibaba Group Holding Limited [was] set up in 1999 and registered as Trident Trust Company (Cayman) Limited, in George Town, Grand Cayman, Cayman Islands, a British overseas territory." As is well known, the Cayman Islands are a major world offshore financial haven for international businesses and wealthy individuals. To put it simply, Alibaba is too big to risk. It needs to be regulated based on the logic of protecting people's interests.

As early as 2014, Niu Wenxin, executive editor-in-chief and chief news commentator of CCTV Securities Information Channel, wrote a controversial paper to urge for "The Banning of Yu'e bao!" He criticized that Yu'e bao was an "evil financial" practice that contradicted the central government's principle that finance must serve the real economy:

Yu'e bao are "vampires" lying on the banks, typical "financial parasites." They do not create value, but profit from it by raising the economic cost of the whole society.... Specifically, let's assume the average return of 6% on Yu'e bao's ¥400 billion scale and a profit of ¥24 billion, Yu'e bao and the money fund will swallow about ¥8 billion (2% of ¥400 billion) and other Yu'e bao customers will share ¥16 billion. It seriously interferes with the interest rate market, seriously interferes with bank liquidity, and seriously pulls up the financing cost of industrial enterprises, thus intensifying the vicious circle between finance sector and industrial sector and seriously threatening China's financial and economic security.¹⁹

The abrupt decision of the government to call a halt to Ant's initial public offering was welcomed in both official and social media. Policies for monitoring have been proposed by the government since then. This means the government is capable of taking stringent measures to rein in financial giants. Though the historical context is different, especially because China is much more integrated into the global economy now, it is worth examining the first years of the People's Republic to draw lessons for today.

History as a Mirror

In the following sections, we will discuss some legacies of capital control, definancialization, and experiences of defending the real economy in the period of financial containment (1949–89) in order to understand how China has continuously confronted the curse of financialization by political and disciplinary power, with the aim of defending public property and people's interests.

The Silver Yuan Battle of 1949

In *Ten Crises: The Political Economy of China's Development (1949–2020)*, Wen Tiejun and his research team systemically trace the economic history of China, unraveling the complex domestic and global factors leading to cyclical crises and examining the corresponding counteracting policies and measures by the government to resolve or defer the crises.²⁰ In the first crisis (1949–52), an implementation of a supplies-based currency, together with policies of demonetization and financial containment, helped the newly born renminbi to be consolidated as its value was anchored to essential supplies. Land reform had also stabilized the rural sector and expanded the monetary demand by the peasants, which laid the ground for expansionary monetary measures by the government to solve the fiscal problem.

At the beginning of New China, the government started to fight the currency defense battle. The renminbi became the only legal currency. However, this did not fundamentally suppress inflation. The government then realized that the chief enemy of the renminbi was no longer the Kuomintang government's Jinyuanquan (banknote based on U.S. dollar reserves), which had lost its credit base as the old regime collapsed, but the silver coins, which had a long history of circulation and potential of appreciation under inflation. The credit foundation of silver coins remained robust. In the 1949 Silver Yuan Battle in Shanghai, where speculative capital was concentrated, the major means used by the new regime was a combination of military and political power. The CPC deployed military force to close down the silver coins market, politically declaring trading in silver coins illegal.

Shanghai was liberated on May 27, 1949. The following day, the Shanghai Military Control Commission announced regulations for using the renminbi and the abolition of Jinyuanquan, the old republic's currency. One renminbi (old) was equivalent to ten thousand Jinyuanquan. After June 5, the latter was strictly prohibited from circulation in the market. Given that Jinyuanquan's credibility was already close to zero, the conversion was conducted very smoothly. In seven days, a total of 35.9 trillion Jinyuanquan were collected, approximately 53 percent of the total amount issued by the Kuomintang government. Yet, the newly issued two hundred million renminbi existed only superficially in the market and did not enter into actual circulation – in reality, without equivalent commodities, the conversion of the currency had simply amounted to taking over the depreciation pressure of the Jinyuanquan.

Given that silver still functioned as currency, while the renminbi could only have a supplementary role in low-value transactions, silver became the target of speculation. To start with, 1 silver yuan was equivalent to 100 renminbi. By June 3, it had appreciated to 720 renminbi. On June 4, it suddenly spiked to 1,100 renminbi and the trend continued. On June 5,

the Eastern China Financial Commission and Shanghai Municipal Committee released 100,000 silver yuan in an attempt to suppress speculation on silver coins, but it was like a drop in the ocean. On June 7, the value of a silver coin had even gone up to 1,800 renminbi.

The failure of market-based measures was too much, and it was a big lesson for the new government. It was not until June 10, when the Shanghai Military Control Committee sent troops to close down the securities exchange building and arrested a number of speculators, that a heavy blow was dealt to speculation. Then the government announced the Measures for Management of Gold, Silver and Foreign Currency in Eastern China, prohibiting the free circulation and private trading of gold, silver, and foreign currencies. Starting on June 14, the banks launched value-anchored deposits. Using these kinds of low-cost, direct intervention measures, the government was able to mitigate price inflation for the time being.

Sixty-six years later, a similar forceful intervention into the speculative stock market occurred. With the entry of Chinese financial capital into the globalization process, China suffered from “long-short” war, stock market crashes, and exchange rate fluctuations in 2015.²¹ The government spent trillions to bail out the market, together with the use of police force. On the morning of July 9, 2015, the vice minister of public security led a team, together with the Securities and Futures Commission, to investigate more than ten institutions and individuals suspected of malicious shorting of large-cap blue-chip stocks. This was the first time the security force led a high-profile intervention in the history of the stock market in China.

The Battle of Rice and Cotton of 1949

In 1949, after the failure of silver coins speculation, private capital turned to speculation on staple grains and cotton. Through hoarding and market manipulation, speculators aspired to make windfall profits. It turned into the well-known Battle of Rice and Cotton. From mid-June to late July 1949 in Shanghai, where the highest concentration of Chinese private-sector capital was, a wave of speculative activity took place targeting essential commodities. They took advantage of the Kuomintang’s military blockade against the CPC government, the disorder sowed by the agents of the former, as well as natural disasters like flooding and storms in certain areas, to trigger speculation on grains, cottons, and other materials, deploying enormous sums of money. Led by the price of rice, followed by the price of yarn, a comprehensive inflation emerged. The price of rice in Shanghai increased drastically fourfold, while that of yarn doubled. At the same time, it also affected all of eastern and northern China, as well as regions in central and south China. The average price level in July rose by 1.8 times as compared to June.

Faced with the onslaught of the inflation, Chen Yun, head of the Central Finance and Economic Commission, noticed that speculators in Shanghai were hoarding mainly yarn, while in northern China speculators focused on grains. To avoid being attacked simultaneously on two fronts, he first turned his attention to the north. Starting on November 15, 1949, a daily shipment of ten million catty (one catty = six hundred grams) of grain was sent from the northeast to supply the Beijing and Tianjin regions. Concurrently, sixteen traders speculating on grains were arrested and punished. These measures overwhelmed the speculators and pacified the people. After sorting out this problem, Chen focused all his efforts on suppressing the inflation trend in Shanghai.

Even though Chen accepted that the increased money supply by the CPC was the main reason for the inflation, he believed that through deployment of goods (from the old CPC bases to big cities) inflation would be controllable. Before November 1949, the CPC fully exerted its well-organized system to raise material supplies from around the country. With grain, for example, the plan was to deploy four hundred million catties from Sichuan and ten million catties from northeast China to Shanghai on a daily basis (for a duration of half a month). Furthermore, liberated areas in northern and central China, in Shandong and so on, also supplied grains to various big cities on an ongoing basis. By the end of November 1949, the quantity of cotton yarn and cotton cloth controlled by the state-owned China Textile Company reached half of the total nationwide production.

Through a series of successive small price-level increases to attract investors to purchase commodities, the People's Bank of China absorbed eight hundred billion liquid funds in society. On November 24, 1949, the general price level was 2.2 times compared to that at the end of July. At this level, the quantity of goods under the central government's control was equivalent to the amount of monetary circulation on the market. On November 25, 1949, the central government directed a unified action in big cities across the nation to sell commodities. In addition to large-scale selling off, other coordinating measures in terms of taxation, credit, and so on put tremendous pressure on speculative capital. The Central Committee of Finance and Economy stipulated that: funds of all state-owned enterprises must be deposited in state-owned banks and must not be loaned to private banks or private enterprises; private-owned factories were not permitted to close down operations and had to pay normal wages to workers; tax collection was intensified and no delays were permitted; and, at the same time, underground banks were banned to block sources of funds to speculators.

The speculators had acquired commodities in large quantities, even borrowing to do so. Yet, from that day on, price levels did not increase further; rather, to the shock of speculators, they declined. After ten days

of continuous selling off by the government, the speculators could no longer hold their positions and had to sell at a low price. Because of this, price levels dropped by 30 to 40 percent. By then, the inflation storm that had lasted for fifty days finally came to an end under the CPC's command and coordinated actions. That was known as the Battle of Rice and Cotton.

The victory in the battle of speculation was decisive in consolidating the status of the renminbi. The key was not to rely on the Communist government having more hard currency, the silver yuan, or foreign reserves, but rather more hard commodities, the essential supplies of livelihood. As Chen put it, "people's confidence relies on staple grains in cities, on cotton gauzes in rural regions...how much we were able to get hold of determined our capacity to regulate market." This battle against the selling short of the renminbi can be presented as the best maneuver of government rationality combining political power and economic operation. It was the first muscle-flexing of the CPC in the economy. Henceforth, people understood that what stood behind the renminbi was more than the state's political power, but also an enormous reserve of material supplies stocked by the mobilization of the whole nation in the land revolution.

Supplies-Based Value System in Three Domains

The Silver Yuan Battle and the Battle of Rice and Cotton were both strategic responses to speculation and they were executed by a state under the military's control. At the same time, it is also worthwhile to recognize the importance of the supplies-based value system in three domains that secured the value of surplus money held in common people's hands: (1) salaries of civil servants; (2) savings in banks; and (3) public bonds. The credit base of national financial capital was thereby consolidated.²²

It is almost unimaginable today that in 1949 the accounting unit of the national fiscal budget was millets instead of the renminbi. This was in fact a long tradition in the liberated regions before 1949. Xue Muqiao, later director of the National Bureau of Statistics, recalled that despite diversity in species and supply volume, the total quantity of money in liberated regions was generally maintained around the average of thirty catties of millet per capita. Money would devalue if supply exceeded this amount; otherwise, money supply would be insufficient, and peasants would be harmed by deflation.

As the CPC entered the cities, the value of the renminbi was still unstable. Therefore, millet remained the accounting unit in the whole state system. For example, during the age of Soviet aid, the annual salary of an expert from the Soviet Union working in China was 18,000 to 20,000 catties of millet, whereas the chairman and vice chairman were paid 3,400 catties, a minister 2,400 catties, and a bureau director 1,800 catties of

millet. Taking millet instead of money as a unit of pricing was actually a way of anchoring value. The new regime anchored the value of money to essential supplies in three domains. The market was stabilized in this way to facilitate withdrawing newly issued money from circulation.

Despite differences in the domains, the strategy was basically anchoring value to material supplies. The renminbi served not only as a medium of exchange but also as a unit of accounting and a store of value, which are the classical functions of money. What secured its value were in fact essential supplies, including staple grains, cotton, and coal. The following is an explanation of the practices in the three domains.

- (1) The new government employed a large number of employees and workers in the public sector. In order to secure their basic livelihood, the Department of Labor and the Central Committee of Finance and Economy successively proposed solutions and suggestions for salary reform. After 1952, salary reform was implemented in major regions in north China, east China, south central China, southwest China, and northwest China. Taking salary point as the unit of salary was the main content of the reform. The salary point was set by five major supplies essential to livelihood: staple grains, edible oil, cloth, salt, and coal. Every salary point included 0.8 catty of staple food, 0.2 feet of white cloth, 0.05 catty of edible oil, 0.02 catty of salt, and 2 catties of coal. This levy and payment in material supplies without the medium of money helped greatly suppress the room for speculation in essential supplies. Therefore, salary point as an accounting unit was an important and effective measure in stabilizing employees' livelihoods.
- (2) Value-anchored savings catered to people's preference for material supplies over money. This way of saving had been first tried by Huabei Bank in north China during the revolutionary years. Renminbi was rendered into a unit of essential supplies and the value of the savings was secured by the amount of this unit. When money was deposited into a bank account, the value was rendered into certain units of essential supplies. In case the unit price rose, the difference in the value of money would be subsidized by the bank (the state).
- (3) Public bonds were sold at a price based on a basket of essential supplies (like rice, millet, and flour), then redeemed at the current price of the same number of supplies according to different maturities. The purchasing power of the money invested was thus guaranteed. Here, using public bonds as a means of saving was similar to its equivalent products in other countries. What was really creative was the credibility of bonds secured by essential supplies.

Concluding Remarks

China has kept tight control over capital flows through political, disciplinary, and even military power. Throughout the 1950s and until the '90s, China insisted on capital control and financial containment for about forty

years. Afterward, China joined the global economy. In the meantime, Chinese leadership has apparently continued to retain an acute awareness of the risks of “disorderly expansion of financial capital” and has taken measures to attempt to contain it, generating discontent from U.S. and European financial interests that would like to see China go further down the road. China seems to have learned historical lessons on restricting the barbaric expansion of capital and breaking the curse of finance. It is important to take as reference the experiences of anchoring value to essential commodities for consolidating the renminbi’s credibility. Today, it is necessary to keep these legacies of definancialization and defending the productive economy alive, since the story of extreme financial speculation represented by Ant will only repeat itself if financialization continues. Profit-centered dominance by global finance capitalism, or people-centered governance over finance and strengthening the real economy: history urges us to make a choice for social justice.

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China

Imperialism or Semi-Periphery?

MINQI LI

China is currently the world's largest economy measured by purchasing power parity. As the rapid expansion of the Chinese economy reshapes the global geopolitical map, Western mainstream media has begun to define China as a new imperialist power that exploits cheap energy and raw materials from developing countries. Some Marxist intellectuals and political groups, drawing from the Leninist theory of imperialism, argue that the rise of monopoly Chinese capital and its rapid expansion in the world market have turned China into a capitalist imperialistic country.

Whether China has become an imperialist country is a question of crucial importance for the global class struggle. I argue that although China has developed an exploitative relationship with South Asia, Africa, and other raw material exporters, on the whole, China continues to transfer a greater amount of surplus value to the core countries in the capitalist world system than it receives from the periphery. China is thus best described as a semi-peripheral country in the capitalist world system.

The real question is not whether China has become imperialistic, but whether China will advance into the core of the capitalist world system in the foreseeable future. Because of the structural barriers of the capitalist world system, it is unlikely that China will become a member of the core. However, if China does manage to become a core country, the extraction of labor and energy resources required will impose an unbearable burden on the rest of the world. It is doubtful that such a development can be made compatible with either the stability of the existing world system or the stability of the global ecological system.

Is China a New Imperialist Country?

As China becomes the world's largest economy (measured by purchasing power parity) and the largest industrial producer, China's demand for various energy and raw material commodities has surged. In 2016–17, China consumed 59 percent of the world total supply of cement, 47 percent of aluminum, 56 percent of nickel, 50 percent of coal, 50 percent of

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copper, 50 percent of steel, 27 percent of gold, 14 percent of oil, 31 percent of rice, 47 percent of pork, 23 percent of corn, and 33 percent of cotton.¹

A large portion of China's demand for commodities is supplied by developing countries in Asia, Africa, and Latin America. In this context, Western mainstream media has described China as a new imperialist country exploiting developing countries. In June 2013, the *New Yorker* carried an article criticizing Chinese capitalists in Zambia for exploiting local copper resources and violating labor rights.²

In March 2018, the *Week* published an opinion article arguing that as China's overseas investment skyrocketed, Africa had become a key destination of Chinese investment resulting in vicious exploitation of local resources and ecological disasters. The author further argued that, because of the authoritarian nature of the Chinese political system, Chinese imperialism would prove to be considerably worse than Western imperialism.³

The New York Times asked whether China had become a new colonial power. The writer indicated that China had used its One Belt, One Road Initiative to support corrupt dictators, induce recipients of Chinese investment into debt traps, and promote cultural invasions.⁴

A *Financial Times* commentator contended that as China pursued the Belt and Road Initiative and promoted various economic projects, the investment logic would inevitably turn some developing countries (such as Pakistan) into China's client states. China is therefore "at risk of... embarking on its own colonial adventure."⁵

One of the recent articles in the *National Interest* argues that "China is the imperialist power" in much of Africa today. It contends that what China wants in Africa is not some form of socialism, but control over Africa's resources, people, and development potential.⁶

For Marxist scholars and political groups, debates on imperialism have been either directly based on or inspired by V. I. Lenin's concept of imperialism originally proposed in the early twentieth century. According to Lenin, by the late nineteenth century, the basic relations of production in the developed capitalist world had evolved from free competitive capitalism to monopoly capitalism. The massive accumulation of capital by monopoly capitalists in combination with a saturation of domestic markets led to surplus capital that could only be profitably invested in colonies and underdeveloped countries by taking advantage of their cheap land, labor, and raw materials. The competition for capital export destinations in turn led to territorial partitions of the world by the major imperialist powers.⁷

In chapter 7 of *Imperialism, the Highest Stage of Capitalism*, Lenin defined the five "basic features" of imperialism:

(1) the concentration of production and capital developed to such a high stage that it created monopolies which play a decisive role in economic life; (2) the merging of banking capital with industrial capital, and the creation, on the basis of this “finance capital,” of a financial oligarchy; (3) the export of capital as distinguished from the export of commodities acquires exceptional importance; (4) the formation of international monopolist capitalist associations which share the world among themselves, and (5) the territorial division of the whole world among the biggest capitalist powers is completed.⁸

World political and economic conditions have changed dramatically since the publication of Lenin’s *Imperialism*. While some of the “basic features” of imperialism proposed by Lenin remain relevant, the “territorial division of the whole world among the biggest capitalist powers” can no longer be understood in its original sense due to the victory of national liberation movements and decolonization of Asia and Africa in the mid-twentieth century. Marxist theories of imperialism (or concepts of imperialism inspired by the Marxist tradition) that evolved after the mid-twentieth century typically defined imperialism as a relationship of economic exploitation leading to unequal distribution of wealth and power on a global scale.⁹

In the contemporary debate on “Chinese imperialism,” Marxist theorists who contend that China has become a “capitalist imperialist country” usually argue that China has become imperialist in the Leninist sense – that is, internally, China has become a monopoly capitalist country; externally, the monopoly Chinese capital has manifested itself through massive exports of capital. For example, N. B. Turner has argued that both state and private monopoly capital had been established in China and the four largest state-owned banks controlled the “commanding heights” of the Chinese economy, demonstrating the dominance of finance capital. Turner further noted that China had accumulated enormous overseas assets and become one of the largest capital exporters in the world, exploiting workers and raiding resources in various parts of the world.¹⁰

David Harvey, one of the world’s best-known Marxist intellectuals, has recently contended that China’s holding of large chunks of U.S. government debt and the Chinese capitalist land grabs in Africa and Latin America have made the issue of whether “China is the new imperialist power” worthy of serious consideration.¹¹

There have also been lively debates on whether China has become imperialist among Chinese leftist activists within China. Interestingly, a leading advocate of the proposition that China has become imperialist is Fred Engst (Yang Heping), the son of Erwin Engst and Joan Hinton, two U.S. revolutionaries who participated in China’s Maoist socialist revolution. In “Imperialism, Ultra-Imperialism, and the Rise of China,” Yang Heping (using the pen name Hua Shi) argued that the Chinese state-owned capital

group had become the world's single largest combination of industrial and financial capital and the world's most powerful monopoly capitalist group. According to Yang, China's demand for resources has already led to intensified imperial rivalry with the United States in Africa and Southeast Asia.¹²

Imperialism and Superprofits

Lenin considered imperialism to be a stage of capitalist development based on monopoly capital. For Lenin, monopoly capital did not simply mean the formation of large capitalist groups but large capitalist enterprises that had sufficient monopoly power to make superprofits – profits far above the “normal” rates of return under free competitive conditions.

Using available business information at the time, Lenin cited several examples of superprofits of monopolist capitalist businesses. The Standard Oil Company paid dividends between 36 and 48 percent on its capital between 1900 and 1907. The American Sugar Trust paid a 70 percent dividend on its original investment. French banks were able to sell bonds at 150 percent of their face value. The average annual profits on German industrial stocks were between 36 to 68 percent between 1895 and 1900.¹³

After elaborating the five basic features of imperialism, Lenin immediately said that “we shall see later that imperialism can and must be defined differently if consideration is to be given, not only to the basic, purely economic concepts...but also the historical phase of this stage of capitalism in relation to capitalism in general.” In chapter 8 of *Imperialism*, Lenin further argued that export of capital was “one of the most essential bases of imperialism” because it allowed the imperialist countries to “live by exploiting the labour of several overseas countries and colonies.” The superprofits exploited from the colonies in turn could be used to buy off the “upper stratum” of the working class who would become the social base of opportunism in the working-class movement: “Imperialism means the partition of the world, and the exploitation of other countries besides China, which means high monopoly profits for a handful of very rich countries, creating the economic possibility of corrupting the upper strata of the proletariat.”¹⁴

In the preface to the French and German editions, Lenin further elaborated:

[It] is precisely the parasitism and decay of capitalism, which are the characteristic features of its highest historical stage of development, i.e., imperialism.... Capitalism has now singled out a handful (less than one-tenth of the inhabitants of the globe; less than one-fifth at a most “generous” and liberal calculation) of exceptionally rich and powerful states which plunder the whole world simply by “clipping coupons.”... Obviously, out of such superprofits (since they are obtained over and above the profits which capitalists squeeze out of the workers of their “own” country) it is possible to bribe the labour leaders and the upper stratum of the labour aristocracy.¹⁵

Lenin considered this to be a “world-historical phenomenon.”

Thus, for Lenin, capitalist imperialism is not simply associated with the formation of large capitals and export of capital. It inevitably leads to and has to be characterized by “high monopoly profits” or “superprofits” through the plunder of the whole world. It is also interesting to note that, for Lenin, imperialism as a “world-historical phenomenon” has to be based on the exploitation of the great majority of the world population by a “handful of exceptionally rich and powerful states,” which Lenin estimated to include a population between one-tenth and one-fifth of the world total. Thus, imperialism must be a system where a small minority of the world population exploits the great majority. It cannot possibly be a system in which the majority exploits the minority.

If we apply Lenin’s concept of imperialist superprofits to the Chinese context, what do we find? Has China already become an imperialist country that is plundering the whole world simply by “clipping coupons”?

Using conventional international balance of payment accounting, China has indeed become a large capital exporter and accumulated enormous overseas assets. But these “assets” need to be analyzed.

From 2004 to 2018, China’s total foreign assets increased from \$929 billion to \$7.32 trillion. During the same period, China’s total foreign liabilities (that is, total foreign investment in China) increased from \$693 billion to \$5.19 trillion.¹⁶ This means China had a net investment position of \$2.13 trillion at the end of 2018. That is, China has not only accumulated trillions of dollars of overseas assets but also become a large net creditor in the global capital market. This seems to support the argument that China is now exporting massive amounts of capital and therefore qualifies as an imperialist country.

However, the structure of China’s overseas assets is very different from the structure of foreign assets in China. Out of China’s total overseas assets in 2018, 43 percent consists of reserve assets, 26 percent is direct investment abroad, 7 percent is portfolio investment abroad, and 24 percent is other investment (currency and deposits, loans, trade credits, and so on). By comparison, out of total foreign investment in China in 2018, 53 percent is foreign direct investment, 21 percent is foreign portfolio investment, and 26 percent is other investment.

Thus, while foreign investment in China is dominated by direct investment, an investment form consistent with the foreign capitalist attempt to exploit China’s cheap labor and natural resources, reserve assets account for the largest component of China’s overseas assets.

China’s reserve assets reflect largely the accumulation of China’s historical trade surpluses and are mostly invested on low-return but “liquid”

instruments such as U.S. government bonds. These assets theoretically represent China's claims on future supplies of goods and services from the United States and other developed capitalist countries. But these claims may never be realized because the United States and other developed capitalist countries simply do not have the production capacity to produce within a reasonable period of time the extra goods and services that may correspond to the more than three trillion dollars of foreign exchange reserves held by China. If China uses a large portion of its reserves to buy raw material commodities or exchange the reserves into other assets, it would dramatically drive up the prices of these commodities or other assets and China would suffer a massive capital loss (a large reduction of the purchasing power of China's reserves). In addition, China needs to hold several trillion dollars as reserves to insure against possible capital flight or financial crisis.

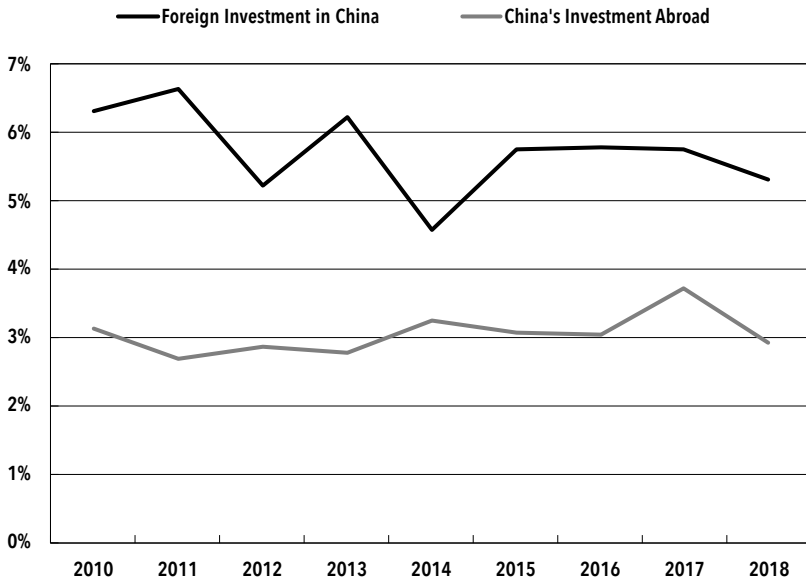
From the U.S. point of view, China's accumulation of foreign exchange reserves (mostly in dollar-denominated assets) has essentially allowed it to "purchase" trillions of dollars' worth of Chinese goods largely by printing money without providing any material goods in return. China's reserve assets, rather than being a part of China's imperialist wealth, essentially constitute China's informal tribute to U.S. imperialism by paying for the latter's "seigniorage privilege."

While China's total overseas assets are greater than its liabilities by \$2.13 trillion, China's investment income received in 2018 was actually smaller than the investment income paid by \$61 billion.¹⁷ Chart 1 compares the rates of return on China's total investment overseas with those on foreign investment in China from 2010 to 2018.

From 2010 to 2018, the rates of return on China's overseas assets averaged about 3 percent and the rates of return on total foreign investment in China varied mostly in the range of 5 to 6 percent. An average rate of return of about 3 percent on China's overseas investment obviously does not constitute "superprofits." Moreover, foreign capitalists in China are able to make about twice as much profit as Chinese capital can make in the rest of the world on a given amount of investment.

On the eve of the First World War, *net* property income from abroad accounted for 8.6 percent of the British gross national product and *total* property income accounted for 9.6 percent. It was by observing such massive superprofits that Lenin considered exports of capital to be of "exceptional importance" in the era of imperialism. By comparison, China's *total* investment income received in 2018 was \$215 billion or 1.6 percent of China's gross domestic product (GDP) and China's *net* investment income from abroad is *negative*.¹⁸

Chart 1. Rates of Return on Investment (2010-2018)



Sources: Rates of return are calculated as ratios of investment income to the stock of total investment. China's overseas investment, foreign investment in China, investment income received and paid are from "The Time-Series Data of International Investment Position of China," State Administration of Foreign Exchange, People's Republic of China, March 26, 2021; "The Time-Series Data of Balance of Payments of China," State Administration of Foreign Exchange, People's Republic of China, March 26, 2021.

The general pattern of China's investment abroad can be further revealed by examining where the Chinese investment takes place. China's total stock of direct investment abroad in 2017 was \$1.81 trillion, including \$1.14 trillion invested in Asia (63 percent), \$43 billion invested in Africa (2.4 percent), \$111 billion invested in Europe (6.1 percent), \$387 billion invested in Latin America and the Caribbean (21 percent), \$87 billion invested in North America (4.8 percent), and \$42 billion invested in Australia and New Zealand (2.3 percent).

Within Asia, about \$1.04 trillion was invested in Hong Kong, Macao, and Singapore. Hong Kong and Macao are China's special administrative regions and Singapore is an ethnic-Chinese city-state. About \$9 billion was invested in Japan and South Korea. Within Latin America and the Caribbean, \$372 billion was invested in the Cayman Islands and British Virgin Islands.¹⁹

China's massive investments in Hong Kong, Macao, Singapore, Cayman Islands, and British Virgin Islands (altogether \$1.41 trillion or 78 percent of China's direct investment abroad) are obviously not intended to exploit abundant natural resources or labor in these cities or islands. Some of China's investment in Hong Kong is the so-called "round trip investment" to

be recycled back to China in order to be registered as “foreign investment” and receive preferential treatments.²⁰ Much of the Chinese investment in these places may simply have to do with money laundering and capital flight. In 2012, *Bloomberg* reported that Xi Jinping’s family had several real estate properties in Hong Kong with a combined value of £35 million. In 2014, a report by the International Consortium of Investigative Journalists further revealed that Xi’s brother-in-law once owned two shell companies based in the British Virgin Islands. China’s investment in these tax havens has more similarities with wealth transfers by corrupt governments in the third world than projects of imperialist plunder. Much of China’s investment in Europe, North America, Japan, South Korea, Australia, and New Zealand is likely to be of a similar character. Rather than “exploiting” the developed capitalist countries, such capital flight in fact transfers resources from China to the core of the capitalist world system.²¹

This leaves about \$158 billion (8.7 percent of China’s total stock of direct investment abroad or 2.2 percent of China’s total overseas assets) invested in Africa, Latin America, and the rest of Asia. This part of Chinese investment no doubt exploits the peoples in Asia, Africa, and Latin America of their labor and natural resources. But it is a small fraction of China’s total overseas investment and an almost negligible part of the enormous total wealth that Chinese capitalists have accumulated (China’s domestic capital stock is about five times as large as China’s overseas assets). Some Chinese capitalists may be blamed for their imperialist-like behaviors in developing countries, but, on the whole, Chinese capitalism remains nonimperialist.

Unequal Exchange and Global Exploitation

Lenin considered the export of capital to be exceptionally important in the imperialist era. By the mid-twentieth century, Marxist theorists of imperialism already realized that, in the postcolonial era, imperial exploitation of underdeveloped countries mainly took the form of unequal exchange. That is, underdeveloped countries (peripheral capitalist countries) typically export commodities that embody comparatively more labor than the labor embodied in commodities exported by developed capitalist countries (imperialist countries). In the twenty-first century, global outsourcing by transnational corporations based on the massive wage differentials between workers in imperialist and peripheral countries may be seen as a special form of unequal exchange.²²

Given the development of the globalized capitalist division of labor and complex interactions of international trade and capital flows, it is difficult (if not impossible) to identify any single country in today’s world to be either a “100 percent” exploiter in its economic relations with the rest of the

capitalist world system or “100 percent” exploited. More likely, a country may simultaneously engage in exploiting relations with some countries but have exploited relations with others. Therefore, to identify a country’s position in the capitalist world system, it is important not just to focus on one side of the relations (for example, calling China imperialist simply because China has exported capital). Instead, it is necessary to consider all trade and investment relations involved and find out whether, on the whole, the country receives more surplus value from the rest of the world than it transfers to the rest of the world. On the one hand, if a country receives substantially more surplus value from the rest of the world than it transfers, then the country clearly qualifies as an imperialist country in the sense of being an exploiter country in the capitalist world system. On the other hand, if a country transfers substantially more surplus value to the imperialist countries than it receives from the transfer of the rest of the world, the country would be either a peripheral or a semi-peripheral member of the capitalist world system (depending on further study of the country’s position relative to other peripheral and semi-peripheral countries).

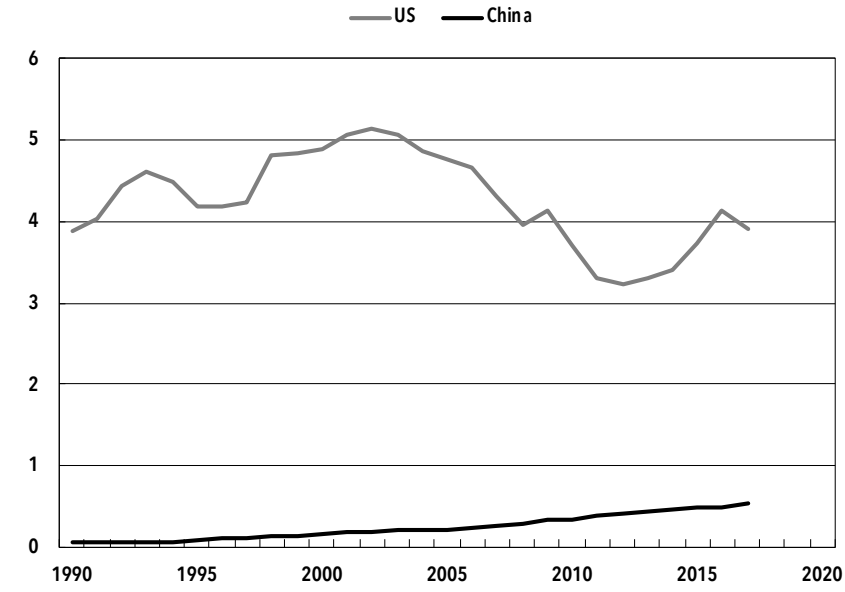
Chart 2 compares the average labor terms of trade of China and the United States. The labor terms of trade is defined as the units of foreign labor that can be exchanged for one unit of domestic labor through trade of exported goods and imported goods of equal market value.

The United States is a typical imperialist country. In the 1990s, one unit of U.S. labor could be exchanged for more than four units of foreign labor. By the early 2000s, the U.S. labor terms of trade further improved; one unit of U.S. labor could be exchanged for about five units of foreign labor. Although the U.S. labor terms of trade declined after the global financial crisis of 2008–09, it has since partially recovered. In 2016–17, one unit of U.S. labor could be exchanged for about four units of foreign labor.

By comparison, China was a typical peripheral country in the 1990s. In the early 1990s, China’s labor terms of trade was about 0.05. That is, one unit of foreign labor could be exchanged for about twenty units of Chinese labor. Since then, China’s labor terms of trade has improved dramatically. By 2016–17, China’s labor terms of trade rose to about 0.5. That is, two units of Chinese labor could be exchanged for about one unit of foreign labor. On balance, China remains an economy exploited by the imperialist countries in the capitalist world system, although the degree of exploitation has declined rapidly in recent years.

Chart 3 compares the net labor gain received by the United States and the net labor loss suffered by China through unequal exchange from 1990 to 2017. Net labor gain received by the United States is calculated as the total labor embodied in the imported goods and services minus the total

Chart 2. Average Labor Terms of Trade (1990-2017)



Sources: “World Development Indicators,” World Bank, accessed May 31, 2021. Average labor terms of trade is calculated as the ratio between total labor embodied in an average pool of one million dollars of imported goods and services and the total labor embodied in an average pool of one million dollars of exported goods and services. For details of methodology, see Minqi Li, *China and the 21st Century Crisis* (London: Pluto, 2015), 200-2.

labor embodied in exported goods and services. The net labor gain calculated in this way includes not only the net labor transfer through the favorable labor terms of trade enjoyed by the United States, but also the labor embodied in the U.S. “trade deficits.” Being a leading imperialist country, the United States benefits from its “seigniorage privilege.” Because of the other countries’ need to hold massive amounts of foreign exchange reserves in the form of dollar-denominated assets, the United States can “purchase” trillions of dollars of goods simply by printing money without providing material goods in return. The labor embodied in the U.S. “trade deficits” therefore should be treated essentially as unilateral transfers from the rest of the world and included in the unequal exchange.

For China, the net labor loss is calculated as the total labor embodied in China’s exported goods and services minus the total labor embodied in China’s imported goods and services. It includes not only the net labor transfer that results from China’s unfavorable labor terms of trade, but also the labor embodied in China’s “trade surpluses.”

It is interesting to see that China’s net labor loss has largely paralleled the U.S. net labor gain since 1990. In 1990, the U.S. net labor gain was thirty-four

Chart 3. Net Labor Transfer (Million Worker-Years, 1990-2017)



Sources: "World Development Indicators," World Bank, accessed May 31, 2021. Net labor transfer is defined as the difference between the total labor embodied in a country's imported goods and services and the total labor embodied in the country's exported goods and services. If the difference is positive, it constitutes a net labor gain; if negative, it constitutes a net labor loss.

million worker-years and China's net labor loss was thirty-nine million worker-years. In 1997, the U.S. net labor gain was fifty-two million worker-years and China's net labor loss was fifty-seven million worker-years. In 2005, the U.S. net labor gain peaked at eighty-four million worker-years. In 2007, China's net labor loss peaked at ninety-four million worker-years. By 2014, China's net labor loss fell to fifty-eight million worker-years and the U.S. net labor gain fell to fifty-six million worker-years. Since then, the U.S. net labor gain and China's net labor loss have moved in different directions. In 2017, the U.S. net labor gain was sixty-three million worker-years and China's net labor gain fell to forty-seven million worker-years.

Therefore, in the neoliberal era, Chinese capitalism has functioned as a crucial pillar for the global capitalist economy by transferring surplus value produced by tens of millions of workers to the imperialist countries. At its peak, China's net labor loss equaled 48 percent of China's industrial labor force in 2007. Had there not been unequal exchange, ninety-four million workers could be withdrawn from China's export sector without reducing China's material consumption levels and the extra ninety-four million workers could help to nearly double China's industrial output.

Had there not been unequal exchange, the massive amounts of material goods currently supplied to the United States by the rest of the world would have to be produced through domestic production to maintain existing levels of U.S. material consumption. About sixty million workers (38 percent of the total U.S. labor force) would have to be withdrawn from service sectors and transferred to material production sectors. This would result in a massive reduction of services output (by about two-fifths of U.S. GDP) without raising levels of material consumption.

Based on these observations, can we therefore conclude that China remains a peripheral country in the capitalist world system? The answer to this question depends on not only the economic relations between China and the imperialist part of the world system, but also on the relations between China and the peripheral part of the world system. Chart 4 shows China's labor terms of trade compared to various regions in the world from 1990 to 2017.

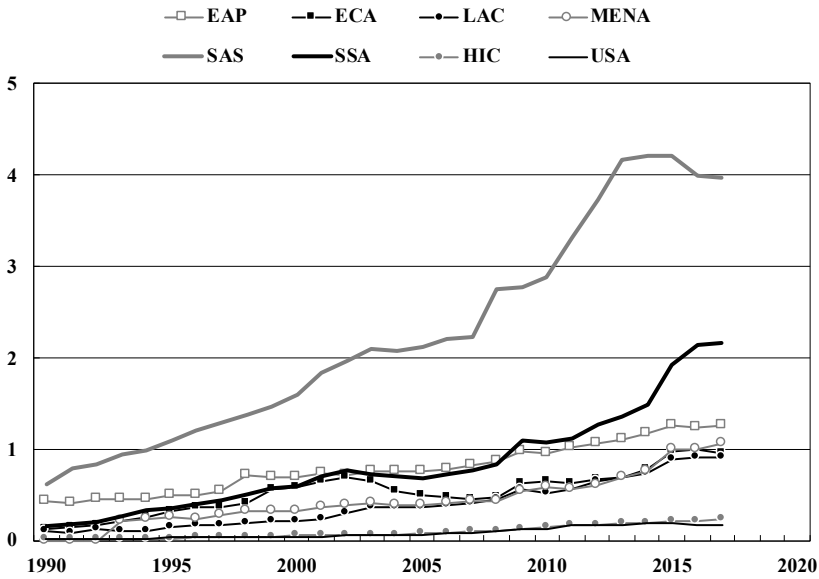
In the early 1990s, China was clearly a part of the periphery. China had unfavorable labor terms of trade against not only the United States and other high-income countries but also every group of low- and middle-income countries. Since then, China has succeeded in improving its labor terms of trade against every country group. By 2015–17, while it would still take about five units of Chinese labor to exchange for one unit of U.S. labor and four units of Chinese labor to exchange for one unit of labor from other high-income countries, China had clearly established exploitative positions in South Asia and sub-Saharan Africa. One unit of Chinese labor can now be exchanged for about two units of labor from sub-Saharan Africa or four units of labor from South Asia. One unit of Chinese labor is roughly on a par with one unit of labor from the low- and middle-income countries of Latin America, Caribbean, Middle East, North Africa, Eastern Europe, and Central Asia. In addition, China has also established a significant advantage relative to other East Asian low- and middle-income countries.

If one adds up the population of South Asia, sub-Saharan Africa, and low- and middle-income East Asia (excluding China), the total population accounts for about 45 percent of the world population. Thus, China has established exploitative relations against nearly one-half of the world population. China can no longer be treated simply as a peripheral country in the capitalist world system.

China as a Semi-Peripheral Country

According to world-systems theory, the capitalist world system is divided into three structural positions: core, semi-periphery, and periphery. The core countries specialize in quasi-monopolistic, high-profit produc-

Chart 4. China's Labor Terms of Trade (1990-2017))

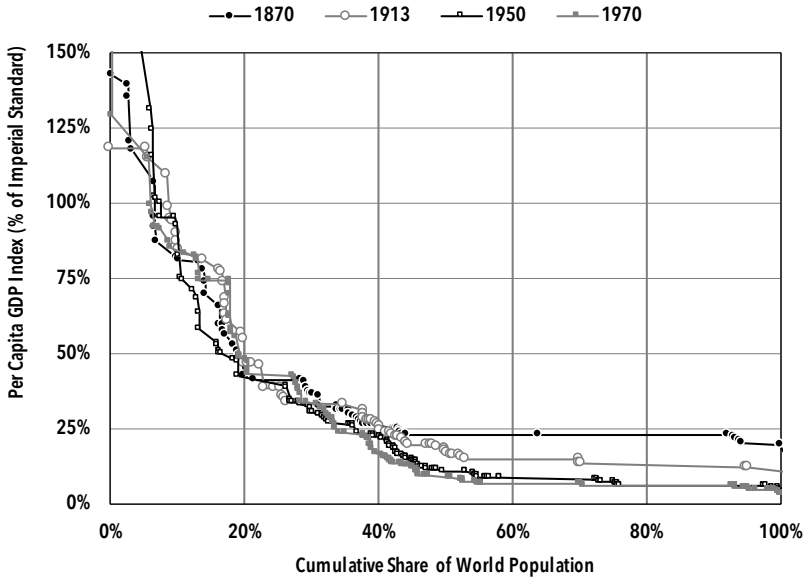


Sources: "World Development Indicators," World Bank, accessed May 31, 2021. EAP: East Asia and Pacific (low- and middle-income countries, excluding China); ECA: Eastern Europe and Central Asia (low- and middle-income countries); LAC: Latin America and Caribbean (low- and middle-income countries); MENA: Middle East and North Africa (low- and middle-income countries); SAS: South Asia; SSA: sub-Saharan Africa (low- and middle-income countries); HIC: high-income countries (excluding the United States); USA: United States.

tion processes, and the peripheral countries specialize in highly competitive, low-profit production processes. Surplus value is transferred from the peripheral producers to the core producers, resulting in unequal exchange and concentration of world wealth in the core. By comparison, semi-peripheral countries have "a relatively even mix" of core-like and periphery-like production processes.²³

Ideally, to find the relative position of various countries in the capitalist world system, one should conduct a detailed study of labor flows between countries, evaluating whether and to what extent a country benefits or suffers from transfer of surplus value. However, detailed data for trade flows and labor productivity are not available for earlier historical periods. Nevertheless, a country's position in the global hierarchy of unequal exchange is usually highly correlated with its position in the global hierarchy of per capita GDP. Therefore, statistical information about the global hierarchy of per capita GDP and the distribution of global populations across different income levels can be used to decide the approximate thresholds for the division of the world system into the three structural positions.

Chart 5. World Hierarchy of Per Capita GDP, 1870-1970



Sources: Angus Maddison, "Statistics on World Population, GDP, and Per Capita GDP, 1-2008 AD," Groningen Growth & Development Centre, 2010. Per capita GDP is measured by constant 1990 international dollars.

Chart 5 shows the index of per capita GDP of all countries in the world ranked from highest to lowest in relation to the countries' cumulative share of the world population in 1870, 1913, 1950, and 1970.

In a study of global inequalities, Giovanni Arrighi used the weighted average per capita gross national product of about a dozen Western capitalist economies that had occupied the top positions of the global hierarchy of wealth. Arrighi referred to these Western capitalist economies as the "organic core" and their average per capita gross national product as the "standard of wealth," a standard for the rest of the world that helped determine whether a country had "succeeded" or "failed" in the capitalist world system.²⁴

I use a similar concept here. Instead of calculating the average per capita GDP of a dozen Western economies, I focus on four major historical imperialist powers: the United States, the United Kingdom, France, and Germany. The four countries were leading imperialist powers in the late nineteenth century and the early twentieth century and have stayed consistently among the wealthiest countries in the capitalist world system since 1870. In this sense, it may be argued that the four countries combined have set the "imperial standard" for the capitalist world system. In Chart 5, the per capita GDP of every country is calculated as an index

using the weighted average of the four imperialist countries as 100 (that is, “the imperial standard”).

From 1870 to 1970, world income distribution patterns had remained mostly stable. During those one hundred years, about 60 percent of the world population lived in countries with per capita GDP less than 25 percent of the imperial standard; about 20 percent of the world population lived in countries with per capita GDP between 25 and 50 percent of the imperial standard; and the remaining 20 percent lived in countries with per capita GDP greater than 50 percent of the imperial standard.

Within the top 20 percent of the world population, the most privileged had per capita GDP greater than 75 percent of the imperial standard. From 1870 to 1970, the share of the world population that lived in countries with per capita GDP greater than 75 percent of the imperial standard varied between 10 percent (in 1950) and 17 percent (in 1913). This is a range consistent with the population share of “a handful of exceptionally rich and powerful states” suggested by Lenin.

The United States consistently stayed above the imperial standard from 1870 to 1970. The United Kingdom had a per capita GDP that was 139 percent of the imperial standard in 1870 but its relative per capita GDP declined to 82 percent of the imperial standard by 1970, reflecting the historical decline of British imperialism. French per capita GDP was 82 percent of the imperial standard in 1870 and 77 percent in 1913. German per capita GDP was 80 percent of the imperial standard in 1870 and 81 percent in 1913. The relative positions of both countries fell sharply in 1950, because of the massive destruction of the Second World War. In 1970, French per capita GDP was 87 percent of the imperial standard and German per capita GDP was 83 percent. Thus, with the exception of the period just before and after 1950, French and German per capita GDP stayed above 75 percent of the imperial standard between 1870 and 1970.

It is therefore reasonable to use 75 percent of the imperial standard as the approximate threshold between the core of the capitalist world system and the semi-periphery. It is important to note that this is only an approximate threshold and other important characteristics (such as state strength, degree of political and economic independence, technological sophistication, and so on) also need to be considered when deciding whether a country is a member of the core or simply has a core-like income level. For example, in 1970, among the wealthiest countries were rich oil exporters such as Qatar, Kuwait, United Arab Emirates, and Venezuela that clearly do not qualify as core countries.

At the other end of the hierarchy, China and India in 1870 had a per capita GDP just below 25 percent of the imperial standard. India was a Brit-

ish colony and China was a semi-colonial country under the competing influence of several imperialist powers. Both were a part of the periphery in 1870. From 1870 to 1970, the share of the world population that lived in countries with per capita GDP less than 25 percent of the imperial standard increased from 57 percent to 66 percent, suggesting widening global inequalities. I use 25 percent of the imperial standard as the approximate threshold between the periphery and the semi-periphery.

Chart 6 shows the index of per capita GDP of all countries in the world ranked from the highest to the lowest in relation to the countries' cumulative share of the world population in 1990, 2000, 2010, and 2017.

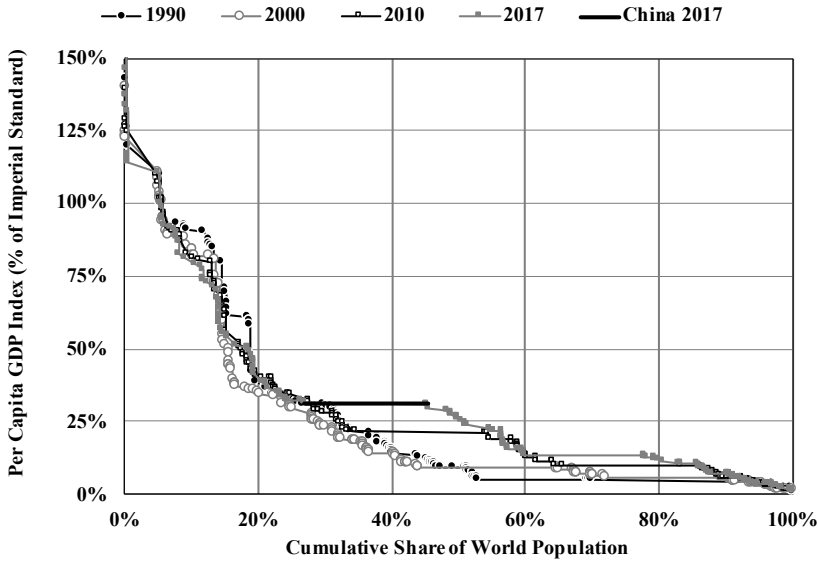
From 1990 to 2010, the world income distribution patterns were largely similar to what prevailed from 1870 to 1970. The share of the population that lived in countries with per capita GDP higher than 75 percent of the imperial standard varied in the narrow range of 13 to 14 percent. The share of the population that lived in countries with per capita GDP less than 25 percent of the imperial standard varied from 68 to 71 percent.

However, by 2017, as China's per capita GDP advanced to 31 percent of the imperial standard, the structure of world income distribution was radically transformed. The share of the population that lived in countries with per capita GDP less than 25 percent of the imperial standard fell to 50 percent (the lowest since 1870). The share of the population that lived in countries with per capita GDP higher than 75 percent of the imperial standard narrowed to 12 percent. At the same time, the share of the population that lived in countries with per capita GDP between 25 and 75 percent of the imperial standard expanded to 38 percent (almost double the historical semi-peripheral share of the world population).

As China's per capita GDP rises to levels significantly above 25 percent of the imperial standard and data from labor transfer flows show that China has established exploitative relations against nearly half of the world population, China now clearly qualifies as a semi-peripheral country in the capitalist world system. Given China's current growth momentum, it is not difficult to conceive a scenario in which China advances into the core of the capitalist world system and becomes a contemporary imperialist country by subjecting the overwhelming majority of the world population to its exploitation. However, is this possible given the structural constraints of the capitalist world system as well as global ecological limits?

The capitalist world system and the system of imperialist exploitation have been based on the exploitation of the majority by a small minority that historically included no more than one-sixth of the world population (what Lenin called "a handful of exceptionally rich and powerful states"). Neither capitalism nor imperialism is compatible with an arrangement

Chart 6. World Hierarchy of Per Capita GDP, 1990-2017



Sources: "World Development Indicators," World Bank, accessed May 31, 2021. Per capita GDP is measured by constant 2011 international dollars.

where the majority of the world population exploits the minority, or even with a situation where a large minority exploits the rest of the world. Given the size of the Chinese population (almost one-fifth of the world population), if China were to advance into the core, the total core population would have to rise to about one-third of the world population. Can the rest of the world afford to provide sufficient surplus value (in the form of labor embodied in commodities) as well as energy resources to support such a top-heavy capitalist world system?

Table 1 shows the balances of international labor transfer for various parts of the world in 2017.

China is the single largest provider of labor embodied in exported goods among all groups of low- and middle-income countries, providing exports that embody about 90 million worker-years annually. But South Asia has recently overtaken China to become the largest source of net labor transfer in the global capitalist economy. In 2017, South Asia suffered a net labor loss of 65 million worker-years. All the low- and middle-income countries combined provided a total net labor transfer of 184 million worker-years in 2017. The United States absorbed about one-third of the surplus value transferred from the low- and middle-income countries; the rest of the high-income countries received about two-thirds. It should be noted that the World Bank

**Table 1. Balances of International Labor Transfer, 2017
(Million Worker-Years)**

	Labor Embodied in Exports	Labor Embodied in Imports	Net Labor Loss	Net Labor Gain
China	91	44	47	
East Asia and Pacific (ex. China)	53	25	28	
Eastern Europe and Central Asia	36	24	12	
Latin America and Caribbean	38	26	12	
Middle East and North Africa	16	11	5	
South Asia	88	23	65	
Sub-Saharan Africa	31	16	15	
High Income (ex. U.S.)	121	251		130
United States	16	80		64
Statistical Discrepancies		-10		-10
World	490	490	184	184

Sources: "World Development Indicators," World Bank, accessed May 31, 2021. All country groups other than the high-income countries refer to low- and middle-income countries. For details of methodology, see Minqi Li, *China and the 21st Century Crisis* (London: Pluto, 2015), 200–2.

definition of *high-income countries* includes not only all the core capitalist countries but also high-income oil exporters (Saudi Arabia and several small Gulf states), high-income small islands, wealthy cities and city-states (Singapore and China's special administration regions – Hong Kong and Macao), and a number of relatively well-to-do semi-peripheral countries, such as Chile, Cyprus, Czech Republic, Estonia, Greece, Croatia, Hungary, Ireland, Israel, South Korea, Latvia, Lithuania, Slovakia, Slovenia, and Uruguay.

If China were to become a core country, then it would cease to be a net provider of surplus value to the capitalist world system and be turned into a net recipient of surplus value from the rest of the world. Assuming that China's average labor terms of trade rises from the current level of about 0.5 (one unit of Chinese labor exchanges for about half of a unit of foreign labor) to about 2 (one unit of Chinese labor exchanges for about two units of foreign labor, similar to the current average labor terms of trade of the non-U.S. high-income countries), then the total labor embodied in China's imported goods and services would have to rise to about 180 million worker-years. Rather than providing a net labor transfer of nearly 50 million worker-years, China will have to extract 90 million worker-years from the rest of the world. The total shift of 140 million worker-years represents about three-quarters of the total surplus value currently received by the core and the upper-level semi-periphery from

the rest of the world and is roughly comparable to the total net labor transfer currently provided by all the low- and middle-income countries (excluding China).

Thus, if China were to become a core country in the capitalist world system, the existing core countries would have to give up most of the surplus value they are currently extracting from the periphery. It is inconceivable that the core countries would remain economically and politically stable under such a development. Alternatively, the capitalist world system would have to develop new schemes of exploitation that manage to extract 140 million worker-years of additional surplus value from the remaining part of the periphery. It is difficult to see how the exploitation imposed on the periphery can be increased by such a massive extent without causing either rebellion or collapse.

China's advance into the core would require not only the extraction of hundreds of millions of worker-years from the rest of the world, but also massive amounts of energy resources.

Energy Limits to Economic Growth

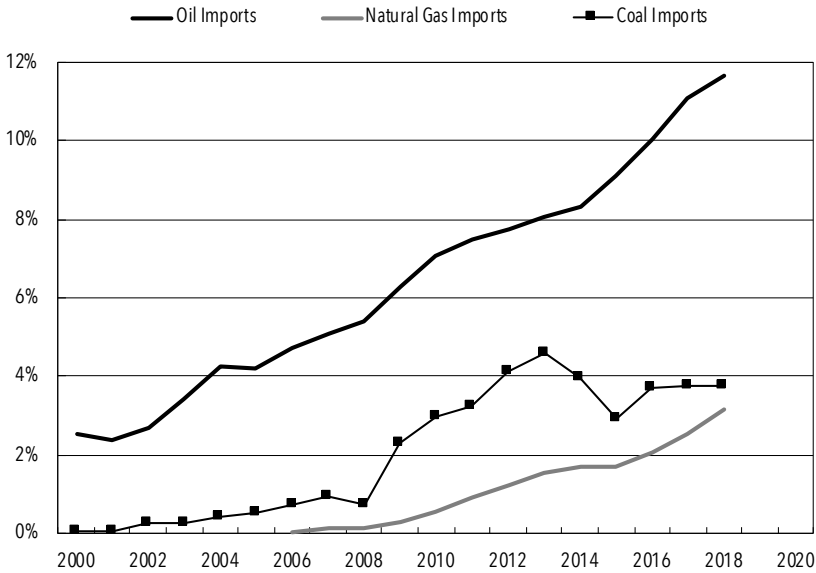
China is now simultaneously the world's largest importer of oil, natural gas, and coal. Chart 7 shows China's imports of oil, natural gas, and coal as shares of world production from 2000 to 2018.

China's oil imports were 2.5 percent of the world oil production in 2000. By 2018, China's oil imports surged to 11.7 percent of the world oil production. From 2000 to 2018, the share of Chinese oil imports in the world oil production had increased at an average annual rate of 0.5 percentage points. At this rate, China's oil imports will need to absorb about one-fifth of the total world oil production by the early 2030s.

China did not import natural gas before 2006. By 2018, China was already the world's largest natural gas importer and China's natural gas imports accounted for 3.1 percent of the world's natural gas production. China's coal imports peaked at 4.6 percent of the world coal production in 2013 and had stayed just under 4 percent of the world coal production from 2016 to 2018. Will the rest of the world have the capacity to meet China's insatiable energy demand as the Chinese ruling class aspires to lead China toward its "great rejuvenation"?

A country's per capita energy consumption (and especially per capita oil consumption) is closely correlated with its per capita GDP. Chart 8 shows the correlations between per capita GDP (measured by constant 2011 international dollars) and per capita oil consumption (in metric tons) in 2018 for seventy-seven significant energy consuming countries reported by BP's *Statistical Review of World Energy*.²⁵

Chart 7. Chinese Energy Imports (as a Percent of World Production, 2000-2018)

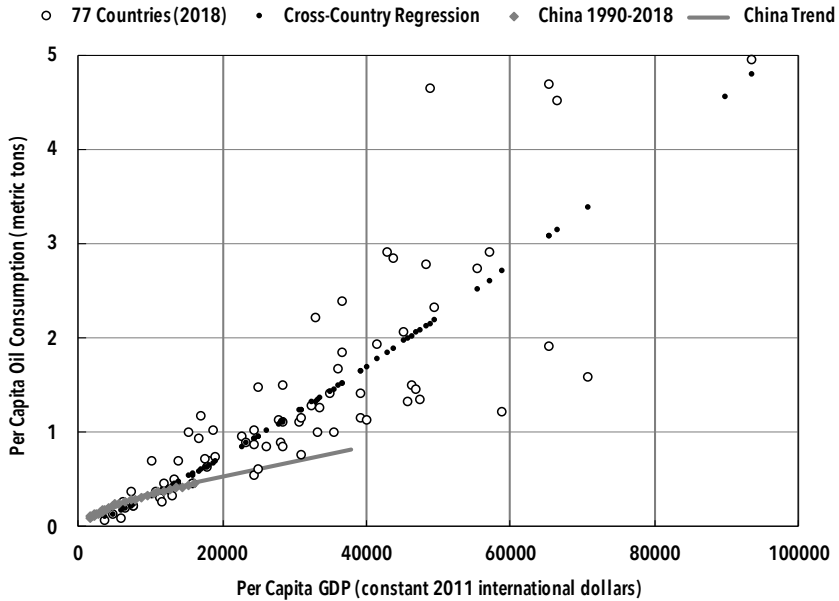


Sources: BP, *Statistical Review of World Energy 2020* (London: BP, 2019). Oil imports are measured by million barrels per day; natural gas imports are measured by billion cubic meters; and coal imports are measured by million metric tons of oil equivalent.

A simple cross-country regression finds that a 1 percent increase in per capita GDP is associated with a 1.24 percent increase in per capita oil consumption, with a regression R-square of 0.85 (that is, cross-country variations in per capita GDP can statistically explain 85 percent of the observed variations in per capita oil consumption).

The weighted average per capita GDP of the United States, United Kingdom, France, and Germany in 2018 was \$50,312 (in constant 2011 international dollars). This implies that 75 percent of the “imperial standard” is \$37,734. Based on the cross-country regression, the implied per capita oil consumption that corresponds to a per capita GDP of \$37,734 would be 1.55 metric tons. By comparison, U.S. per capita oil consumption in 2018 was 2.51 metric tons and China’s per capita oil consumption was 543 kilograms. Given China’s population of about 1.4 billion, if China’s per capita oil consumption were to rise to 1.55 metric tons, China’s total oil consumption would have to increase by about 1.4 billion metric tons (on top of China’s existing level of oil consumption). The increased amount is equivalent to 31 percent of world oil production in 2018 or the sum of oil production by the Russian Federation, Saudi Arabia, and Iraq. It is obvi-

Chart 8. Per Capita GDP and Per Capita Oil Consumption



Sources: Oil consumption data are from BP, *Statistical Review of World Energy 2020* (London: BP, 2019). GDP and population data are from "World Development Indicators," World Bank, accessed May 31, 2021.

ous that it is simply impossible for such a massive increase in oil demand to be met under any conceivable circumstances.

Chart 8 also shows the historical evolution of China’s per capita oil consumption from 1990 to 2018 and the historical trend. Interestingly, China’s oil consumption has grown at a less rapid pace than what would be implied by the cross-country regression. A simple regression of the historical relationship between China’s per capita oil consumption and per capita GDP finds that for each 1 percent increase in China’s per capita GDP, China’s per capita oil consumption tends to rise by 0.65 percent. If China’s oil consumption were to grow according to its historical trend, then when China’s per capita GDP rises to \$37,734 or reaches 75 percent of the imperial standard, China’s per capita oil consumption should rise to 812 kilograms and China’s total oil consumption should rise to about 1.14 billion metric tons. Compared to China’s oil consumption of 628 million metric tons in 2018, this represents an increase of about 510 million metric tons. As China’s oil production peaked in 2014 and has been in decline, any additional increase in oil consumption will have to be met from imports. An additional oil demand in the amount of 510 million metric tons is larger than the total annual oil exports by either the Rus-

sian Federation (which exported 449 million metric tons in 2018) or Saudi Arabia (which exported 424 million metric tons in 2018). Can the world find another Saudi Arabia (and more) to meet China's additional oil demand corresponding to China's expected core status?

From 2008 to 2018, the world oil production increased from 4 billion metric tons to 4.47 billion metric tons, or by about 470 million metric tons over a ten-year period. During the same period, U.S. oil production increased from 302 million metric tons to 669 million metric tons and Canada's oil production increased from 153 million metric tons to 256 million metric tons. The combined increase from U.S. and Canadian oil production was 470 million metric tons, accounting for 100 percent of the world oil production growth over the ten-year period. That is, the entire world oil production growth now depends on the development of U.S. "shale oil" (using environmentally disruptive hydraulic fracturing techniques) and heavily polluting Canadian tar sands. Outside the United States and Canada, the rest of the world's oil production has stagnated. David Hughes, an independent geologist, argued that the U.S. official energy agency had vastly exaggerated the potential resources of shale oil and the U.S. oil boom would prove to be short-lived.²⁶ If Hughes is correct, world oil production is likely to stagnate (if not enter into permanent decline) beyond the 2020s.

It may be argued that China's future oil consumption can be reduced substantially through energy efficiency improvement. However, the projections based on China's historical trend already place China's future per capita oil consumption at the lower end of the range of cross-country variations in per capita oil consumption given different income levels (see Chart 8). However, the projection is based on the assumption of the imperial standard using 2018 levels of per capita GDP. In the future, if the per capita GDP of four major historical imperialist powers continues to increase (as is likely to be the case), the imperial standard will rise accordingly and bring up the per capita oil consumption level associated with the imperial standard. Any "saving" of oil consumption through energy efficiency improvement is likely to be largely or completely offset by the opposite effect brought about by the rising imperial standard.

China could also attempt to reduce its oil consumption by pursuing a massive program of electrification, replacing oil by domestically produced electricity. In particular, China could try to replace its car fleet with electric vehicles. However, the production of electric vehicles requires large quantities of raw materials, such as lithium and cobalt, that are often produced in politically unstable countries under environmentally damaging conditions. Using the current technology, the production of each electric vehicle requires about ten kilograms of lithium. China is currently pro-

ducing about twelve million cars a year. Thus, to replace China's current annual car production by electric vehicles would require the consumption of 120,000 metric tons of lithium annually. World total lithium production in 2018 was only 62,000 metric tons. Therefore, even if China uses up the entire world's lithium production, it would only be sufficient to replace about one-half of China's conventional car production.²⁷

China currently has about 140 million passenger cars, or approximately one car for every ten persons.²⁸ If China were to have the same population-car ratio as the United States (two cars for every three persons), China's total number of cars would need to rise to about one billion. To produce one billion electric cars, China would need a cumulative consumption of ten million metric tons of lithium, using about 72 percent of the world's current lithium reserves.

Most of China's oil consumption is not used for cars but for freight transportation and various industrial purposes, which cannot be easily electrified given the current technology and likely technological development in the near term. China's gasoline consumption for transportation purposes accounts for only about one-tenth of China's total oil consumption. Therefore, even if in the unlikely event that China turns out to be extremely successful in its effort to promote electric cars, it would at best replace no more than one-tenth of China's current oil consumption.

Regardless of whether the world can find sufficient energy resources to meet China's future demand, China's current energy consumption level is already generating greenhouse gas emissions that are several times the level required for global sustainability.

Climate Crisis and the Exhaustion of the Global Emissions Budget

A scientific consensus has been established that if global average surface temperature rises to two degrees Celsius higher than the preindustrial level, dangerous climate change with catastrophic consequences cannot be avoided. According to James Hansen and his colleagues, global warming by two degrees will lead to the melting of the West Antarctica ice sheets, causing sea levels to rise by five to nine meters over the next fifty to two hundred years. Bangladesh, European lowlands, the U.S. eastern coast, North China plains, and many coastal cities will be submerged. Further increases in global average temperature may eventually lead to runaway warming, turning much of the world unsuitable for human inhabitation. For global ecological sustainability and the long-term survival of human civilization, it is imperative to keep global warming below two degrees Celsius.²⁹

In 2018, the global average surface temperature was 1.12 degrees Celsius higher than the average temperature from 1880 to 1920 (used as a proxy

for preindustrial time). The ten-year average temperature from 2009 to 2018 was 1.04 degrees Celsius higher than the preindustrial level.³⁰ To prevent global warming by two degrees Celsius by the end of this century, the world must ensure less than 0.96 degrees Celsius of additional warming.

According to the Intergovernmental Panel on Climate Change, cumulative carbon dioxide emissions will largely determine the global mean surface warming over the next century or so. In previous work, I calculated that the remaining global budget for cumulative carbon dioxide emissions from fossil fuels burning for the rest of the twenty-first century should be no more than 1.4 trillion metric tons. Glen P. Peters and his colleagues used a different set of assumptions and calculated the remaining emissions budget from fossil fuels burning to be only 765 billion metric tons.³¹

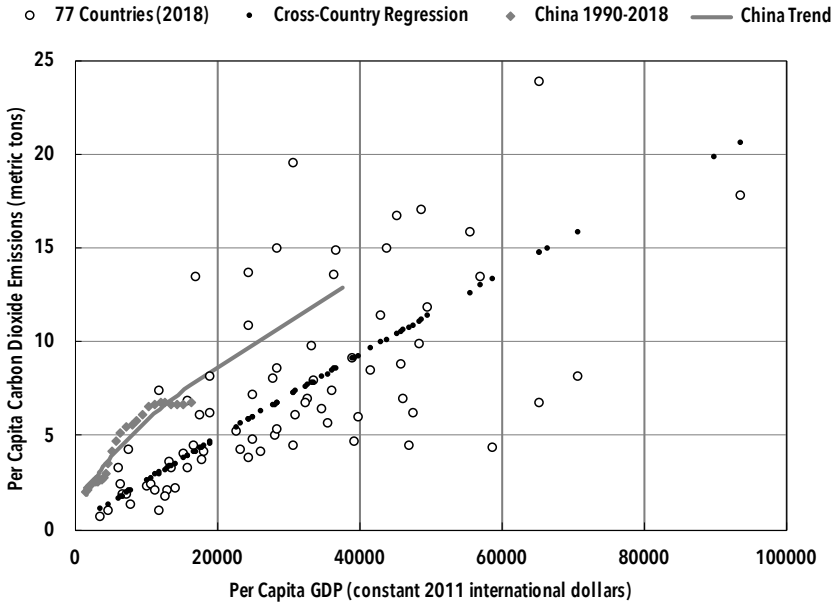
The world population in 2018 was 7.59 billion. Using the more generous 1.4 trillion metric tons as the global emissions budget for the rest of the twenty-first century, an average person in the future is entitled to an average annual emissions budget of about 2.3 metric tons per person per year (1.4 trillion metric tons / 80 years / 7.6 billion people). By comparison, China's per capita carbon dioxide emissions in 2018 were 6.77 metric tons and the U.S. per capita carbon dioxide emissions were 15.73 metric tons.

Chart 9 shows the correlations between per capita GDP (measured by constant 2011 international dollars) and per capita carbon dioxide emissions (in metric tons) in 2018 for seventy-seven significant energy consuming countries reported by BP's *Statistical Review of World Energy*.³² The figure also shows the historical evolution of China's per capita carbon dioxide emissions from 1990 to 2018.

From 1990 to 2013, China's per capita carbon dioxide emissions surged from 2.05 metric tons to 6.81 metric tons. If this trend were to continue, China's per capita carbon dioxide emissions would rise to 12.85 metric tons when China's per capita GDP rises to \$37,734 (75 percent of the imperial standard). If every person in the world were to generate this level of emissions every year between now and the end of the century, global cumulative emissions over the last eight decades of this century would amount to 7.8 trillion metric tons, leading to 5.5 degrees Celsius of additional warming (using the approximate calculation that every one trillion tons of carbon dioxide emissions would bring about 0.7 degrees Celsius of additional warming).

As China's energy efficiency improves and China makes efforts to substitute natural gas and renewable energies for coal, China's per capita carbon dioxide emissions have actually leveled off since 2013. However, as China's oil and natural gas consumption continues to grow rapidly, China's per capita emissions may resume growth in the future, though at a slower pace.

Chart 9. Per Capita GDP and Per Capita CO₂ Emissions



Sources: Carbon dioxide emissions are from BP, *Statistical Review of World Energy 2020* (London: BP, 2019). GDP and population data are from "World Development Indicators," World Bank, accessed May 31, 2021.

China’s current per capita carbon dioxide emissions are substantially above what would be predicted by the cross-country regression given China’s current income level. Using the cross-country regression, if China’s per capita GDP were to rise to \$37,734, China’s per capita carbon dioxide emissions should be 8.67 metric tons. If every person in the world were to generate emissions of 8.67 tons every year between now and the end of the century, global cumulative emissions over the last eight decades of this century would amount to 5.3 trillion metric tons, leading to 3.7 degrees Celsius of additional warming. As the global average temperature is already about one degree Celsius higher than the preindustrial level, global warming by the end of the century would be 4.7 degrees Celsius. This will lead to inevitable runaway global warming and reduce the areas suitable for human inhabitation to a small fraction of the earth’s land surface.

Can China reduce its per capita emissions to levels consistent with its climate stabilization obligations without abandoning its ambition to become a part of the core of the capitalist world system?

To meet the climate stabilization obligations, China (as well as every other country) should keep per capita carbon dioxide emissions to below 2.3 metric tons, which is consistent with a per capita GDP of \$9,339 based on the

cross-country regression (equaling 19 percent of the imperial standard in 2018). In other words, climate stabilization and global ecological sustainability can be accomplished if every country either accepts a massive reduction of per capita income to peripheral levels or stays with the peripheral levels.

Alternatively, China may hope that energy efficiency technology may improve rapidly and consumption of fossil fuels can be mostly substituted by renewable energies so that China can simultaneously accomplish substantial economic growth and rapid reduction of emissions in the future. From 2008 to 2018, world economic output grew at an average annual rate of 3.3 percent and world carbon dioxide emissions grew at an average annual rate of 1.1 percent, implying an average annual reduction rate of emissions intensity of GDP of 2.2 percent. If the world average emissions intensity of GDP continues to fall at this rate in the future, it will take sixty years to reduce the per capita carbon dioxide emissions associated with the per capita GDP of \$37,734 from 8.67 metric tons to 2.3 metric tons. But this has not taken into account the offsetting effect of a rising imperial standard in the future. If the weighted average per capita GDP of the four major historical imperialist powers keeps growing by 1 percent a year, then the effective emissions reduction rate relative to the rising imperial standard would be only 1.2 percent. At this rate, it would take 110 years to reduce the per capita carbon dioxide emissions associated with 75 percent of the imperial standard to 2.3 metric tons. But the world simply does not have 110 years to reduce greenhouse gas emissions to stabilize the climate. If the world keeps its current emissions levels (about thirty-four billion metric tons a year), it will take less than twenty years before the world's remaining emissions budget (required to keep global warming at less than two degrees Celsius) becomes completely exhausted.³³

Concluding Remarks

The currently available evidence does not support the argument that China has become an imperialist country in the sense that China belongs to the privileged small minority that exploits the great majority of the world population. On the whole, China continues to have an exploited position in the global capitalist division of labor and transfers more surplus value to the core (historical imperialist countries) than it receives from the periphery. However, China's per capita GDP has risen to levels substantially above the peripheral income levels and, in term of international labor transfer flows, China has established exploitative relations with nearly half of the world population (including Africa, South Asia, and parts of East Asia). Therefore, China is best considered a semi-peripheral country in the capitalist world system.

The real question is whether China will continue to advance into the core of the capitalist world system and what may be the global implications. Historically, the capitalist world system has been based on the exploitation of the great majority by a small minority that lives in the core or the historical imperialist countries. Given its enormous population, there is no way for China to become a core country without dramatically expanding the population share of the wealthy top layer of the world system. The implied labor extraction (or transfer of surplus value) demanded from the rest of the world would be so large that it is unlikely to be met by the remaining periphery reduced in population size. Moreover, the required energy resources (especially oil) associated with China's expected core status cannot be realistically satisfied from either future growth of world oil production or conceivable technical change. In the unlikely event that China does advance into the core, the associated greenhouse gas emissions will contribute to rapid exhaustion of the world's remaining emissions budget, making global warming by less than two degrees Celsius all but impossible.

Several scenarios may evolve in the future. First, China may follow the footsteps of historical semi-peripheral countries. As China's economic growth continues in the next few years, the growth process may generate various economic and social contradictions (perhaps similar to what happened to Eastern European and Latin American countries in the 1970s and '80s) and China's rapid growth will be brought to an end by a major economic crisis that may be followed by political instabilities. If such a scenario emerges, China will then be trapped in the layer of semi-periphery, consistent with the historical laws of motion of the capitalist world system that have so far operated.

The second possible scenario is for China to keep moving up in the global income hierarchy beyond the historical range of most semi-peripheral countries. For example, China's per capita GDP may rise above 50 percent of the imperial standard and begin to approach 75 percent. If such a scenario does materialize, China's exploitation of labor and energy resources from the rest of the world may become so massive that China's exploitation imposes unbearable burdens on peripheral regions such as Africa, South Asia, and parts of East Asia. As a result, general instabilities fall on these regions that could pave the way for either revolutionary transformation or a general collapse of the system. However, China's massive energy demand may lead to intense rivalry with other major energy importers, causing escalating geopolitical instabilities, with the Chinese economy itself perhaps becoming vulnerable to such instabilities (for example, a revolution in Saudi Arabia).

Finally, there is the unlikely scenario that China somehow "succeeds" in its national project to "catch up" with the West *and* joins the core of

the capitalist world system. In this scenario, the combined energy demand by China and the existing core countries, as well as the enormous greenhouse gas emissions and other pollutants generated by a greatly expanded imperialist core, will completely overwhelm the global ecological system, destroying not only the environment but also any meaningful hope for a sustainable human civilization. It is therefore in the best interest of humanity as well as China that such a scenario does not materialize.

Notes

1. Jeff Desjardins, "China's Staggering Demand for Commodities," *Visual Capitalist*, March 2, 2018.
2. Alexis Okeowo, "China in Africa: The New Imperialists?," *New Yorker*, June 12, 2013.
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China and the American Lake

MARK TSENG-PUTTERMAN

“The power that rules the Pacific... is the power that rules the world.”

– SENATOR ALBERT BEVERIDGE, January 9, 1900¹

“The United States is and always has been an Indo-Pacific nation.... A free and open Indo-Pacific depends on robust American leadership.”

– NATIONAL SECURITY AGENCY DIRECTOR ROBERT O'BRIEN, 2020²

U.S. fantasies of expansion, commercial dominion, and military prowess have long hinged on a premise of Pacific exceptionalism. Couched in the millenarian language of manifest destiny, the Pacific region and its multitudinous ecosystems, cultures, peoples, and nations have been vacated in favor of an *aqua nullius* that frames the region as an empty space designated for U.S. possession by divine providence.

This manufactured Pacific *idea* – what David Palumbo-Liu describes as a “repository of the American imaginary” – has borne many names.³ Amid the nineteenth-century annexation of Hawai'i and the colonization of the Philippines, politician Whitelaw Reid heralded the ultimate conversion of the Pacific into an “American Lake.”⁴ At the height of his stature as Supreme Commander for the Allied Powers in 1949, Douglas MacArthur described the militarized region as an “Anglo-Saxon lake.”⁵ During the neoliberal “end of history” heralded by the collapse of the Soviet Union, it became the “Pacific Rim,” a space realizing the transcendence of deterritorialized finance and neoliberal capitalist hegemony.⁶

The arrival of the People's Republic of China as a “strategic competitor” to U.S. hegemony structures the reemergence of the Pacific idea as the cornerstone of U.S. imperialist strategy. In the revised terminology of a renewed Cold War project, the civilizing mission of the nineteenth century has been transfigured into U.S. stewardship over a “free and open Indo-Pacific” under existential threat from illiberal foes. Under the aegis of this securitized regional concept, the United States runs warships through contested waters in the South China Sea, parades through the exclusive waters of ostensible allies without prior consent (as it did with India in April 2021), and couches the consolidation of U.S. military and commercial supremacy as a necessary defense against a “rising China.”⁷

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The 2018 *U.S. Strategic Framework for the Indo-Pacific*, declassified by the Donald Trump administration's national security advisor Robert O'Brien in 2021, makes clear the common-sense assumptions grounding U.S. strategy in the region. The document calls for the maintenance of U.S. "diplomatic, economic, and military preeminence" in what it describes as the world's most populous and third-largest economic region. It warns that China is challenging the ability of the United States to achieve its "national objectives" in the region. It calls for means to ensure that the Pacific Islands "remain aligned with the United States."⁸ The presuppositions of contemporary U.S. strategy inherit those that guided U.S. expansion in the nineteenth and twentieth centuries: the Pacific remains – discursively, geostrategically, commercially, and militarily – an "American lake."

Yet as an enduring U.S. transpacific empire is redeployed and reconsolidated for a U.S. strategy locked in "great power competition" with China, both the historical specificity of U.S. regional imperialism and the Marxist critique of empire itself have receded from the frame of many Western left intellectuals and commentators who instead observe an "inter-imperial rivalry" between the United States and China. This popular framing decontextualizes the historic scope and durability of U.S. imperialism as the hegemonic logic of geopolitics in Asia and the Pacific, shunting aside the long history of U.S. transpacific hegemony in favor of language that affirms the U.S. militarized posture as "defensive" in the face of ostensible Chinese belligerence. It abandons a materialist analysis of how U.S. economic aggression on China seeks to maintain hegemonic core-periphery relations and a unidirectional flow of surplus value in favor of a lazy condemnation of "inter-capitalist competition."⁹ Perhaps most nefariously, this false equivalence obscures the ways in which the centuries-long project of U.S. Pacific hegemony is being reconsolidated, operationalized, and expanded in service of a hostile Cold War posture toward China.

Despite the apparent "newness" of the return of China to the top of the U.S. foreign policy agenda, the U.S. state of permanent war in Asia and the Pacific today is in fact the inevitable product of a centuries-long project of U.S. hegemony in the Pacific. These ambitions required various tactics of empire: from settler colonialism in Hawai'i to colonial war in the Philippines to the formation of an "open-door" empire in a fabled China market long heralded as the crown jewel of U.S. Pacific manifest destiny. Yet, despite China's constitutive role in the articulation of U.S. transpacific expansion that deigned to tap the "El Dorado of commerce," China has been rendered a lacuna within recent historiographies of U.S. empire. This essay attempts to address these theoretical gaps by reinserting China into a historical analysis of the evolution of U.S. imperialism

and racial capitalism – a reframing that bears political urgency in a moment in which the “Indo-Pacific” reemerges as the primary theater of U.S. militarism, and China in particular emerges as the definitive “official enemy” around which the project of U.S. Pacific hegemony coheres.

“The Ocean Bride of America”: China and U.S. Transpacific Expansion

Moved by a sense of commercial necessity, geographic coincidence, and civilizational destiny, pursuit of China’s limitless markets has been a defining discourse of U.S. commercial ascendance and colonial expansion since the formation of the United States. This U.S. “China dream” is traceable to the motivating factors behind American independence itself: while the Boston Tea Party of 1773 has been taught as a story of brave patriots protesting British tyranny, it would be more accurately historicized as a merchant class conflict over the spoils of the China trade – a commercial protest over the British East India Company’s monopoly on the importation of tea, and the passage of the British Tea Act of 1773 that allowed the East India Company to import and sell tea directly in North America free of duties, essentially cutting out U.S. middlemen merchants who purchased tea in Great Britain to be imported and resold in the American colonies.¹⁰ This act of “independence,” then, was really about the insertion of U.S. merchants into a colonial trade that was increasingly relying on the illegal sale of opium. The China trade thus may be read into the formative genealogy of U.S. racial capitalism. As historians such as Gerald Horne have shown, the liberties sought by the American Revolution were really about securing the privileges of racial capitalism, in the form of U.S.-led expansion to the slave trade and colonial settlement of the continent absent British interference.¹¹

Yet, unlike its European antecedents, the United States was compelled by its geography to “face west.” John Hay, the secretary of state under William McKinley, described the Pacific as a temporal horizon. “The Mediterranean,” Hay wrote, “is the ocean of the past, the Atlantic the ocean of the present, and the Pacific is the ocean of the future.”¹² Securing commercial dominance in the Far East thus necessitated making use of the United States’s unique geography as a “Pacific power.” This commercial outlook helped structure the project of manifest destiny and the settler conquest of North America, which framed Pacific coast territories like Oregon and California as “windows to the Orient.” Upon the annexation of California in 1848, president James Polk heralded the value of ports like San Francisco, which would bear “an extensive and profitable commerce with China and other countries of the East.”¹³ Naval officer Robert Wilson Shufeldt, who led the U.S. expedition to Korea that marked the first Western treaty with

the so-called “Hermit Kingdom,” put this nexus of settler colonialism and commercial empire in more intimate, conjugal terms. As Shufeldt put it in 1882: “The Pacific is the ocean bride of America – China, Japan and Korea – and their innumerable islands, hanging like necklaces about them, are the bridesmaids. California is the nuptial couch, the bridal chamber, where all the wealth of the Orient will be brought to celebrate the wedding.”¹⁴

In his history of the transcontinental railroad, Manu Karuka reads the project of U.S. westward expansion and infrastructural integration as one of “continental imperialism” – situating U.S. subjugation of the North American continent as the precondition for its supposed leap beyond continental boundaries in 1898.¹⁵ In this context, commercial Orientalism – centered on dreams of appropriating China’s riches – was a determinative discourse. When Thomas Jefferson oversaw the acquisition of the Louisiana Territory from France in 1803, he tasked explorers Meriwether Lewis and William Clark with the imperative to explore the Missouri River’s potential links with the Pacific Ocean, seeking “the most direct and practical water communication across the continent for the purpose of commerce.” When Asa Whitney set out to proselytize his dream of a transcontinental railroad, he similarly pitched the project as part of the westward march of civilization and commercial integration with Asia, a means of “reaching out one hand to all Asia and the other to all Europe.”¹⁶

These fantasies of Pacific expansion undergird a material history of the overlapping projects of continental imperialism, commercial Orientalism, and overseas empire. These diverse colonial projects coalesced in the last decade of the nineteenth century. As the U.S. Census announced the formal “closing” of the Western frontier in 1890, a new era of Pacific expansion promised to realize the investment in the fabled Far East market marked by projects such as the transcontinental railroad. As the U.S. historian Hubert Bancroft put it then: “We are no longer a virgin continent to develop. Pioneer work in the United States is done, and now must take the plunge into the sea.”¹⁷

Imagined as a seabound highway to the Far East, the Pacific was key to an ascending U.S. commercial empire “destined to bear on its bosom a larger commerce than the Atlantic,” in the words of the U.S. minister to China Charles Denby.¹⁸ Here, China figured as the most prized of U.S. Pacific manifest inheritances – an “El Dorado of commerce,” as Denby avariciously described to the American Asiatic Association, a consortium of traders, capitalists, and missionaries with interests in the Far East. Once again, this commercial Orientalism facilitated diverse modes of formal colonialism: the China trade loomed large over debates on the annexation of Hawai‘i following the overthrow of the sovereign Kingdom of Hawai‘i in 1893. The position

of the McKinley administration amid congressional debate over annexation was clear: “We must have Hawai‘i to help us get our share of China.”¹⁹ The overdetermined logic of commercial imperialism similarly structured U.S. colonialism in the Philippines. Following the Spanish-American War, anti-expansionists called for the retrocession of the Philippines to Spain or the partial retention of a single port city for U.S. administration. Yet, annexationists pointed not only to the inherent value of the archipelago, but also its importance for regional U.S. strategy. Speaking before Congress in 1900, leading advocate of imperialism Senator Albert Beveridge insisted on the full retention of the Philippines as a U.S. territory: “The Philippines are ours forever...and just beyond the Philippines are China’s illimitable markets. We will not retreat from either. The Pacific is our ocean.”²⁰

Beveridge’s annexationist camp won out, leading to the genocidal repression of Filipino national liberation fighters by the U.S. military in its efforts to pacify the islands.²¹ This endemic violence was framed as a necessary precondition to McKinley’s vision of the Philippines as an “American Hong Kong” – a launchpad for commercial and military escapades into China and beyond.²²

The Open Door: China as Colonial “Exception”?

The commercial Orientalism that framed China as the “natural customer” of U.S. surplus served as one of many animating discourses for U.S. practices of racial capitalism, continental imperialism, and Pacific expansion in the eighteenth and nineteenth centuries. Yet, historiographies of U.S. empire are often marked by the critical absence of China, despite its constitutive role. Indeed, China’s retention of territorial integrity is frequently described as an *exception* to the rule of nineteenth-century Western imperialism. It is true that unlike India, Vietnam, or the Philippines, China was never subjected to complete territorial colonial administration. And unlike Britain, Portugal, Germany, and Japan – which took formal territorial concessions such as those in Hong Kong, Macau, Shandong, and Taiwan – the United States never oversaw direct administration of Chinese territory. But the partial retention of Chinese territorial integrity in the nineteenth century is better understood not as evidence of China’s evasion of imperialist encroachment, but as a reflection of shifting paradigms of imperialism and the ascendance of a U.S. empire marked by its rhetorical rejection of European colonialism. Indeed, the China “exception” to the rule of territorial colonialism might better be read as paradigmatic of practices of free trade imperialism deployed by the United States under a foreign policy paradigm the historian William Appleman Williams described as “imperial anticolonialism.”²³

The theory of imperialism proffered by Williams's "Wisconsin school," which challenged the orthodoxies of diplomatic history at the height of the Cold War, is instructive in challenging historiographies of imperialism that naturalize free trade empire as a form of benevolent commercial relations. To the contrary, Williams and other midcentury scholars such as Thomas McCormick argued that U.S. advances on China at the turn of the twentieth century were reflective of a distinctive mode of U.S. imperialism, an "open-door imperialism" that Williams described as designed to "win the victories without the wars." U.S. China policy formed the seminal deployment of this practice. Through the second half of the nineteenth century, the United States quietly trailed the more aggressive imperialist powers of Britain, Germany, Japan, and Russia, while quietly reaping through peaceful negotiations the same extraterritorial privileges those powers secured through force. On the heels of the First Opium War, the United States negotiated the 1844 Treaty of Wanghia, which afforded the United States "most favored nation" status and the same entitlements as the British—including the right for Americans to buy land in concession ports, fix tariffs on trade within the treaty ports, and the right of extraterritoriality.²⁴ The threat of "gunboat diplomacy" nonetheless loomed over the negotiations: a U.S. warship was stationed outside of Guangzhou to ensure the talks proceeded apace.

While some Americans were sympathetic to the Chinese plight amid Britain's First Opium War, former president John Quincy Adams recognized that U.S. business interests ultimately converged with the British position. The cause of the war, Adams argued, was not fundamentally about opium, but rather China's "anticommercial" stance. In civilizational terms, Adams decried "the arrogant and insupportable pretension of China" to refuse "commercial intercourse with the rest of mankind...upon terms of equal reciprocity." Adams, alongside a rogue's gallery of U.S. business leaders such as John Jacob Astor and Thomas Perkins, thus hitched their fortunes to the forced trafficking of opium into China, where an estimated forty million people would become addicted to the narcotic by 1900. By the time the Second Opium War broke out in 1856, the United States was covertly supporting British and French bombardments of the Chinese cities of Tianjin and Guangzhou, despite a formal neutrality designed to differentiate the United States from the imperialist powers in the eyes of the Qing court.²⁵

The United States was thus content to ride the coattails of British imperialist incursions into China for much of the nineteenth century. But by the 1890s, competing Japanese and Russian land claims portended a new "scramble for China" that would threaten the fragile détente through which foreign powers shared equal access to trade in China's concession

ports. The United States would have to proffer a China policy of its own. Having entrenched its colonial projects in Hawai'i and the Philippines, the United States had committed itself to a Pacific infrastructure designed to tap the China trade. Indeed, the strategic advantage of the Philippines was that it provided a military base for U.S. expeditions into the Chinese mainland if the inter-imperial competition for market access shifted toward discrete spheres of influence under military administration. U.S. opposition to partition was framed as much in terms of commercial pragmatism as opportunistic "anticolonialism." As Charles Denby, the U.S. minister to China, put it: "Partition would tend to destroy our markets.... Having such interests, is it our duty to remain mute should her autonomy be attacked?"²⁶

In 1899, secretary of state John Hay's Open Door Note clarified the U.S. position in a statement circulated to the other imperialist powers. Believing U.S. interests in the region to be "destined to infinite development," Hay called for the retention of equal and open trade with China and a moratorium on exclusive spheres of influence.²⁷ Couched as an anticolonial defense of Chinese territorial integrity, the open-door policy was in fact an articulation of free trade imperialism. Believing in the superiority of U.S. manufacturing, Hay presumed that open competition would inevitably bend toward U.S. commercial dominance. Yet, in staking U.S. commercial supremacy to an ostensibly anticolonial program, the United States was able to performatively distinguish itself from the colonial powers whose forcible incursions into China had created the concessionary port system the United States sought to exploit. It was this open-door imperialism, Williams argued, that would define the ascendance of the U.S. empire in the twentieth century. This ethos of capitalist expansion and commercial penetration – without the costs of imperial invasion or colonial administration – was neatly summed up in a *New York Times* editorial in 1898 on U.S. policy in the Far East: "We need no more territory, but we must have more markets."²⁸

The inter-imperialist debate over partition or "open-door" empire in China represented a test case for contemporary theorists of imperialism. Observing the threatened partition of China and the tenuous inter-imperial system of open-door commerce, British critic John A. Hobson described China's subjection to the domination of foreign capital as "the clearest revelation of the nature of imperialism."²⁹ Criticizing the language of the "open door" for obscuring the use of imperialist force, Hobson derided the policy as one of "forcing doors open and forcibly keeping them open."³⁰ For Hobson, the case of imperialism in China was distinguished from colonialism both by the determinative role of finance capital and the spirit of inter-imperial competition and collaboration. China marked a crucial test case in the development

of global capitalism, for its subjection was not to exclusive spheres of influence but to an imperialist alliance premised on equal opportunity to exploit. Capitalism, Hobson argued, “may learn the art of combination, and that the power of international capitalism...may make its great crucial experiment in the exploitation of China.”³¹ In this sense, an epoch of competing national imperialist projects could give way to one of imperial alliance. In many ways, the 1900 invasion of North China by the Eight-Nation Alliance briefly realized Hobson’s diagnosis of imperialist convergence: Britain, Japan, Russia, Germany, France, Italy, Austria-Hungary, and the United States all joined forces to suppress the anticolonial Chinese Boxer Rebellion (Yihetuan Movement) with a force upwards of fifty thousand. Incidentally, it was here that U.S. colonization of the Philippines fulfilled its envisioned purpose as an “American Hong Kong”: five thousand U.S. troops were rallied from the Philippines to suppress the rebellion. “It is to Manila,” Hay noted, “that we owe the ability to send troops and ships to the defense of our ministers, our missionaries, our consuls, and our merchants in China.”³²

Hobson’s inquiry into imperialism in China similarly influenced V. I. Lenin’s thinking. At the time of writing *Imperialism, the Highest Stage of Capitalism*, Lenin observed that the partition of China was “only just beginning.” Quoting affirmatively Hobson’s argument that the subjugation of China would amount to “draining the greatest potential reservoir of profit the world has ever known,” Lenin argued that the superprofits of such imperialism would be used to “bribe the upper strata of the proletariat” in the imperialist countries. Like Hobson, in the attitudes of the imperialist powers toward China, Lenin observed an alliance of “internationally united finance capital” that, due to the inherent instability of imperialist competition, inevitably “prepare[d] the grounds for wars.”

Is It 1840?: The “New” Cold War and the Lacuna of Empire

In May 2018, amid a first round of bilateral talks of a burgeoning U.S.-China trade war, the *Global Times* published a Weibo article titled “U.S. Proposes ‘Unequal Treaty’ with China. Is It 1840?”³³ The article included a screenshot of a draft framework put forth by the U.S. delegation, which outlined a series of trade demands on China. These consisted of calls to liberalize China’s economy by removing tariffs and other barriers to U.S. imports, and a demand for China to reduce the trade imbalance by at least \$200 billion by the end of 2020. Lampooning the demands as a return to the “unequal treaties” of the nineteenth century, Chinese netizens on Weibo and other platforms mocked the United States for still living in the past, asking sarcastically whether it would resort to using its aircraft carriers and nuclear arsenal to enforce such ostentatious demands.

The continuity of nineteenth- and twenty-first-century practices of free trade imperialism may have been common sense to Chinese observers, but such comparisons have largely been maligned in U.S. discourse as the terrain of “wolf warriors” and crude nationalists. Indeed, while it is often observed that the “Century of Humiliation” remains a structuring wound in the Chinese national psyche, to speak of Chinese subalternity in Western intellectual circles is now chided as anachronistic. China, we are told, is a superpower, the “world’s factory,” a geopolitical behemoth. Descriptions of China’s hulking force not only evoke the nineteenth-century language of a “Chinese Colossus,” but evades the question of imperialism in contemporary U.S.-China relations. Through this lens, the so-called trade war has been popularly described as an “inter-capitalist competition,” not an ideological one.³⁴

The cavalier intellectual dismissal of Chinese subalternity precludes more productive inquiries into the nature of U.S.-China conflict. Though the most sensationalized charges against China are wielded through the language of human rights and anti-authoritarianism, the core concerns animating U.S. policy escalation toward China are primarily economic. The first wave of the Trump administration’s trade war made this clear: its demands included not only a mandate for China to buy an additional \$200 billion in the United States, but also dictated the terms of China’s domestic economic policy—including calling for a halt to subsidies in advanced manufacturing industries, an end to forced intellectual property transfers, and a termination to barriers to entry on foreign companies from domestic financial services such as banking and credit cards.³⁵ The bipartisan Strategic Competition Act put forward in April 2021 similarly tasked Congress with putting forth policies to “[curb] state-directed subsidization of the private sector” and to monitor “anti-competitive” Chinese manufacturing policy. Such policies, the bill warns, intend to “freeze the United States and other foreign firms out of the PRC [People’s Republic of China] market.”³⁶

Here, the language of a “trade war” implies some sense of mutuality. Yet, China does not presume to have the right to make demands about U.S. economic policy. Indeed, this twenty-first-century trade aggression inherits Hobson’s critique of how the language of “free” trade in fact depends on “forcing doors open”: these ongoing stipulations on China’s domestic economic policy are premised on forcibly opening China to the interests of Western capital. Case in point, *Bloomberg* reported breathlessly on the heels of phase-one trade negotiations that China was “dismantling its great financial wall,” opening its \$45 trillion financial market to up to 100 percent foreign ownership.³⁷ This economic warfare is predicated on demands for liberalization and market access that harken not only to China’s Century of Humiliation, but also to the paradigm of neoliberal

underdevelopment that has categorized core-periphery relations in the postwar era. While China's 2001 entry into the World Trade Organization was heralded as the "ultimate privatization" and a limitless boon for Western capital, the persistence of Chinese economic sovereignty and checks on foreign capital represent the frustration of the renewed promise of China's long-awaited open door. It is no surprise that U.S. trade aggression seeks to dismantle precisely those mechanisms by which China has distinguished itself from other "emergent countries," whose industrialization, in the words of Samir Amin, has been predicated on being "open to penetration by the monopolies of the imperialist triad."³⁸

The apparent absence of a critique of imperialism from recent developments in U.S.-China relations also speaks to the naturalization and international institutionalization of free trade imperialism in the so-called postcolonial era. The Bretton Woods agreement created an international structure for the stable management of global capitalism. Dollar hegemony and the development programs of the International Monetary Fund and World Bank also set significant restrictions on the permissible path of political economic policy for developing countries reliant on such loans. These contradictions were only intensified with the formation of the World Trade Organization in 1995, which largely did away with the system of special and differential provisions for developing nations accommodated in the General Agreement on Tariffs and Trade.³⁹

This U.S.-dominated structure positions China not as a developing nation subject to the imperialist pressures of international trade policy, but a "cheater" whose actions undermine the global economy and threaten nations both in the periphery and the imperial core. The discourse of "monetary Orientalism" frames China as a singular currency manipulator, a racialized deviation from the norms of global capitalism "raping" the United States (in the words of Trump) and in need of being disciplined by international financial institutions.⁴⁰ In this context, the World Trade Organization has functioned as an institutionalized arm of trade aggression on China: between 2009 and 2015, 90 percent of cases brought by the four largest economies against one another were directed against China.⁴¹ The majority of these cases seek to adjudicate state economic intervention in private industry, such as state subsidies, state-owned industries, and barriers to foreign ownership. This mobilization to open China's economy to the domination of foreign capital seeks to realize the "art of combination" of international capitalism that Hobson portended. Within a system of global commerce adjudicated by the imperial core, the hand of imperialist coercion is effectively masked in the familiar language of competition and liberalization. An interventionist Eight-Nation Alliance has receded into

the backdrop, leaving only an “anticommercial” China to be disciplined by the U.S.-defined “rules-based” international liberal global order.

A closer examination of the complaints lodged against China by the imperialist triad of North America, the European Union, and Japan makes clear that it is defined less by “inter-imperialist” competition than by the same tactics and disputes that have long defined core-periphery negotiations over the parameters of trade and development in an unequal world. Since China’s ascension to the World Trade Organization, China has sided not with the imperialist powers but with the developing world on issues of development rights, agricultural subsidies, intellectual property, and other key concerns. As the imperialist powers sought to consolidate their dominion over the terms of international trade via the World Trade Organization during the Doha talks of the early 2000s, it was China’s opposition – alongside Brazil, India, and the rest of the developing world – that thwarted attempts to liberalize agricultural subsidy programs in the developing world and obstructed moves to further tighten the restrictions within the Agreement on Trade-Related Aspects of Intellectual Property Rights in order to consolidate the intellectual property monopoly of developed countries’ pharmaceutical companies.⁴² These determinative core-periphery disputes persist. In 2019, the World Trade Organization ruled in favor of the U.S. complaint against China’s agricultural subsidies that provide critical stability to China’s 550 million agricultural workers – with ramifications for the erosion of minimum price support mechanisms that have sparked mass protests among Indian farmers.⁴³

This should come as no surprise to those who have taken seriously the repeated assertions of Chinese officials that China, despite its rapid industrialization, remains a developing nation. At the Nineteenth National Congress of the Chinese Communist Party in 2018, Xi Jinping said China’s status as the world’s “largest developing country” had not changed.⁴⁴ Similarly, at a 2019 forum with the European Policy Centre, foreign minister Wang Yi told his European counterparts that it would be “irreciprocal” to demand trade reciprocity between China and developed countries, given China’s more recent industrialization path.⁴⁵ These claims fly in the face of the Western conception of China as a “crazy rich,” hyper-industrialized hub, epitomized by tech tycoons like Jack Ma and the gleaming skyscrapers and high-speed rails linking urban centers like Shanghai and Beijing. The contradictions of what Chinese officials now call “unbalanced and inadequate development” tell a different story: in terms of national gross domestic product per capita, China’s standard of living is only one-sixth of that of the United States, and one-quarter that of the European Union. These disparities become clearer when adjusting for

provincial disparities. Middle-tier inland provinces such as Henan have a gross domestic product per capita that is one-eighth of that of the United States (comparable to Equatorial Guinea); China's poorest province, Gansu, is one-thirteenth that of the United States (comparable to Namibia).⁴⁶ As a middle-income, developing country in which more than five hundred million people remain in agricultural work, it is natural that China would form strategic alliances with other Global South countries when negotiating the terms of international trade. These macroeconomic and geopolitical realities undermine dematerialized notions of an inter-imperial rivalry between the U.S. and China.

Crucially, U.S. trade aggression against China has been largely focused on industries through which China seeks to develop a sovereign economy independent from the U.S. hegemonic world system, in which China's role has been circumscribed as that of the "world's factory." China's economic engagement with the core nations since 1979 has been largely predicated on making China's comparative advantage in labor costs available to Western corporations to offshore manufacturing. However, Chinese state investments in education, infrastructure, and high-tech innovation, coupled with requirements for foreign firms to transfer technology in exchange for operating in China, has jumpstarted domestic innovation and led to the rise of Chinese value-added industry in electronics, mobile apps, and other tech innovation industries. It is precisely these industries that have been the target of U.S. trade belligerence. Efforts such as Made in China 2025, which wields Chinese state economic capacity to build Chinese innovation in domestic high-tech fields like information technology and telecommunications, have been a prime target of Western hostility. The hawkish Council for Foreign Relations, for instance, wondered if the development program was "a threat to global trade."⁴⁷ Observers argued that Made in China 2025 was the "real target" of the Trump administration's trade war.⁴⁸ These attempts to undermine China's industrial modernization and approach to escaping the "middle-income trap" of newly industrialized countries are not emblematic of an inter-imperial rivalry, but of a continued paradigm of imperialist trade aggression that has tried to maintain developing nations either as sites of resource extraction or outsourced, low value-added manufacturing.

Concerns over China's entry into the domain of tech innovation – long the exclusive domain of the triad – are often cast in racialized terms: Republican senator Thom Tillis said the United States needed to "chop off" the "tentacles" of Chinese 5G infrastructure during a Senate Judiciary Committee meeting. When the Chinese-owned TikTok became a social media craze among U.S. teenagers, former Trump trade advisor Peter Navarro (au-

thor of a book called *Death by China*) warned that “the mothers of America” had to worry about “whether the Chinese Communist Party knows where their children are.”⁴⁹ These salacious representations of Chinese technology inherit a long history of associations between Chinese goods and bodies, and racialized, sexualized invasion. At the height of nineteenth-century anti-Chinese fervor, the Workingman’s Party, a California labor organization, campaigned to boycott cigars made by Chinese employees, arguing that these products would be conduits for racialized Oriental disease that threatened the propriety of the white nuclear family.⁵⁰

As Lok Siu and Clare Chun argue, this convergence of yellow peril and techno-Orientalism has been used to advance a kind of techno-economic warfare, one that has only been intensified by the racialization of the COVID-19 pandemic.⁵¹ Increasingly, this racialized discourse of Chinese technology is used to cajole allies to spurn Chinese tech products—5G infrastructure in particular. Hypocritically, as the United States has attempted to force an “open door” in China’s domestic markets via trade aggression, it has used extraeconomic means to shut the door on Chinese technology exports. The State Department has threatened to cease sharing U.S. intelligence with allies that accept Chinese 5G infrastructure, stoking allegations that the Chinese Communist Party will install “backdoors” to access sensitive information—even as U.S. allies have conducted their own security reviews to the contrary. The Strategic Competition Act of 2021 similarly calls on U.S. governmental agencies to support European and Canadian “efforts to identify cost-effective alternatives to Huawei’s 5G technology.” The function of techno-Orientalist representations of Chinese technology is clear: in reifying tropes of Oriental despotism in binary opposition to Western liberalism, the United States has essentially shunted its own very real, documented history of surveillance of allies onto China.

The Old Geographies of a “New” Cold War

In November 2009, standing before a captive audience of Japanese diplomats at Tokyo’s Suntory Hall, president Barack Obama once again staked the future of U.S. preeminence to its ability to dominate the Asia-Pacific region. Declaring himself the “first Pacific President” of the United States, Obama outlined a commercial and military “rebalancing” act that would become known as the “pivot to Asia.”⁵² Following suit, secretary of state Hillary Clinton announced the twenty-first century would be “America’s Pacific Century.” Clinton promised that increased commitments to the region would “pay dividends for continued American leadership well into this century.”⁵³ In marking Asia and the Pacific as the primary theater of U.S. “leadership,” the Obama-era “pivot” instantiated a new foreign poli-

cy common sense that has guided all subsequent administrations. America's destiny, once again, faces west.

The contemporary consolidation of U.S. military and commercial hegemony in the Pacific to "counter" China's rise bears all the historical patterns of its nineteenth- and twentieth-century instantiation. Like nineteenth-century Pacific expansion, revived Cold War militarism renders sovereign Pacific Island nations mere "stepping stones" to Asia under a military settler-colonial logic of Pacific securitization. Endemic sexual violence, ecological catastrophe, and settler dispossession in Hawai'i, Guåhan, the Mariana Islands, and Okinawa continue under a geostrategic discourse that renders places and peoples mere "island chains" bound in strategic containment of China. Likewise, the pattern of Cold War militarization that manifests in permanent U.S. military bases in South Korea, the Philippines, and Okinawa is reinscribed as liberal "protection" of U.S. allies from Chinese hegemonic aspirations. In reality, this "defensive" posture simply repackages the historical architecture and endemic violence of U.S. transpacific imperialism.

In bipartisan lockstep, the Trump and now Biden administrations have continued the inflation of U.S. military power in the Pacific region. For all the talk of the Trump era's isolationism, his administration oversaw the ballooning of arms sales to Japan, South Korea, and India – with whom Trump sealed a \$3 billion defense sale during a 2020 visit, sending a clear message to Beijing following clashes at the India-China border.⁵⁴ A Trump-era Indo-Pacific Command proposal to "regain the advantage" in Asia and the Pacific has been repackaged as the Pacific Deterrence Initiative – a 2021 budget request for \$27 billion in congressional funding to expand missile defense sites in Guam, training facilities in Micronesia, Palau, and the Marshall Islands, and extend joint force exercises with Korea and Japan.⁵⁵ A new Marine Corps base in Guam will give \$3 billion to the Japanese government, as part of an agreement that will ultimately send an additional 5,000 U.S. troops to Guam and another 2,700 to Hawai'i.⁵⁶

In particular, the cohering of "new" Cold War geographies in an anti-China containment strategy are marked by the continuity of Japan's postwar role as a subimperial power managed by U.S. interests. As a regional partner, the United States allows Japan to shirk accountability for its imperial crimes, obstructing Chinese and Korean movements for "comfort women" reparations and turning away when Japanese leaders like Shinzo Abe and Yoshihide Suga visit shrines considered by China and Korea to sanctify imperial war criminals.⁵⁷ Through the Asian Development Bank, the United States has deputized Japanese financial management of its various Asian allies. Most egregiously, it has quietly

supported moves by Japanese hawks to revise the country's peacetime constitution to enable the buildup of a standing army – claiming the move as a strategic counterbalance to China's military modernization. Those quick to compare the U.S.-China dynamic to that of the U.S. and Japanese empires prior to the Second World War would do well to remember that the resolution of *that* inter-imperial rivalry – via the subordination and appropriation of political infrastructures of Japanese imperialism in Korea, the Philippines, and Okinawa to, and for purposes of, U.S. hegemony – continues to structure the region.

A diverse geography of national liberation, demilitarization, and Indigenous sovereignty struggles converge under the U.S. hegemonic embrace of a “free and open Indo-Pacific.” The pivot to Asia has been met with multiple, overlapping grassroots movements opposing the existential threat continued U.S. militarization poses to local livelihoods, cultural practices, and ecologies. Okinawan activists continue to protest the construction of a new military base in Henoko Bay, built on a Second World War battlefield site containing the remains of Okinawan civilians who died during the war.⁵⁸ Popular Korean movements are protesting the construction of a military base on Jeju Island and the deployment of the costly Terminal High Altitude Area Defense system, both of which are seen as actions motivated by the U.S. agenda toward China.⁵⁹ Ongoing Chamorro activism has sought to obstruct Department of Defense plans to intensify its military presence at the “tip of the spear” since 2009.⁶⁰

The triangulation of military settler colonialism in the Pacific under the auspices of an aggressive military agenda on China reflects what scholars from Guåhan, Okinawa, and beyond have criticized as the mobilization of a “China threat” discourse by the colonial powers, in order to facilitate “neocolonial entrenchment.” In this sense, mobilizing fears of imminent Chinese aggression is used to further restrict the political futures available to Indigenous peoples living under U.S. military occupation.⁶¹

Centuries of unfolding and overlapping projects of commercial Orientalism, anticommunism, settler colonialism, and military hegemony come to a head in the reduction of Asia and the Pacific into a securitized domain of U.S. great power hegemony. As the possibility of an open door to the fabled China market fades under the continuing leadership of the Chinese Communist Party, U.S. investment in a global infrastructure of transpacific empire now manifests in a twenty-first-century containment program. To speak of “competing imperialisms” in the region is to conflate the unprecedented hegemony of a U.S. empire with 375,000 Indo-Pacific Command personnel scattered across hundreds of military bases with China's relatively modest and strictly domestic-based military mod-

ernization, which even U.S. defense experts admit is primarily confined to “anti-access” defensive measures.⁶²

Through discursive sleight of hand and willful ahistoricism, these deeply entrenched geographies of U.S. transpacific empire disappear amid highly charged rhetoric about the “rise of China” and a “new” Cold War between China and the United States. The speculative charge of Chinese hegemony cannot be used to evade a materialist analysis of how U.S. empire, in all its variegated forms, continues to structure Asia and the Pacific – whose peoples continue to fight for political futures beyond their unwilling positioning within “America’s Lake.”

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Now while it is true that actually existing socialism has been, in the main, defeated all over the world—at least temporarily—it is not true that in practice it failed to generate anything of value. Certainly, insofar as China is concerned, in spite of severe opposition from a clique of Communist Party leaders that resisted, with devastating consequences, every step forward, thirty years of socialist construction achieved remarkable successes. From 1949 to 1978, without significant foreign aid and under severe economic embargo coupled with constant American military pressure, including armed intervention, on three flanks, China more than doubled grain production, built a nationwide network of light and heavy industry, and linked most regions with power grids, railways, highway, and air transport. At the same time, China established all but universal primary education, greatly expanded free secondary and higher education, and set up a system to provide simple medical care backed by hospital referrals for almost all citizens. China accomplished all this without amassing any debt, foreign or domestic, and even gave aid, when possible, to other Third World countries.

—WILLIAM HINTON, *Through a Glass Darkly*
(New York: Monthly Review Press, 2006)

In Line of Fire

The Korean Peninsula in U.S.-China Strategy

TIM BEAL

In August 1945, Washington's view of the world was utterly transformed in line with the "gunboat diplomacy" dictum of Lord Palmerston – countries have no permanent friends or enemies, just permanent interests.¹ Countries that had been enemies, such as the United States and Germany, or the United States and Japan, were, once conquered, considered on the way to becoming friends. Once their friendliness was firmly established, they were elevated to allies.² In the case of Germany, this process involved denazification. No such purge was undertaken in Japan, where the emperor was not hanged but "democratized," and a new constitution, usually known as the Peace Constitution, was written for the Japanese.³ Those allies not considered friendly were transmogrified into enemies. The main enemy was the Soviet Union, which had done so much to bring about victory but was now seen as an impediment to what Henry Luce had termed "the American Century."⁴ Thus, the war against fascism was transformed into what was to be called the Cold War. U.S. imperialism, subdued somewhat by post-First World War isolationism, came into full flower. Washington implemented this sea change in many ways, and one of them was the division of the Korean Peninsula.

The Palmerstonian Calculation and the Division of Korea

Location is the curse of the Korean Peninsula, although it has the potential to be a blessing. It is the place where four great powers meet and contest – Russia, Japan, China, and the United States. Many writers, especially Americans, leave the United States out of that list, thus vitiating their analysis.⁵ The peninsula has been a conduit of culture from the Asian mainland, mainly China, to Japan, but it has also been the route of invasion – once by the Mongols, but mostly by Japan. In August 1945, with

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the Pacific War rapidly coming to an end and the Soviet Army mopping up Japan's famed Kwantung Army, the United States decided it needed a buffer in Korea to protect conquered Japan from its main ally.

It is frequently stated that the division of the Korean Peninsula was a joint enterprise by the United States and the Soviet Union – “the United States and the Soviet Union had each granted themselves control over one half of Korean territory.”⁶ This is quite misleading. The division was a U.S. initiative to which Joseph Stalin acquiesced. This is a crucial point because it establishes the foundation for understanding the U.S. motivation for the division as well as its consequences.

The actual operation of deciding on a dividing line and presenting it to the Soviet Union is usually portrayed as a rushed, even amateurish business, with the United States taken aback by the speed of the Soviet advance with colonels Charles Bonesteel and Dean Rusk (later secretary of state) using a map from *National Geographic* in the course of “frantic deliberations” to choose the thirty-eighth parallel.⁷ This was less than the United States wanted but it gave them the majority of the population and the capital, Seoul. Stalin accepted the proposal without demur, to the surprise of the officials then and U.S. scholars since.⁸ The surprise was because Stalin's acceptance contradicted the central myth of the Cold War, which started in 1945 before the hot one even ended – namely, that it was a matter of the United States and allies responding to Soviet, and later Chinese, expansionism. The myth was a case of psychological projection. Soviet incursions beyond its borders – the construction of the satellite system in Eastern Europe in particular – were primarily defensive, and while some assistance was given to socialist movements in Europe and anticolonialism elsewhere, especially in Asia and Africa, this was limited and cautious.⁹ The expansionism in reality emanated from Washington, which since 1945 has built up a huge network of subordinate states, bases, and what is euphemistically called a “forward defense” perimeter as close as possible to the borders of adversaries, in particular the Soviet Union/Russia and China.¹⁰ While *defense* is used to obscure the essentially aggressive nature of U.S. imperialism, this perimeter also provides what Jim Mattis describes as “defense in depth.”¹¹

Motivation

The immediate reason for the division of the Korean Peninsula was to protect, militarily, politically, and perhaps ideologically, the war prize of Japan from the Soviet Union. The United States was in no mood to share Japan with even its close allies in the Pacific War – Britain, Netherlands, Australia, France, and the Republic of China under Chiang Kai-shek, let alone its principal adversary, the Soviet Union.

A foothold on the Korean Peninsula consolidated the U.S. strategic position in the Western Pacific. From Korea, the United States could keep an eye on newly conquered Japan, and on China, as yet not “lost.” The U.S. relationship with Chiang had been fractious but the United States could reasonably consider it “owned China,” hence the insistence that those parts Japan had seized, in particular Taiwan and the islands in the South China Sea, be returned. Later, in Palmerstonian fashion, it would decide that they were not really part of China after all.¹² After the founding of the People’s Republic of China (PRC) in 1949, Taiwan (still under Chang Kai-shek), Japan, and South Korea would become the three cornerstones of the U.S.-forward military presence in Asia. Although the bases in Taiwan had to be relinquished in 1979 as part of the establishment of diplomatic relations with the PRC, those in Japan and South Korea remain and are considered essential to U.S. strategy in Asia.¹³ The giant Camp Humphreys base in Pyeongtaek, South Korea, is not merely the largest U.S. overseas base in the world, but it is also the one closest to Beijing.¹⁴ Significantly, most of the cost is borne by South Korea, another illustration of the exploitative nature of imperialism.¹⁵

The occupation of the southern part of the Korean Peninsula thus afforded the United States both protection of Japan and a platform from which to project power. Over time, South Korea has provided further services and the division of the peninsula has served the United States well.

Consequences

The consequences of the division of the peninsula were momentous, and are still with us. The American Military Government swept aside the Korean People’s Republic – “a polyglot assemblage of communists, anarchists, trade unionists, Christian socialists, and social democrats” – that had been declared in Seoul in September 1945 and instead parachuted in Syngman Rhee from Hawai’i.¹⁶ Had the Koreans been left to arrange their own affairs in an undivided land, no doubt there would have been political turmoil and some bloodletting to assuage decades of Japanese colonialism, but it is unlikely that there would have been anything like the carnage that actually ensued nor the intractable problems of division. With no popular support or political base, Rhee utilized the state apparatus left behind by the Japanese and he is remembered today mainly for his massacres, such as that on the island of Jeju.¹⁷ In the north, Kim Il-sung, who had waged a guerrilla war against the Japanese, pursued a policy of anticolonial cleansing and social revolution, the two being linked. The result was two versions of Korea, diametrically opposed and each claiming legitimacy. Many consider that the Korean War was, in some form, inevitable given the situation that division had produced; Bruce

Cummings, for instance, sees it as a civil war that began in the 1930s, if not earlier.¹⁸ However, it was the division of Korea, and the U.S. geopolitical objectives of which it was an instrument, that transformed that struggle. What began in June 1950 as a Korean civil war soon became a war of U.S. imperialism against Korean nationalism and, then, with Chinese intervention, the first Sino-U.S. war. A new and terrible world was born.

Ramifications

First, there was, of course, the devastation visited on the people and the land of Korea. Millions died, were injured, and displaced. Bombing, far more extensive and indiscriminating than that on Europe or Japan, obliterated the homes, cities, and farms of the north.¹⁹ Curtis LeMay, head of Strategic Air Command, commented, seemingly nonchalantly, that his bombers had killed some 20 percent of the population.²⁰

The ramifications of the Korean War extended far beyond the peninsula itself. It provided stimulus to the global economy, especially in East and Southeast Asia, and set three of the four “little dragons” or “Asian tigers” (Taiwan, Hong Kong, and Singapore) on the way to rapid economic growth, with the fourth, South Korea, joining them during the Vietnam War. It rescued Japan from economic stagnation and put it on the road to both its “economic miracle” and remilitarization.

Chinese Intervention: Revisionism and the New Realism

Although there has been considerable revisionist criticism within China of its intervention in the Korean War, especially during the now fading rapprochement period when Dengist dreams of a benign United States facilitating China’s peaceful rise held sway, at the time it was a source of pride that the Chinese People’s Volunteers had fought the world’s most powerful military to a standstill. It provided a stimulus to nation-building and enhanced the legitimacy of the PRC as a capable and powerful country. It prevented the United States from attacking, via Taiwan, and made it tread carefully in Vietnam.²¹

Mao Zedong is attributed with describing the closeness of the relationship between China and North Korea at the time of the Korean War as that between “lips and teeth.”²² Over time, the relationship between the two grew conflicted, with both sides having problems. The conventional opinion was expressed by Alan Romberg in 2009 when he claimed that the lips-and-teeth relationship had long since “certainly faded into nothingness.”²³ This was superficially correct and many saw it as evidence that China would not object to South Korea taking over the North, absorbing it, somewhat similar to what happened in Germany.²⁴ This was mistak-

en for two reasons. First, if South Korea were an independent country, then China would probably reluctantly accept its absorption of the North. But South Korea has limited sovereignty and is subordinate to the United States in many ways, not least of which is the U.S. wartime control of its military. Second, there is no reason to suppose that there would be no resistance, so any takeover would have to be done with some (and probably a great deal of) military force. That would mean U.S. control; a U.S. general standing on the banks of the Yalu looking over the new frontier between the United States and China. The Chinese general on the other side would not be too pleased with that. Moreover, a unified Korea under Seoul's administration might well generate irredentist claims to the loyalty, and perhaps the land, of the 2.5 million ethnic Koreans in China.²⁵ Given that the United States utilizes the class imperialist strategy of fomenting ethnic and religious divisions to fragment adversaries – Xinjiang and Tibet in the case of China – these claims would have U.S. support.

That the wartime lips-and-teeth relationship between China and North Korea would subsequently fray should come as no surprise. It is a very common phenomenon; with the common enemy gone, or in abeyance, then natural divergences of interest will reemerge. Both Koreas have problems with patrons, but there are important differences between the two. North Korea has two patrons: the Soviet Union/Russia and China. This has given North Korea the advantage of attempting to play one against the other, as well as the disadvantage of being under pressure to declare allegiance, as during the Sino-Soviet schism.²⁶ South Korea has but one patron: the United States. This means that North Korea is fiercely independent while South Korea remains a client of the United States.

There are strong but rather unexplored parallels between the deteriorating Sino-Soviet relationship in the 1950s and that between North Korea and China in more recent years. The Soviet Union wanted to relegate Chinese nationalist aspirations, notably over Taiwan, with what it saw as the need to forge a less threatening relationship with the United States. Similarly, China has been anxious to avoid antagonizing the United States or giving it any reason or pretext for interrupting its “peaceful rise” and has been willing to sacrifice North Korean concerns over U.S. hostility.

Many commentators misinterpret the Chinese position on North Korea. Because Washington and Beijing often say the same thing, they presume that the Chinese are doing it for the same reason as the Americans. U.S. policy toward North Korea is part of a global strategy to preserve hegemony, which includes the need to contain and depower China. In contrast, China wants peace and stability on the Korean Peninsula to avoid conflict with the United States and has been willing both to sacrifice North Korean interests

and to compromise on strategic principles, notably by supporting U.S. initiatives in the UN Security Council condemning and sanctioning North Korea. This was predicated on the naive belief, dating back to Deng Xiaoping, that the United States would allow its peaceful rise. Events have confounded that dream and, as a result, China is becoming more resistant to U.S. pressure.²⁷

Both China and North Korea may chafe, for different reasons, at the lips-and-teeth relationship, but neither can escape it. It is somewhat like an arranged marriage, in this case determined by geography and history, which cannot be dissolved despite all the problems. The Korean Peninsula is vitally important to the United States because it is on the border with China. The peninsula is even more important to China precisely because of its location, which was brought home by the Korean War.

The Consolidation of U.S. Imperialism

The effect of the Korean War on the United States was the most consequential in global terms. Because the Soviet delegate was boycotting the UN Security Council in protest of the U.S. blocking of the new Chinese government from the China seat, the United States was able to get the United Nations to endorse its expeditionary force, called even today the UN Command despite being completely U.S. controlled.²⁸ This manipulation of the United Nations was replicated in 2006 with the beginning of UN sanctions against North Korea for its nuclear deterrent program.

The Korean War was a godsend to the U.S. security establishment. It was the hot war that was needed to firmly bed down the Cold War, both functionally and in the popular imagination. It provided an economic stimulus that soon became addictive and established the permanent war economy.²⁹ The military-industrial complex, about which Dwight Eisenhower of all people warned in his valedictory speech, became a central feature of U.S. society.³⁰ This complex encompasses not merely the military and armaments manufacturers, but also the security and intelligence communities, and all those in politics, media, think tanks, academia, and so on, who make a living out of war and the fear of it. The military-industrial complex complements imperialism in informing and driving U.S. foreign policy, and much of U.S. society. The Korean War was thus the genesis of the “forever wars” that presidents promise to abolish but never do.³¹

Despite its success in promoting militarization, the Korean War was the first war that the United States did not win. It ended in a military stalemate, resulting in an armistice—a suspension of fighting—but neither victory nor peace. For the public, it became the “forgotten war” and for militarists a good reason to increase military expenditure. Despite overwhelming advantages in technology and industrial might, the Pentagon

found China to be a formidable power. The fear of kinetic war with China meant that war was to be continued by other means – namely, diplomatic (attempting to keep it out of the UN Security Council and Taiwan in) and economic, with the embargo lasting into the 1970s and continuing sanctions, varying in intensity since 1950 but increasing greatly in recent years as fear of China's rise has mounted in Washington.³²

The Korean War also led the United States to intervene directly in the Chinese Civil War. Washington had bankrolled Chiang and provided him with war materiel (that usually ended up in the hands of the Communists), but now his bolthole on Taiwan was to be protected, producing a running sore in U.S.-China relations.

In his pathbreaking 1952 Monthly Review Press book *The Hidden History of the Korean War*, I. F. Stone highlighted the close cooperation, perhaps collusion, between Chiang and Rhee, especially in spring 1950 in the buildup to war.³³ Both needed U.S. support against their more powerful and popular domestic foes, the Communists.

The war anchored U.S. imperialism to the Korean Peninsula and made its continued antagonistic division a necessary part of the U.S. forward position against China.

The Korean Peninsula

The war completed the construction of the two parts of Korea as separate, adversarial states, competing for legitimacy and each in a relationship, albeit of different characteristics, with patrons – the United States, PRC, and USSR. At the same time, they must be viewed as a symbiotic entity. Neither would have received the same level of aid had the other not existed. Had the North prevailed and unified the peninsula under its control, then, in time, the United States would have come to terms with it, as it would later do with a unified Vietnam.

North Korea

North Korea has seldom been out of the U.S. headlines, especially in recent decades, and it is lodged firmly in the mindset of the foreign policy community. Why it occupies such a prominent position requires explanation beyond the usual clichés. Clearly, the failure of the Korean War rankles, but that of the Vietnam War was more embarrassing and, in China, more consequential. North Korea is clearly no direct danger to the United States, nor to its hold on the South. After the outflanking landing at Inchon, there was little likelihood of the North reigniting the war and pushing down the peninsula as in the mid-1950s. With the United States controlling the sea and air, and showing no real signs of abandoning its

beachhead on the Asian mainland, such North Korean efforts would be futile even if they were feasible. Similarly, the hysteria in recent years about North Korea's intercontinental ballistic missiles, probably but not certainly capable of striking the U.S. mainland, is preposterous; its bizarreness nicely captured by the story of defense secretary Jim Mattis sleeping in his gym clothes in expectation of an attack.³⁴ Threatened retaliation, which would be suicidal if needed to be carried out, is one thing, but gratuitous suicide by launching a missile strike is another.³⁵ These constructions have more to do with the dynamics of U.S. domestic politics, helped along of course by a hungry military-industrial complex, than with reality. Nevertheless, perception and belief, however irrational, are very important, and all presidents come into office believing there is a need to "do something about the North Korean threat."

In fact, North Korea does present U.S. imperialism with two main challenges. One is the example it gives to others. If it were to be destroyed like Iraq or Libya, then that would serve as a warning to others. But its defiant resilience for seventy years demonstrates the limits of U.S. power rather than its ineluctability. The recent development of a nuclear deterrent amplifies that. Furthermore, if North Korea can utilize this deterrent to ward off attack but force the United States into accepting peaceful coexistence, that would provide a very dangerous message to others, starting with Iran.

Then there is the question of China. Vanquishing North Korea and extending U.S. power to the Chinese border might be tempting, but even if achieved would undercut the justification for U.S. presence in Korea and the whole forward military position in Northeast Asia, the core hard power underpinning U.S. strategy toward Asia.³⁶ The United States needs North Korea as a perceived threat to vindicate and consolidate its control over South Korea.

Early indications are that the Joe Biden administration will continue the uncompromising policy of the past, demanding unilateral nuclear disarmament from Pyongyang with nothing substantial in exchange.³⁷ This is not surprising since tension on the Korean Peninsula is a crucial component of the anti-China strategy. The reaction from Pyongyang is predictable and presumably anticipated and desired. First vice foreign minister Choe Son-hui issued a statement on March 18, 2021, as the first Biden-era military exercises were coming to a close, reiterating that "no DPRK [Democratic People's Republic of Korea]-U.S. contact and dialogue of any kind can be possible unless the U.S. rolls back its hostile policy towards the DPRK."³⁸

South Korea

Although greatly overshadowed by North Korea both in elite consciousness and media coverage, South Korea is really the focus of U.S. interest in

the peninsula. Being perceived as the subservient “good twin,” in contrast to the defiantly independent “evil twin” to the north, it attracts less attention. This perception of obedience is not quite accurate – Rhee openly defied the United States, especially during Korean War armistice negotiations, and twenty years later Park Chung-hee began a clandestine nuclear weapons program.³⁹ Roh Moo-hyun dreamed of moving toward “autonomy,” but current president Moon Jae-in shows no such independence of spirit.⁴⁰

Irrespective of presidents, South Korea is a client state with limited sovereignty created by the United States to serve its interests. The United States has direct “wartime control” over the Republic of Korea’s military and, despite promises, this is likely to continue, perhaps through the UN Command.⁴¹ That is no minor prize. The Republic of Korea has a standing army of about six hundred thousand troops plus a huge reservoir of trained military manpower.⁴² Its military expenditure in 2019 was tenth in the world at \$40 billion.⁴³ Typical of U.S. “allies,” it does not have a self-reliant capability, but because of the policy of interoperability it is dependent on the United States for key control functions. It cannot wage war on its own, but is a formidable ancillary to U.S. military might.⁴⁴ Despite the brouhaha about the North Korean threat and the need for U.S. presence, the military strength of South Korea alone is far greater than that of the North.⁴⁵ Its military budget may be over thirty times that of the North.⁴⁶ However much its proponents may internalize the myth of defending South Korea against the North, this construct is essentially a pretext for a forward position against China.

South Korea was an important adjunct to the United States in Vietnam, providing three hundred thousand troops – second only to the United States itself.⁴⁷ It has subsequently supplied largely symbolic contingents to the wars in the Middle East. In what way the South Korean military might be used in a war against China is an open question, but no doubt strategists in Washington are working on it in private.⁴⁸

South Korea is also a very lucrative market for U.S. arms sales. In the ten years up to 2019, it accounted for one quarter of U.S. sales and in some years it was the largest purchaser.⁴⁹ Although occasionally the military attempts to buy weapons that are more appropriate for their needs, political pressure usually wins out and some 80 percent of its purchases are American.⁵⁰ The Republic of Korea as a nominally sovereign middle power has considerable diplomatic importance in Northeast Asia and on the world stage, for instance at the United Nations.

These contingent benefits to the United States are undergirded by a more permanent one. The reason that Washington established itself on the Korean Peninsula in 1945 was above all its strategic location, which still holds, with China now the major focus.

U.S. presence in South Korea provides it with bases, notably Camp Humphreys and Osan Air Base. In addition, there is the Jeju Naval Base, which is ostensibly a South Korean facility but would provide facilities for the U.S. Navy in the case of heightened tension with China.

Although bases are principally an asset from which to project power, they are also gaining in importance as places to facilitate the receiving of reinforcements. As a global empire with a relatively slim standing military but substantial logistic capability, the ability to shift forces around the world is crucial. For at least a couple of decades, the focus has been shifting to the ability to bring in reinforcements as needed, not least to South Korea.⁵¹ What is known as Reception, Staging, Onward Movement, and Integration plays an important role in U.S. military strategy and is a key component of the joint U.S.-Republic of Korea military exercises.⁵²

The U.S. military presence in South Korea allows it to deploy and manage assets that benefit from being close to the target. Notable here are the Terminal High Altitude Area Defense (THAAD) missile defense units that are ostensibly there to protect South Korea from North Korean missiles. There are good reasons to consider this bogus.⁵³

Probably the main military function of THAAD deployment in Korea is the X-band radar system, which the Chinese fear would enable the United States to detect missile launches from deep inside China and feed the information into the U.S. missile defense system.⁵⁴ That, in turn, helps the United States to develop a first strike capability against China. U.S. experts tend to downplay the surveillance capability of the THAAD radar, but Chinese ones do not, and that is the important point because it is they who influence Chinese policy.⁵⁵

A wider concern of the Chinese, and something that U.S. strategists celebrate, is that the deployment of THAAD, against protests in South Korea and retaliation from China, strengthens the U.S. hold over South Korea and advances the U.S. dream of forging a close-knit alliance between it and its two clients in Northeast Asia – South Korea and Japan.⁵⁶ This strategy is hampered by the ongoing antagonism of South Korea toward Japan, but it remains a key tenet of U.S. policy.⁵⁷ The deployment of THAAD led to extensive and continuing popular protest, though that did not deter the Moon administration from complying with the U.S. decision.⁵⁸ The protests have tended to focus on environment and health concerns overlooking the security implications; THAAD increases the danger of South Korea being a target of Chinese retaliation in time of war.

Of course, retaliation can happen in time of peace and China's response to THAAD was swift, restrained but forceful. It might be seen as a precursor to the steps taken against Australia in 2020, a calibrated warning that

threats to China's security (South Korea) or interfering in China's internal affairs and undermining its territorial integrity (Australia) in service of U.S. strategy would incur costs. One estimate put the cost to South Korea at over \$15 billion by 2019 alone.⁵⁹ In a pattern replicated with Australia, the government-level economic retaliation was accompanied by a consumer boycott, with tourism and Lotte department stores in China being notable victims.⁶⁰

The THAAD affair highlights the dilemma facing South Korea, and one shared by many countries around the world, of being forced to choose between its national interest and the demands of U.S. grand strategy.

Perhaps nowhere in the world is this dilemma more acute and consequential than in South Korea. President Park Geun-hye, the daughter of Park Chung-hee who was ousted by the Candlelight Revolution and is currently in jail, accepted the deployment of THAAD despite Chinese concerns; the Moon Jae-in administration agonizes more, then capitulates.⁶¹ To take but one instance, the Pyongyang Declaration that Moon signed with Kim Jong-un on April 27, 2018, promised that: "The two sides will make joint efforts to defuse the acute military tensions and to substantially remove the danger of a war on the Korean Peninsula.... The two sides agreed to completely cease all hostile acts against each other in every domain including land, sea and air."⁶²

It is difficult to see war exercises with the United States as not violating these sentiments, yet the following month, the United States and South Korea were conducting joint air drills that the North regarded as practicing "a preemptive air strike at the DPRK."⁶³ While the military exercises were toned down following the Singapore Summit between Donald Trump and Kim in June 2018, the military pushed back and continued at a more subdued, but still provocative, level, with 120 airstrikes in 2020 alone.⁶⁴ The COVID-19 pandemic imposed its own constraints, but as the military learned to find ways around it and the Trump administration was ending, they have been making a comeback. So much so that Kim Yo-jong, Kim Jong-un's sister, who is in charge of relations with South Korea, issued a warning (in a very clunky official translation) that Moon's dreams of pursuing détente while remaining subservient to the United States was doomed to failure: "Whatever and however the south Korean authorities may do in the future under their master's instructions, those warm spring days three years ago, which they desire so much, won't come easily again."⁶⁵

The standard argument to justify the military exercises is that they are necessary to deter North Korea, but given the huge disparity in power, this holds no water. They fulfill various functions but the main one is that they are a good way to ramp up the tension while blaming Pyongyang, hence proving the necessity of the U.S. presence in Korea.

Ultimately, the military exercises and indeed the whole U.S.-South Korea “alliance” is about China. In an attack on Trump’s negotiating with Kim Jong-un in 2018, two Australian strategists dismissed North Korea as a “dangerous distraction,” hampering concentration on the real enemy, China. South Korea’s role was clear: “The United States still remains pre-eminent in Asia, thanks in large part to its regional alliances. Defense networks are a cost-effective force multiplier.”⁶⁶

South Korea is a force multiplier in so many ways. It has a large, well-equipped, and trained standing military, and a vast reservoir of reservists, all accustomed to following U.S. orders. It provides a base for power projection and surveillance close to China. It is on the Asian mainland, thus complementing Japan, which, like Taiwan, is an unsinkable aircraft carrier.

The much-touted necessity to defend South Korea provides a cover for the U.S. forward military position. Diplomatically, it is a substantial middle power, with a large economy and role in international trade, and can be deployed to consolidate U.S. power in international fora. Its leading role in the manufacture of semiconductor chips (along with Taiwan) is an important component of U.S. economic struggle with China.⁶⁷ A key aspect of that strategy is to force the South Korean economy to decouple from China, and be entirely part of a U.S.-dominated trading and supply chain system.⁶⁸ As a bonus, it provides a lucrative market for the U.S. armaments industry.

South Korea is thus far too valuable for the United States to relinquish its presence and control willingly, and indeed establishment U.S. commentators do not even conceive of the possibility.⁶⁹

Tension and the threat of war, and the manufactured perception of North Korea as an aggressor that only the United States can keep at bay, underpins its forward military presence in Asia centered on confrontation with China, with South Korea as a key node. Reinforcing this was the clear purpose of the first visit of “Biden’s enforcers” – secretary of state Anthony Blinken and National Security Agency Jake Sullivan – to Seoul in March 2021, during the military exercises.⁷⁰

The Centrality of Korea in U.S.-China Confrontation

For the United States, the Pacific War was essentially over China. For Japan, the objectives were wider. It wanted China but also needed the resources of Southeast Asia, notably oil and rubber. With Japan’s defeat, the United States thought it had won the battle over China, but in 1949 it discovered it had “lost China” and a hunt followed to find those traitorous Americans responsible, fueling McCarthyism.⁷¹

If some Americans had lost China, it followed that there might be some to regain it. The prime candidate for that role was Douglas MacArthur, who

was eager to use the Korean situation to extend the war to China. The U.S. military establishment stamped on that: “In the opinion of the Joint Chiefs of Staff, this strategy would involve us in the wrong war, in the wrong place, at the wrong time and with the wrong enemy,” its chairman, general Omar Bradley, said.⁷² The “right enemy” at the time was the Soviet Union.

China in time became the right enemy and the underlying driver of U.S. Asia policy. For a couple of decades, the battle line shifted to Southeast Asia, with lurid, if ahistorical and subsequently invalidated, visions of “Chinese expansionism” being the cause of the anticolonialist movement.⁷³ Nevertheless, Korea was a continuing, and sometimes important, element in what came to be called “the containment of China.” Park Chung-hee’s support for the United States in Vietnam was valuable to the United States and profitable for the South Korean economy, providing the basis for South Korea’s “economic takeoff in the mid-1960s.”⁷⁴ All the while, North Korea, whatever it might do or not do, was portrayed as a belligerent threat necessitating the massive U.S. political and military presence in Korea, on China’s doorstep. Whenever there were moves to lessen that presence, as with Jimmy Carter in the 1970s, they were foiled.⁷⁵ The actual number of U.S. troops in South Korea has declined over time – military power is decreasingly measured in troop levels – but the U.S. strategic presence continues unabated.

In 1899, secretary of state John Hay issued his famous “Open Door Policy” calling for “equality of treatment of all foreign trade throughout China.”⁷⁶ He did so in confidence that U.S. commercial superiority was such that it had nothing to fear from foreign competitors in the China market, and presumably completely discounted any competition from Chinese industry. A century and a bit later, the situation was completely transformed. Not merely had the United States lost unquestioned superiority over its rivals, but competition from China itself was becoming increasingly successful. This was accompanied by China’s challenge to U.S. hegemony. The two concerns – commercial and geopolitical – were conflated and the United States increasingly had to resort to political power to buttress its failing competitiveness, actions against Huawei being a prime example. Inevitably, U.S. thoughts turned to war. Some warned against it – it was a *Thucydides Trap* that could be avoided if recognized, argued Graham Allison.⁷⁷ Others have discounted it entirely, even arguing “There Will Not Be a New Cold War.”⁷⁸ Others see it looming while yet others unpack the mechanics of it.⁷⁹ And in the shadows, in the corridors of the Pentagon and throughout the huge U.S. military apparatus, others no doubt are laying plans, which their counterparts in China are seeking ways to defeat.

Whether war might be curtailed, limited, or catastrophic, there is general consensus that the three most likely places where a war between

the United States and China might start are the South China Sea, Taiwan Straits, and Korean Peninsula.

Because of the conflicting territorial claims between the littoral states, the United States sees the South China Sea as a useful way of forming an anti-China alliance. However, its main military interest, and the reason for the Freedom of Navigation Operations, is to set a precedent and build capability for interdiction. Much of China's imports, especially oil, pass through here and it is the transit route for Chinese ballistic submarines to get to the safety of the deep waters of the Pacific.⁸⁰ A clash here is probable but unlikely to develop into war – for the United States the dangers outweigh the benefits, and for China the issue is important but not existential. A war over Taiwan can only happen with the endorsement and participation of the government in Taipei. However, Taiwan has *de facto* independence, which the PRC tolerates with pragmatism, and the additional benefits of *de jure* status are greatly outweighed by the costs and dangers so that is unlikely to be forthcoming.⁸¹

The Korean Peninsula is different again. As with Taiwan, the United States has to interact with a client government. However, while the dream of “retaking the Mainland” died in Taiwan decades ago, that of reunifying Korea under Seoul has not. The Moon Jae-in administration clearly wants to improve relations with the North and to maintain friendly ties with China, but it is politically weak. President Moon has been unable to stand up to the United States, which has been decisive.⁸² There was a considerable degree of *détente* in 2018 following the opening of Kim Jong-un's peace offensive and his offer to send a team to the South Korean-hosted Winter Olympics, but ultimately the U.S. state stepped in and quashed cooperation between the two Koreas. This was obscured somewhat at the time by Trump's fantasies of negotiating with Kim Jong-un. In a very real sense, both Moon and Trump were defeated by John Bolton and the forces he exemplified – the “octopus” that is the U.S. state.⁸³ At the same time, the THAAD affair is an example, albeit a prominent one, of U.S. use of South Korea as a pawn against China. This process looks set to intensify under the Biden administration whose first high-level meeting with Seoul was to reiterate its role in the U.S. anti-China alliance.⁸⁴

The United States is not the only opposition to *détente* with the North with which Moon has to contend. Naturally less visible to outside observers, but surely potent nonetheless, is the huge South Korean military establishment and the National Intelligence Service (formerly the Korean CIA), which have had intimate ties with their U.S. counterparts over many decades. Also influencing public opinion and more visible because they have to work front of house are the right-wing parties (such as the main conservative People Power Party) and the media,

notably *Chojoongdong*, the trio of ultra-conservative papers *Chosun Ilbo*, *JoongAng Ilbo*, and *Dong-A Ilbo*.⁸⁵

While the visible face of South Korean conservatism is virulently anti-North Korea, its position on China is slightly more ambivalent. *Chosun Ilbo*, for instance, frequently complains about U.S. pressure to join its anti-China campaign without regard for South Korean interests.⁸⁶

Nevertheless, there appears to be more appetite for war with the PRC in South Korea than in Taiwan, precisely because the reward – conquering of the North – is feasible. It may be far less feasible than the hawks in Seoul anticipate, but the United States and South Korea do have great military superiority. North Korea can retaliate but ultimately not defend itself against attack. However, fantasies about China's acceptance of a U.S.-led invasion of North Korea are common and dangerous.⁸⁷ In the case of the Taiwan Straits, there is a direct war with China, but in Korea there is the worrying possibility that decision makers may convince themselves that war with China can be avoided.

However, there is also another possibility. It may not be a case of stumbling into war with China – thinking one is swallowing a minnow but finding that one is choking on a whale – but a deliberate decision. If strategists in Washington decide on a war against China, and there has been no shortage of talk about that, then precipitating it through a crisis on the Korean Peninsula makes admirable sense. There is the substantial South Korean military, already under U.S. command and used to U.S. control. South Korea hosts huge U.S. bases and has facilities for rapidly bringing in and deploying reinforcements, and both have been well practiced. In addition, Japan under Shinzo Abe had long signaled an enthusiasm for intervening in conflict in Korea and there is no reason to suppose Yoshihide Suga is less enthusiastic.⁸⁸

In either case, the Korean Peninsula is the most likely place for the eruption of the second U.S. war with China.

Hypocrisy, Irrationality, Deep Rationality, and the Contextualization of U.S.-Korea Policy

The literature on U.S.-Korea policy displays dazzling pyrotechnics of hypocrisy. That representatives of the world's most potent nuclear power, and the only one to have actually used nuclear weapons, can condemn with high moral dudgeon North Korea for developing a small nuclear deterrent, in response to the U.S. threat moreover, is truly astounding. That such hypocrisy garners applause and repetition rather than ridicule is a telling compliment to the power of U.S. global perception management. However, beyond hypocrisy, and mirroring it, there lies irrationality. Much

of the discussion of the issues just does not make sense and there is little in the way of rational explanation. For instance, we are frequently told that North Korea is a threat, even an existential one, to the United States, South Korea, and “the region.”⁸⁹ Yet, we are also told that a North Korean attack on the United States or South Korea would clearly be suicidal and futile, as Colin Powell expressed: “It would be suicidal for North Korea to attack the US.... If North Korea attacked the US, the US would immediately strike back, and the North Korean regime would be no more.”⁹⁰ How can both statements hold? Why would North Korea commit suicide for no purpose? The *threat* of retaliation as a deterrent, even if it were suicidal if carried out, does make sense, but that is quite another matter, seldom discussed.⁹¹

One way of attempting to resolve this contradiction is to claim that Kim Jong-un (or his father Kim Jong-il before him) is irrational. “We are not dealing with a rational person,” claimed U.S. ambassador to the United Nations Nikki Haley.⁹² Senator John McCain called him a “crazy, fat kid.”⁹³ More informed observers realize this will not work and thus produce more convoluted explanations and prescriptions that ultimately are no more satisfactory.⁹⁴

A better approach is to move beyond U.S. myopia and analyze U.S.-Korea policy in terms of “deep rationality.” That is, the underlying reasons for behavior not articulated by the actors, perhaps out of prudence, but also quite likely because they are not aware of them themselves. Imperialism is the central characteristic of U.S. foreign policy, but is neither mentioned nor admitted by the establishment. They are socially conditioned not to recognize imperialism even as they practice it.

Three aspects are relevant here.

First, the “North Korea threat” is a domestic political construction, created over decades and with deep purchase in both elite and popular opinion, but has no solid base in reality. It is more properly the subject of political psychology, with its roots in the failure to prevail in the Korean War and thereafter, rather than geopolitics. As a perception, it may seem to determine decision-making (it certainly affects it), but ultimately the reasons for U.S. policy lie elsewhere.

Second, North Korea’s nuclear deterrent, whose efficacy is uncertain, is in itself no danger to the United States unless the United States launches an invasion. If the United States is perceived in Pyongyang to be about to do just that, then that might prompt an attempt at a preemptive strike. In either case, the initiative really lies with Washington; no war then no retaliation. The real issue is global proliferation—a meaningful concern despite tending to be hidden behind a wall of self-serving obfuscation. The spread of nuclear weapons to small countries is portrayed as a danger to

the world, and the U.S. crusade against proliferation a noble one. In fact, the possession of a nuclear deterrent by countries threatened by more powerful ones is peace enhancing, as Kenneth Waltz argues in the case of Iran.⁹⁵ The North Koreans claim, probably rightly, that their deterrence has kept the peace in Korea.⁹⁶ This forms the basis of the U.S. objection to proliferation. It is an equalizer that helps redress the imbalance of power between it and those countries it wishes to attack, such as Iraq and Libya. If North Korea is successful in forcing the United States into peaceful coexistence, then that would give a “bad” example to other countries, such as Iran.

Third, U.S. desire to defend, maintain, and hopefully enlarge its hegemony against major challengers is key. In the early days, the major challenger was the Soviet Union, as now it is China with Russia being relegated to an important but minor role, especially in East Asia. We have seen how important Korea is in U.S. confrontation with China. “Korea” is in fact a dyad and the relationship between the two is a crucial part of U.S. strategy. Antagonism between the two is to be welcomed and détente to be feared and prevented. North Korea has to be kept belligerent to justify U.S. military presence in South Korea (and to a lesser extent in Japan), and to keep South Korea in line so it may be better harnessed to the anti-China program.

Palmerston would have recognized U.S. achievements in utilizing the Korean Peninsula in its confrontation with China and the challenges it faces. He was, after all, foreign secretary when Britain launched the First Opium War against China in 1839. The war led, among other things, to the British seizure of Hong Kong and the “Century of Humiliation,” which still reverberate in China today.⁹⁷

Palmerston’s “gunboat diplomacy” was successful because Britain had gunboats and China did not. Now China does.⁹⁸ The United States has supplanted Britain and Blinken has succeeded Palmerston. Although the balance of power in its various facets, from the military to soft power, still favors the United States, the gap is closing. The United States and China are two whales, one declining in power and the other rising, different in characteristic and in motivation but both huge. This poses great danger for Korea, which is caught in the line of fire, because, as proverb has it, when the whales fight, the shrimp gets its back broken.⁹⁹

Notes

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Based primarily on the requirement of legitimation, the Chinese Communist Party, while thoroughly repudiating the Cultural Revolution, did not repudiate either the Chinese Revolution or socialist values, nor the summation of Mao Zedong thought. This has created a twofold effect. First, the socialist tradition has functioned to a certain extent as an internal restraint on state norms. Every time the state-party system made a major policy shift, it had to be conducted in dialogue with this tradition. At minimum, it had to couch its announcement in a particular language designed to harmonize the policy transformation with its proclaimed social goals. Secondly, the socialist tradition gave workers, peasants and other social collectivities some legitimate means to contest or negotiate the state's corrupt or inegalitarian marketization procedures. Thus, within the historical process of the negotiation of the Cultural Revolution, a reactivation of China's legacy also provides an opening for the development of a future politics.

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The Political Economy of the U.S.-China Technology War

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Following the Donald Trump administration's publication of its 2017 *National Security Strategy* and 2018 *National Defense Strategy* that designated China as a strategic competitor, the tensions between the United States and China have been heightened, encompassing trade disputes, China's economic regime and territorial sovereignty, conflicts over geopolitical influences, and even the portrayed confrontation between liberal democracy and authoritarianism.¹ The inauguration of the Joe Biden administration has not significantly changed U.S. foreign policy toward China. In his *Interim National Security Strategic Guidance*, Biden repeatedly referred to the "growing rivalry with China" and proposed an ambitious agenda seeking to "prevail in strategic competition with China or any other nation."²

The current turn of U.S.-China relations toward strategic competition signals the deep strains of the contemporary international order. For one thing, the United States and China are the two largest economies in the world. The U.S. gross domestic product (GDP) measured at current prices and exchange rates made up 24.4 percent of the world GDP in 2019, down from 30.5 percent in 2000, while China's economy was 16.3 percent in 2019, up from 3.6 percent in 2000. GDP measured at purchasing power parity even shows the reversal of the two economies' weights. The U.S. share of world GDP measured at purchasing power parity decreased from 20.9 percent in 2000 to 15.8 percent in 2019, while China's share increased from 6.4 percent to 17.3 percent in 2019.³ Therefore, the fear of falling (that is, losing U.S. global primacy) is an integral part of the U.S. dominant group's psychology, underlying the drive to tame China.⁴ Given the sheer size of the two economies and the central roles they are playing in global production networks, the dynamics of U.S.-China relations have far-reaching ramifications for the contemporary capitalist world-economy.

Here I focus on one of the key components of U.S.-China strategic competition: the technology war, in which the integrated circuit industry is the central battleground. The essence and implications of the technology war can be further understood in the broader context of the international

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division of labor and the two countries' internal contradictions. From this front, we can decipher the antagonism between different classes/groups within and across the two countries. The capitalist world-economy under declining U.S. hegemony is facing a fundamental dilemma that will not be settled any time soon.

Technology War in the Integrated Circuit Industry

No one disputes the strategic importance of advanced technology, which is the backbone of maintaining and improving national income, strengthening military capabilities, and safeguarding national security in the capitalist interstate system. The logic of intercapitalist and interstate competition compels these actors to struggle to get ahead of or not fall behind others. The U.S.-China technology war revolving around semiconductors (which I will use interchangeably with integrated circuits [ICs] and chips) is such a race, though not symmetric. ICs are a key input for next-generation technologies, such as 5G, artificial intelligence, Internet of things, and Industry 4.0 system. The United States has taken proactive measures to slow China's progress in the IC industry, even before the trade war started in 2018.

Currently, the United States holds a clear leadership in the IC industry, while China is still seeking to bridge this large gap. The trade statistics are revealing in this respect. In 2010, the U.S. trade surplus in the IC industry was \$14.7 billion, gradually decreasing to \$3.1 billion in 2016 and \$2.1 billion in 2018, but then climbing again to \$11.5 billion in 2020. Of the U.S. IC trade surplus, China accounted for 27.5 percent in 2010, 96.0 percent in 2016, and 72.5 percent in 2020.⁵ China has been running a persistent trade deficit in the IC industry. In 2020, China's import of ICs reached \$350.9 billion and its export was only \$117.1 billion.⁶ Although firms located in China might stockpile semiconductors in face of the recent supply chain uncertainty and, though China's import might include products designed by Chinese firms but manufactured abroad, the trade statistics still reflect China's overdependence on overseas supplies of semiconductors. According to a report by IC Insights, China has been the largest market for ICs since 2005, but the IC production in China represented only 15.9 percent of its \$143.4 billion market in 2020. Moreover, China-headquartered companies produced only 36.5 percent (\$8.3 billion) of the ICs manufactured in China in 2020.⁷

The production of ICs is highly complex and globalized. The process of producing ICs can be divided into three stages: (1) design, (2) manufacturing, and (3) assembly, testing, and packaging. The design stage is knowledge intensive, requiring teams of skilled engineers, and is often aided by intellectual property companies that provide specific intellectual property cores for advanced integrated circuits and by electronic design automation compa-

nies that provide specialized design tools. The manufacturing stage is capital intensive, requiring heavy capital investment and advanced technological expertise. In contrast, the stage of assembly, testing, and packaging is labor intensive and requires less technical skills. For the last two stages, equipment suppliers and raw material suppliers also play a critical role. There are two operating models for IC production: integrated device manufacturer and fabless foundry. An integrated device manufacturer firm carries out all stages of IC production, while in the fabless-foundry model, the IC production is split among fabless design firms, foundry firms, and outsourced semiconductor assembly and test firms.⁸ The United States dominates the semiconductor global value chain, especially in the integrated device manufacturer, fabless design, and equipment markets, with market shares of 51 percent, 65 percent, and 40 percent respectively, resulting in an overall semiconductor global market share of 47 percent in 2019.⁹ China – except Taiwan, which is preeminent in the foundry segment – has gained market shares in fabless design, foundry, and outsourced semiconductor assembly and test (10 percent, 7 percent, and 12 percent respectively in 2015).¹⁰ However, China's segment of the semiconductor global value chain focuses on lower value-added functions and less sophisticated chips, and the country is extremely weak in equipment and electronic design automation software.¹¹

Given the asymmetry in the semiconductor technology race, we can understand China's efforts to catch up and the desire of the United States to slow or even stall China's progress. Since the 1990s, the Chinese government has adopted various industrial policies (including the 908 and 909 projects in the 1990s, and the State Council's Circular No. 18 in 2000 and Circular No. 4 in 2011) to facilitate the development of its IC industry.¹² The measures included tax breaks, government procurement, protection of intellectual property, and attracting foreign capital, technology, talents, and so on. Recognizing the large deficiencies of its IC industry, in 2014 the Chinese State Council issued *Outline of the Program for National Integrated Circuit Industry Development* – in which the key measure is to establish the National IC Industry Investment Fund (¥120 billion) – in order to reduce the gap and ultimately leapfrog to the advanced world level in all major segments of the IC industry by 2030. In face of U.S. sanctions on certain Chinese technology entities in the trade war, the Phase Two National IC Industry Investment Fund (¥200 billion) was established in 2019, and the State Council further issued Circular No. 8 in 2020 to accelerate the IC technology catch-up.

On the U.S. side, the measures restricting technology diffusion have long been in place. In concert with the Wassenaar Arrangement established in 1996, the United States has implemented export controls to prevent the proliferation of advanced semiconductors and the inputs necessary to

produce them, covering semiconductor manufacturing equipment, materials, software, intellectual property, and finished semiconductors. In addition to the Commerce Control List applied to China as a whole, the United States has also applied stricter end-use and end-user controls that prohibit certain Chinese end uses and end users from access to U.S.-origin commodities, software, or related technical data.¹³ At the turn of the century, the practice of U.S. export agencies was aimed at keeping China at least two generations (about three to four years) behind global state-of-the-art semiconductor manufacturing production capabilities.¹⁴ Moreover, Chinese firms' attempts to acquire advanced semiconductor technology by acquisition of foreign firms have been prohibited or highly restricted in the United States and other countries.¹⁵ Since Trump took office in 2017, the race in the semiconductor industry has escalated into a technology war, in which the United States has stepped up prohibitive measures to suffocate China's advance in the high-tech realm. The Section 301 investigation accused China of unfair economic practices including forced technology transfer and cybertheft of intellectual property, serving as an excuse for the U.S. initiation of the trade war (therefore, the trade war closely relates to the technology war).¹⁶ Later, some Chinese semiconductor-related technology companies such as Huawei, Fujian Jinhua, and Sugon were placed on the Entity List (administered by the U.S. Bureau of Industry and Security), denied access to U.S.-origin key inputs.¹⁷

On the surface, it seems that the U.S. sanctions were meant to undermine Chinese technology entities, impose trade loss to, and extract concessions from China. But as U.S.-China strategic competition has unfolded, it appears that it has just begun and tensions are not fading with Trump's departure from the White House. For the United States, the technology war is as much a matter of domestic affairs as an attempt at restraining China. Some faction of the U.S. ruling elite wants to divert attention away from U.S. internal failures by accusing China of misbehaving. And some faction wants to leverage the fear about China's ambitious industrial upgrading plan to forge the ruling circle's unity and push for massive domestic investment in infrastructure, education, and research after decades of neoliberal practices. In other words, they declare that another "Sputnik moment" has come and the state must lead again in the technology competition.¹⁸ In particular, the U.S. Semiconductor Industry Association is consistently calling for a \$50 billion federal government program of additional grants and tax incentives for building semiconductor manufacturing capacities for the next decade.¹⁹

It must be recognized that there is no full consensus on how to deal with China, given that U.S. capitalists have substantial material interest in access to China's gigantic market and cheap and quality labor. In March

2020, the Boston Consulting Group produced a report entitled *How Restrictions to Trade with China Could End US Leadership in Semiconductors*. This report proclaimed that the U.S. semiconductor market leadership is reinforced by a virtuous innovation cycle: higher research and development investment leads to higher revenues and profits, and higher revenues and profits sustain higher research and development investment. They worried that the U.S. export controls would compel the U.S. semiconductor firms to concede global market shares to foreign players and thus turn the virtuous cycle into a vicious one.²⁰ Another realistic concern is that U.S. export controls might help align the incentives of Chinese capitalists – who relied on foreign markets and foreign high-tech inputs, and specialized in the low-value-added and low-tech niches – with the Chinese leadership’s call for domestic self-reliant innovation, and thus might backfire.²¹

The last concern is certainly true. Although the alleged “forced” technology transfer seems to be a major cause of the U.S. trade sanction, China’s practice of “trading market for technology” for the last four decades has not brought about key and core technologies, and sometimes even choked off the growth of domestic technological innovation capabilities.²² In defending its position in the trade war, China pointed out that following the life cycle of a product, transnational companies usually transfer already obsolete or standardized technologies to developing countries.²³ Aware of the problem, Xi Jinping emphasized that key and core technologies cannot be acquired through requesting, buying, or begging, to garner support for the self-reliant innovation strategy.²⁴ Facing the U.S. export controls, Chinese capitalists used to sourcing key components from the global market have to become more inward-looking and self-reliant.

Though the self-reliant innovation strategy is gaining consensus, there are still obstacles to China’s advancement in the IC industry. Accompanied with the underdevelopment of China’s semiconductors is the lack of expertise. In the rush to build semiconductor manufacturing capacities, opportunistic behaviors of investors and local governments are common, due to the inability to assess or monitor the quality of projects. One notable example is Wuhan Hongxin Semiconductor Manufacturing Co. formed in November 2017, which branded itself as a project that would adopt the most advanced IC fabrication technology with \$20 billion investments. It obtained billions of yuan from the local government, but recently turned out to be a fraud by a few private investors who had no knowledge about semiconductor manufacturing, and now it is closed without having produced a single chip.²⁵ Moreover, lacking an effective national-level coordination mechanism, local investments in semiconductors tend to be repetitive, low-quality, and wasteful.²⁶

Overcoming these obstacles is critical in developing a competitive and largely self-sufficient IC industry.

International Division of Labor

In comparing the U.S. and Chinese economies and discussing the U.S.-China rivalry, scholars usually perceive these two countries as following autonomous and distinctive paths on equal footing. For example, Branko Milanovic, a prominent researcher on global inequality and author of *Capitalism, Alone*, dubbed the United States as a model of liberal meritocratic capitalism, and China as a model of state-led political capitalism, with both having pros and cons and competing for global influences.²⁷ This perspective with countries as a unit of analysis often tends to overlook countries' differentiated roles in the international division of labor and fails to see capitalism as a unified world-system that has system-level constraints and dynamics. The U.S.-China technology war can be better understood in the broader context of the capitalist world-system (or world-economy).

The capitalist world-economy has a persistent core/periphery hierarchy: core states manage to enclose within their jurisdictions mainly quasi-monopolistic and high value-added production processes ("core-like" activities); peripheral states engage in highly competitive and low value-added production processes ("periphery-like" activities); semi-peripheral states keep a more or less even mix of core-like and periphery-like activities. As Immanuel Wallerstein put it, "there is a constant flow of surplus-value from the producers of peripheral products to the producers of core-like products. This has been called unequal exchange."²⁸ Core-like activities are everchanging – as more states and capitalists strive to enter highly profitable niches, the increasing competitive pressure will dissipate the original quasi-monopolistic rent derived from core-like activities, and these erstwhile core-like activities will become more and more peripheral.²⁹ Therefore, to maintain their privileged positions, core states have to occupy new quasi-monopolistic areas and at the same time try to exclude others from encroaching on core-like activities. This is the economic essence of contemporary technology competition.

To measure the hierarchical international division of labor, the exchange of labor time embodied in international trade is pertinent. Using the extended Leontief input-output method, I have calculated the employment footprint of each country's final demand (which mainly consists of final consumption and gross capital formation).³⁰ The basic idea is simple: the goods and services that each country consumes and invests are produced with labor inputs at each node of global production networks. With the world input-output table and the satellite direct labor input data, we can find how much labor time from what country is embodied in a country's final demand. In this

way, a network of country-to-country labor time flows can be retrieved from international trade, reflecting the core/periphery hierarchy of the capitalist world-economy.³¹ The data are collected in the Eora global supply chain database Eora26, covering 190 countries and 26 sectors from 1990 to 2015.³² Labor time is measured by full-time employment (person-year). Moreover, at a node of global production networks where labor is expended, a market value (so-called value added) is also generated. However, the value added per unit of labor can vary widely across different nodes, depending on whether it is a core-like activity or periphery-like activity. Therefore, I have also calculated the average nominal value added per unit of labor time for a country's imported labor and exported labor separately, which offers another angle for assessing a country's position in the international division of labor.

The results for the United States and China are summarized in Table 1. Throughout the entire period from 1990 to 2015, the United States stayed at the higher end of the international division of labor, while China consistently struggled at the lower end despite its unprecedented economic growth. In 2015, the United States exported 9.7 million person-years (the U.S. labor time embodied in foreign final demand) and imported 72.7 million person-years (the foreign labor time embodied in the U.S. final demand), with the latter being 7.5 times as large as the former. For U.S. exported labor, the average value added reached approximately \$130,000 per person-year in 2015, while for U.S. imported labor, the average value added was only \$30,600 per person-year. In other words, 1 U.S. person-year was equivalent to 4.2 (130/30.6) foreign person-years on the world market in 2015.

In stark contrast, China was a major labor time exporter. In 2015, China exported 114.1 million person-years and imported 28.6 million person-years, with the labor import-export ratio being a quarter. The average value added for China's exported labor was approximately \$14,400 per person-year, while for China's imported labor, it was \$42,100 per person-year. Therefore, 1 Chinese person-year was equivalent to 0.34 (14.4/42.1) foreign person-years on the world market in 2015. In addition, for the U.S.-China bilateral trade, the United States could exchange 1 person-year for approximately 9 (130/14.4) of China's person-years. Of the U.S. 72.7 million person-years of labor import in 2015, about one-third (24.6 million person-years) came from China.

From the perspective of the international labor exchange, it is quite obvious that the capitalist world-economy is highly unequal. China still holds a disadvantaged position in the international division of labor, engaging in largely periphery-like activities and supplying massive labor time to the Global North. The United States clearly benefits from its quasi-monopolies of core-like activities. Two examples – the global IC industry and the well-known Apple value chain – suffice to illustrate this point. For the semicon-

Table 1. International Labor Exchange, 1990-2015

A. The U.S. Labor Exchange with the Rest of World

	1990	1995	2000	2005	2010	2015
Labor Time (million person-years)						
Import	45.8	59.1	102.2	117.6	80.0	72.7
Export	10.5	12.1	8.7	8.1	9.6	9.7
Import/Export	4.4	4.9	11.8	14.6	8.4	7.5
Value Added / Labor Time (thousand dollars per person-year)						
Import	9.3	10.9	11.1	14.2	25.1	30.6
Export	38.5	53.6	79.4	106.5	122.3	130.0
Export/Import	4.1	4.9	7.1	7.5	4.9	4.2

B. China's Labor Exchange with the Rest of World

	1990	1995	2000	2005	2010	2015
Labor Time (million person-years)						
Import	2.7	6.5	9.6	17.8	25.2	28.6
Export	110.4	144.8	155.1	182.8	133.5	114.1
Import/Export	0.02	0.04	0.06	0.10	0.19	0.25
Value Added / Labor Time (thousand dollars per person-year)						
Import	11.2	16.6	18.7	22.9	36.3	42.1
Export	0.70	1.2	1.8	3.4	8.8	14.4
Export/Import	0.06	0.07	0.10	0.15	0.24	0.34

Notes: Labor time is measured as the size of full-time employment devoted to producing goods and services. Value added is nominal, measured in USD at current prices and exchange rates. All numbers are calculated by the author using the Eora26 data (v199.82) from the Eora global supply chain database.

ductor value chain, half of the industry's total value added occurs at the design stage, where the United States dominates. The stage of assembly, packaging, and testing – where China has managed to gain presence – only captures 6 percent of the total value added.³³ For the successful product iPhone 4, Apple's design and marketing activities captured 58.5 percent of its sales price (\$549 in 2010) while the labor in China, where the product was assembled, costed only 1.8 percent of the sales price.³⁴ Using Intan Suwandi's theoretical framework of labor value chains, surplus value is extracted from the Global South (where labor is expended) and captured by multinational monopoly capital headquartered in the Global North.³⁵ A country's

capability to capture value on global production networks is reified in its GDP per capita.³⁶ In 2019, China's GDP per capita measured at current prices and exchange rates was less than one-sixth that of the United States; when measured at purchasing power parity, the number was barely one-fourth.³⁷ Hence, it makes no sense to speak of a U.S.-China hegemonic contest.

Table 1 also shows the relative changes in the positions of the United States and China in the international division of labor from 1990 to 2015. China has been successfully climbing the ladder. China's ratio of import to export of labor time gradually increased from 0.02 in 1990 to 0.25 in 2015, and its ratio of value added per person-year for exported labor to that for imported labor increased from 0.06 in 1990 to 0.34 in 2015.

The United States has experienced an inverted-V path. The U.S. ratio of import to export of labor time ballooned from 4.4 in 1990 to 14.6 in 2005, and afterward the ratio decreased to 7.5 in 2015. The U.S. ratio of value added per person-year for exported labor to that for imported labor improved from 4.1 in 1990 to 7.5 in 2005, and then deteriorated to 4.2 in 2015. The period from 1990 to 2005 can be seen as one during which the United States successfully reflatd its hegemonic power after the severe crisis in the 1970s by cutting off many unprofitable manufacturing segments, pushing for globalization of production, and expanding financial activities.³⁸ As Giovanni Arrighi and Beverly Silver contend, financial expansions are a recurrent phenomenon – which can temporarily inflate the power of the declining hegemonic state – when the hegemonic power faces intensifying interstate and interenterprise competition and escalating social conflicts.³⁹ Nevertheless, the effects of the U.S. financial expansion (as well as globalization of production) did not last long. The U.S. capability of extracting labor from the rest of world and its position in the international division of labor decisively declined after 2005.

Here we can draw a clue about the reasons why the United States has become more aggressive toward China. If China were to indulge itself with the role of cheap labor platform, U.S. hegemony would enjoy a longer period of glory.

The Imperative for China's Economy to Upgrade

In his book *The Rise of China and the Demise of the Capitalist World Economy*, Minqi Li discussed three major tasks for the Chinese Communist Party after it came to power in 1949: (1) reverse China's long-term economic and geopolitical decline in the capitalist world-system; (2) provide necessary material and social conditions to meet the basic needs of Chinese people; (3) fundamentally transform political, economic, and social relations in China as well as in the world-system toward socialism. Revolutionary China greatly succeeded at the second task, moderately succeeded at the first,

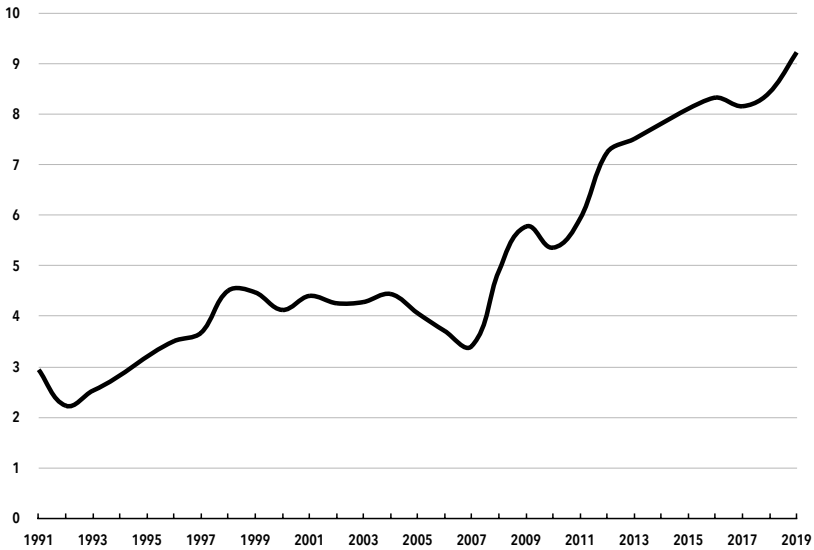
and failed at the third.⁴⁰ Constrained by brutal interstate geopolitical and military competition and the desire of the state-party elite to consolidate their material privileges, China underwent a drastic reorientation toward a single objective: economic growth. Economic inequality has been tolerated as long as economic growth can deliver visible material gains. As Arrighi argues, national wealth as measured by per capita income is the primary source of national power in a capitalist world. Assessed through this lens, China's economic reforms since 1978 have been a resounding success on the empowerment of the country.⁴¹

After rapid growth for nearly four decades, China's economy has witnessed a sharp decline in profitability in recent years. According to Li's estimates, China's economy-wide profit rate dropped from more than 20 percent in 2010 to 12.4 percent in 2018, and economic crisis is likely to burst out when the profit rate stays below 10 percent for several years.⁴² This provides a further angle from which we can understand the technology war.

Profitability is critically determined by the profit share of output and the capital-output ratio. The change in the capital-output ratio is driven by the incremental capital-output ratio that can be measured as the ratio of gross fixed capital formation to the increase in GDP. Chart 1 presents China's incremental capital-output ratio and Chart 2 presents China's profit share and labor share.

As shown in Chart 1, during the last decade or so, China's incremental capital-output ratio rose dramatically from 4.9 in 2008 to 9.2 in 2019, reflecting the increasing "inefficiency" of new investments – the output associated with one unit of investment became less and less. In other words, traditional fruitful outlets for capital were shrinking, leading to intensifying intercapitalist competition.

The change in the balance of class forces also added to the difficulty of profitability. As shown in Chart 2, the profit share of income (or output) that goes to capital decreased from 26.6 percent in 2010 to 24.2 percent in 2017 – a 2.4 percent reduction. This was driven by the change in the share of income that goes to labor, which rose from 46 percent in 2010 to 50 percent in 2017 – a 4 percent increase, reflecting the working class's strengthening bargaining power. The campaign against the 996 working hour system (employees work from 9:00 am to 9:00 pm, six days a week), which is prevalent in China's technology firms, is illustrative. Traditionally, the employees of technology firms were an upper segment of the working class and enjoyed high wages and promotion opportunities, and thus were willing to tolerate long working hours. But as the growth prospect of technology firms deteriorated and competition intensified in recent years, the jobs and promotion opportunities of the employees became

Chart 1. China's Incremental Capital-Output Ratio, 1991-2019

Notes: The data on gross fixed capital formation and GDP are from China's National Bureau of Statistics. They have been transformed into real terms using the 1990 constant prices.

much more insecure, which gave rise to widespread disgust and resistance against long working hours, reified in the “996.ICU” movement.⁴³

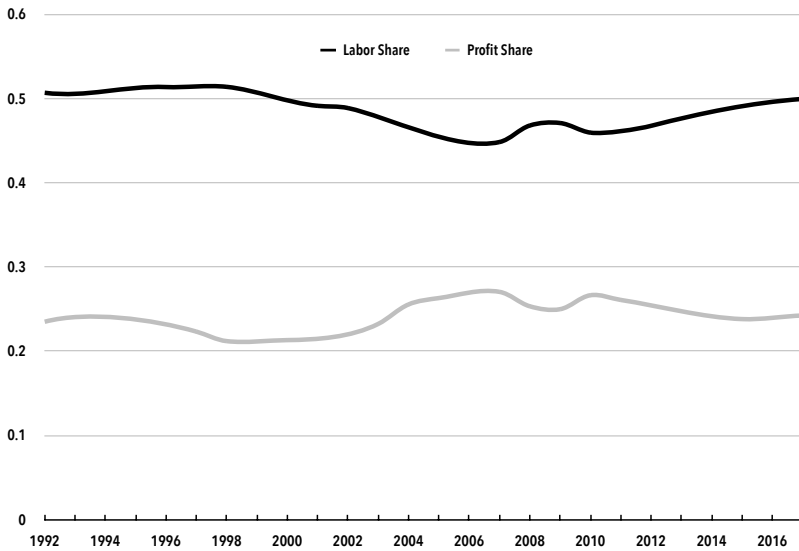
Hence, it is imperative for China's economy to upgrade and grow. It is attempting to engage in more core-like activities and capture a larger share of value on global production networks so as to provide profitable outlets for capital and accommodate the rising demand of working people. This is the underlying logic of China's efforts to speed up industrial upgrading and technology advancement.⁴⁴ But it inevitably clashes with U.S. interests in maintaining technological leadership.

The Dilemma within the Contemporary Capitalist World-Economy

At first glance, it is puzzling that the United States imposed aggressive trade sanctions on China (as well as on its own allies, though to a lesser extent), given the fact that the United States extracts surplus value from the rest of world through the existing international division of labor. At least two factors account for this anomaly.

First, real wages of U.S. workers have stagnated and U.S. internal inequality has risen significantly since the late 1970s.⁴⁵ This has fueled the antiglobalization sentiments and the support for Trump. As Daron Acemoglu pointed out in *Foreign Affairs*, “Trump's popularity surged based

Chart 2. China's Profit Share and Labor Share of Income, 1992-2017



Notes: The data are from China's National Bureau of Statistics. The provincial data on labor compensation, operating surplus (profits), and total income (GDP) are aggregated to the national level.

on positions diametrically opposed to Republican orthodoxy: restricting trade, increasing spending on infrastructure, helping and interfering with manufacturing firms, and weakening the country's international role."⁴⁶ These demands run counter to the capitalists who are making substantial profits from globalized production.

Second, U.S. capitalists intend to protect their incumbent positions and avoid competition in core-like activities. The United States has alleged that "Beijing's economic policies have led to massive industrial overcapacity that distorts global prices and allows China to expand global market share at the expense of competitors operating without the unfair advantages that Beijing provides to its firms."⁴⁷ China's industrial upgrading will likely generate competitive pressures and reduce the profit margins that U.S. capitalists have enjoyed so far. Blocking Huawei—the Chinese company that took the lead in global 5G technology—reflects the U.S. capitalists' deep sense of insecurity.⁴⁸

Nonetheless, the globalized U.S. capitalists are unwilling to forego China's market and cheap labor. In 2017, the sales of U.S.-invested firms that operate in China reached \$700 billion, making a profit exceeding \$50 billion.⁴⁹ China's participation in labor-intensive and low value-added segments of global value chains also enables U.S. firms to specialize in

lucrative design and marketing activities.⁵⁰ Hence, the best scenario for the U.S. capitalists is that China would give up industrial upgrading and stick to the current international division of labor.⁵¹

To be sure, China's ruling elites also have substantial interests in preserving the existing international order. China's long-term export-oriented growth has led to entrenched interests of coastal provincial governments, export manufacturers, and their lobbyists.⁵² Besides, China's overdependence on foreign oil and its internal sovereignty issues make China eager to sustain the stability of the current interstate system.⁵³ Given these considerations, it is quite unlikely that U.S.-China strategic competition will result in a full-scale confrontation for the foreseeable future.⁵⁴

However, the underlying forces of the capitalist world-economy never stop functioning, bringing about a fundamental dilemma unique to the current hegemonic cycle. Historically, populations living in core states have never exceeded 20 percent of the total population of the capitalist world-system. The enlargement of core populations was made possible by the peripheralization of territories that used to be outside of the world-economy.⁵⁵ Under U.S. hegemony, the world-economy has encompassed the whole globe and there are no more untouched territories and populations that could be further exploited to support substantial expansion of the core. China, a country with a 1.4 billion population (about 18 percent of the world population), is moving up into and through the semi-periphery zone by striving to enclose within its jurisdiction more core-like activities, which will inevitably generate immense competitive pressures on the existing core states and capitalists. If China succeeds in industrial upgrading, the profits of core capitalists, incomes of core states, and privileges of their peoples are likely to be squeezed. The already declining U.S. hegemony will have far less resources with which to manage internal and external affairs that are increasingly complex. If China fails in industrial upgrading, the profitability crisis will burst and economic stagnation will ensue. The historical legacy of China's national liberation, socialist revolution, and third worldism will help turn China's working class into an anticapitalist and anti-imperialist revolutionary force that will shake the capitalist world-system. There is no easy solution to this fundamental dilemma unless the paradigm of economic growth is abandoned, a solution that is incompatible with capitalism.

Conclusion

The writing is on the wall for the capitalist world-economy. The recent disorder of international relations, global pandemic, ensuing economic recession, and U.S. internal conflicts along class and racial lines are signals that the world-economy has entered a phase of chaos, precipitated

by the incapability of declining U.S. hegemony to deal with increasingly complex issues. The U.S.-China technology war also reveals a fundamental dilemma. On one hand, China's march in the technology realm threatens the superiority of core states and capitalists in the international division of labor and will further weaken U.S. hegemony; on the other hand, it is imperative for China's economy to upgrade and grow in order to accommodate the demands of both capital and labor. Time will tell how this will unfold in our unstable world.

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Can the Chinese Diaspora Speak?

QIAO COLLECTIVE

In May 2017, Yang Shuping took the podium before a packed auditorium. Sporting a black commencement gown streaked by the University of Maryland's gold sash, Yang stood by university dean Wallace Loh as he tried to pick out Yang's parents in the sea of seats before them. "You must feel very proud of your daughter. We certainly are proud of her," Loh remarked as Yang's mother stood, holding a bouquet of red roses to audience applause.

Unbeknown to them, this simple commencement ritual would spark international controversy. In keeping with the genre of the graduation ceremony, Yang's speech mobilized tropes of struggle, hardship, triumph, and almost maudlin optimism. But filtered through her experience as a Chinese international student, Yang's remarks presented a highly politicized affirmation of U.S. exceptionalism and an accordant repudiation of her native China.

Yang's coming-to-America story hinged on positioning U.S. liberalism as a welcome release from Chinese oppression. Recounting her first arrival at Dulles International Airport, Yang described her "first breath of American air," contrasting the "sweet and fresh" air to her hometown in China, where she reported wearing a face mask whenever leaving the house for fear of getting sick. "When I took my first breath of American air," Yang waxed poetically, "I put my mask away."

Yang's liberation from the ostensibly oppressive constraints of her face mask served as a metonym for her transformation from oppressed Chinese subject to liberated U.S. pupil. Recounting her childhood exposure to the U.S. concept of "life, liberty, and the pursuit of happiness," Yang claimed these "strange, abstract, and foreign" words had little meaning to her – until she came to the United States. "The fresh air of free speech," as Yang put it, was a privilege only to be found in the United States.

The speech – while lauded by peers and praised by a tearful Dean Loh as capturing "some of his deepest feelings" about the United States as an "American by choice" – nonetheless provoked backlash from Chinese netizens and media outlets who saw Yang's embrace of U.S. exceptionalism as a "bolstering [of] negative Chinese stereotypes." Yang was held to account not only by her ostensible compatriots but by fellow Chinese stu-

QIAO COLLECTIVE is a grassroots media collective of diaspora Chinese writers, artists, and researchers devoted to challenging imperialism.

dents at the University of Maryland: the Chinese Student and Scholar Association quickly released a video response titled “Proud of China UMD,” in which Chinese international students criticized Yang’s “stereotypical comments” and shared prideful stories about the culture, cuisine, and climate of their Chinese hometowns.¹

Quickly, the backlash against Yang’s speech became the story itself. *The Washington Post* chastised “nationalist netizens” who “force[d]” Yang to make an apology; the BBC similarly derided these “angry student patriots” as the “new Red Guards.”²

In deriding the critiques of Chinese students and commenters who chastised Yang’s speech as that of hysterical nationalists, mainstream media’s backlash to the response was premised on its own policing of legitimate political discourse. The controversy exhibits the ways in which the political speech of overseas Chinese has long been circumscribed by the dictates of liberal universalism. Students such as Yang are compelled either to prostrate to an edifying project of assimilation to U.S. liberal democracy, or be branded as illiberal “Red Guards” unfit for serious political discourse. This discursive context has long mobilized overseas Chinese to affirm the universalism of Western liberalism in opposition to a Chinese despotism defined either by dynastic backwardness or communist depravity. The question: Can overseas Chinese speak for themselves in the face of what Mo Bo Gao has described as the West’s “hegemonic right to knowledge?”³ Or will all such speech that challenges U.S. presuppositions of liberal selfhood and Chinese despotism simply be tuned out as illiberal noise?

The controversy over Yang’s remarks signaled the accruing symbolic power of overseas Chinese students amid heightened Cold War antagonisms toward China. As of 2019, there were some 372,000 Chinese students enrolled in U.S. universities, 120,000 in the United Kingdom, and many more studying in Canada, Germany, and Australia. This sizable population exists at the intersection of multiple, often contradictory, geopolitical impulses. On the one hand, overseas education has long been seen as a route toward channeling technical and managerial skills toward China’s national modernization. The neocolonial regime of academic knowledge production means that Western degrees continue to bear social status for upwardly mobile Chinese professionals. On the other hand, Chinese overseas students have historically been framed as a target of Western liberal soft power – as proxies for a neocolonial project of molding China in the U.S. image.

While international U.S. education has long been mobilized as a means of “making the world like us,” the presence of a growing body of Chinese international students willing to voice their political disjunctures

with Western liberal truisms represents a unique threat to the ideological regimes of U.S. exceptionalism and the “civilizing mission” of overseas education.⁴ Amid broader generational trends such as the Chinese millennial turn away from U.S. culture and commodities, some have noted the apparent collapse of Chinese visions of the United States as the “lighthouse country” (灯塔国) – a beacon of modernity, technological prowess, and liberal governmentality to be imitated by Chinese bourgeois reformists.⁵ In particular, Xi Jinping’s doctrine of “four confidences” represents a canonized repudiation of longstanding currents of Chinese neoliberal political thought that viewed Western liberal democracy as a model for China’s modernization. Preaching confidence in China’s chosen path, its guiding theories, its political system, and its culture, this rearticulation of Chinese national self-confidence has been decried by Western onlookers as part of China’s ideological challenge to U.S. hegemony.

This increased confidence among Chinese overseas students in the legitimacy of the Chinese model has led to ideological clashes that trouble the neat presumption that exposure to Western liberal education will evangelize Chinese international students into the dogma of bourgeois democracy. In this context, Chinese international students have been transformed from a symbol of liberal edification into agents of Chinese communist infiltration. For example, when the Chinese Students and Scholars Association at the University of California, San Diego, protested the selection of the Dalai Lama as the campus’s 2017 commencement speaker, other campus voices argued they were “doing the work of the Chinese government” and pledged not to allow Chinese government “propaganda” to encroach on academic freedoms.⁶

The international spotlight afforded to the Hong Kong protests of 2019 similarly sparked campus battles. At Australia’s University of Queensland, Chinese students clashed with pro-Hong Kong student protesters, some of whom hoisted signs reading “No ChiNazi” and occupied the university’s Confucius Institute, part of a network of cultural and language partnerships affiliated with the Chinese government.⁷ Once again, a serious engagement with the political speech of Chinese students was deferred in favor of a nationalist and racially charged narrative of “communist creep” into the liberal safe haven of Australian higher education. A parade of Western liberal commentators emerged to pontificate on how, exactly, Chinese overseas students dared to articulate their own understanding of Chinese politics rather than embracing the tenets of bourgeois democracy and “self-determination.” As one U.S. university professor bemoaned: “Chinese international students are studying for years in the United States without adopting democratic values.... Clearly, we’re not doing a very good job teaching them.”⁸

These flashpoints quickly fueled racist speculation that Chinese overseas students, far from being proxies to mold China into the Western capitalist model, were in fact duplicitous agents of the Chinese state intent on undermining the West itself. In a salacious article titled “The Chinese Influence Effort Hiding in Plain Sight,” the *Atlantic* compared Chinese students in Germany, the United States, and Australia to “mushroom tendrils spreading unseen for miles beneath the first floor,” invisible to European leaders yet growing in nefarious power.⁹

Calls for political action soon followed. In 2019, assistant secretary of state for educational and cultural affairs Marie Royce called on educators to contribute to “integrating international students,” bemoaning the fact that Chinese overseas students “live in a propaganda bubble” by nature of consuming Chinese media and using Chinese social media apps like WeChat.¹⁰ The following year, the Donald Trump administration issued an executive order canceling the visas of thousands of Chinese graduate students and researchers in the United States who had ties to universities affiliated with the People’s Liberation Army.¹¹ Not to be outdone, Republican senators Tom Cotton and Marsha Blackburn unveiled even more onerous legislation to prohibit visas for *all* graduate-level Chinese international students in STEM fields.¹²

The starkly opposed receptions afforded to Yang Shuping and her fellow compatriots derided as “Red Guards” and “security threats” speaks to the binary construction of overseas Chinese people in the Western imagination. On the one hand, they represent the chance to affirm the hegemony of Western liberal ideology: by “liberating” Chinese subjects from the ostensibly repressive confines of socialist society, overseas Chinese people affirm the superiority of “fresh, American air” and serve as authentic mouthpieces for neocolonial agendas that seek to transform China into an object of Western intervention and modernization. On the other hand, when overseas Chinese rebuke the magnanimous hand of Western assimilation, they are framed by the trope of the Oriental invasion, infiltrating Western societies at risk to body, family, and nation.

If the branding of Yang Shuping as a “traitor” by Chinese “nationalist netizens” appears uncouth, it nonetheless speaks to an explicit strategy of the United States and other Western nations to instrumentalize overseas Chinese people in service of a paternalistic, antagonistic posture toward the People’s Republic of China. In this configuration, Yang’s story is representative of a broader genre of multicultural empire that wields the confessional speech of newly incorporated Chinese Americans as part of a campaign to delegitimize China’s socialist project. In an era in which a renewed Cold War posture toward China is obscured through

the uplifting of ethnic Chinese testimonies of Chinese depravity and U.S. excellence, historicizing the machinations of multicultural empire and its strategic instrumentalization of the Chinese diaspora therein is a crucial prerequisite toward forging a discursive space in which the Chinese diaspora can speak for itself.

National Humiliation, National Rejuvenation

The United States has long viewed the Chinese diaspora – and overseas Chinese students in particular – as a vehicle through which to direct China’s development in favor of U.S. commercial and geopolitical interests. In the early twentieth century, as the United States jockeyed with European powers and Japan in the so-called scramble for China, the overseas education of Chinese elites was posed as a strategic avenue to advance U.S. interests. As Russian, German, and Japanese military incursions into China threatened to collapse the fragile “open door” system that preserved the appearance of China’s territorial integrity and, more importantly, the open competitive access for foreign commerce in China’s ports, the possibility that the United States would be compelled to force its own sphere of influence in China via military power appeared imminent. Yet, secretary of war William Howard Taft posed the Americanization of Chinese elites as a “more subtle and strategic policy than using gunboats to open China to American influence.”¹³ University educators such as Edmund James, the president of the University of Illinois, gave similar advice. Writing to president Theodore Roosevelt, James put forth a model of ideological, not military, intervention: “The nation which succeeds in educating the young Chinese of the present generation will be the nation which...will reap the largest possible returns in moral, intellectual, and commercial influence.... We should to-day be controlling the development of China in that most satisfactory and subtle of all ways – through the intellectual and spiritual domination of its leaders.”¹⁴

In 1908, President Roosevelt would heed James’s advice and institute the Boxer Indemnity Scholarship Program, remitting some \$13 million to the Chinese government to be devoted to the U.S. education of select Chinese students. Described by Roosevelt as an “act of friendship” between the two countries, the measure was in fact an attempt to shape China’s destiny toward U.S. interests.

While such programs, alongside decades of missionary penetration of China, attempted to foster the “intellectual and spiritual domination” that reformers like James sought, efforts to paint the United States as a unanimous great power alternative to European colonial encroachment were undermined not only by the growing U.S. role in the neocolonial

China trade, but also by racist Chinese exclusion immigration laws that singled out Chinese migrants to be subjected to humiliating inspections, indefinite detentions, and outright bans on entry to the United States. In this context, overseas Chinese encounters with the humiliations of anti-Asian racism in the United States formed a politicizing crucible that connected racism abroad to the colonial domination of China at home. Far from evangelizing overseas Chinese people toward convergence with a U.S. model of modernity, these experiences created new movements for national self-determination and self-strengthening within and beyond the transnational Chinese community. These diverse emergent political currents – from Qing reformism to anticolonial nationalism and revolutionary republicanism – proved the capacity of overseas Chinese to mobilize a political identity in service of aims beyond the preordained machinations of U.S. aspirations. Far from neocolonial proxies of Western soft power, the overseas Chinese earned the honorific title of “the mother of revolution” in recognition of their role in fostering China’s 1911 republican Xinhai Revolution.¹⁵

The 1905 Chinese boycott of U.S. goods represents one moment on a longer timeline of transnational Chinese activism that mobilized experiences of overseas racism toward a nationalist, anticolonial project. Subjected both to “unequal treaties” at home that created segregated colonial concessions in port cities like Shanghai and to racist Chinese exclusion laws in the United States, Canada, Australia, and beyond, overseas Chinese sojourners, students, and laborers alike forwarded an analysis that linked both forms of racism to the weakness of a feudal Qing government that had become a glorified mediator of foreign incursions into China.

The humiliations of Chinese exclusion were circulated through political pamphlets, such as those of the Baohuanghui (保皇會) reformist party, which sought to mobilize readers toward a vision of reformist self-strengthening. As political thinkers such as Liang Qichao toured Chinese overseas communities in Hawai‘i, San Francisco, and beyond, they vividly depicted the ritualized humiliation of Chinese migrants subjected to body measurements, fingerprinting, and photography in the nude upon arrival to immigration detention centers such as Angel Island. As Liang wrote: “the Chinese immigrants coming to America have not yet committed any crimes, but they are treated as criminals.”¹⁶ These testimonies coalesced a transnational Chinese political identity on principles of national and racial pride and anticolonialism.

A song circulated by a Baohuanghui chapter in Burma in 1905 mournfully depicted the treatment of overseas Chinese, linking it to China’s own national weakness in the face of foreign imperialist powers:

Watch a European with a dog wagging its tail, both landed, walking away slowly.
Chinese should be grieving, lower than a dog.
Why so despicable, so disgraceful?
Our one country is too weak, no good,
Tears come down like rain
When looking at the general situation and our fatherland.¹⁷

In 1904, resumed U.S.-China negotiations threatened the indefinite extension of Chinese exclusion laws codified by the 1894 Gresham-Yang Treaty, giving rise to popular protests aimed at bolstering what reformers and revolutionaries feared would be the Qing court's weak negotiating hand. Bringing together immigrant associations such as the Chinese Consolidated Benevolent Association, overseas Chinese merchants, and Chinese reformists and revolutionaries, the 1905 boycott movement protested the humiliations of Chinese exclusion and called for national strength in the face of both colonial incursions and overseas discrimination.

The testimonies of overseas Chinese who bore the brunt of U.S. racism became a kind of transnational folklore that mobilized the boycott movement. Stories such as that of Feng Xiawei—a laborer from Guangdong who was wrongfully detained in an immigration raid in Boston and later returned to China before committing suicide in front of the U.S. consulate in Shanghai on July 16, 1905—spread the boycott through public remembrances of martyrdom. In a letter written before his death, Feng had warned of the mass movement to come if exclusion laws were extended: “many Chinese will follow me to die in protest if the treaty is not repudiated.”¹⁸ Similarly, Tom Kim Yung, the military attaché of the Chinese legation in Washington DC, was popularized as a martyr of the boycott movement after he committed suicide at the Chinese consulate in San Francisco in 1903, after having been arrested and beaten by local police.¹⁹ Through public vigils and commemorations throughout China and its diaspora, these fallen overseas Chinese became martyrs for the boycott and the nationalist movement it helped propel.

Importantly, the totalizing force of global anti-Chinese racism helped transnational currents of Chinese politicization partially to transcend boundaries of geography and class. Merchants, activists, scholars, students, and manual laborers in China, Hawai'i, the Philippines, and Singapore came together in unity to boycott U.S. goods. Liang Qichao described this spirit of camaraderie in Shanghai: “From millionaires to poor workers, millions of people are of one mind, and we must not stop until we win back our rights.... The foreigners in Shanghai have become worried, saying that China, the sleeping lion, has awakened.”²⁰ Emblematic of the power and unprecedented nature of the boycott, U.S. newspapers described the movement as a “commercial menace” and speculated it

may represent a “forerunner of an anti-foreign agitation.” *The Baltimore Sun* reported in September 1905 that even some of the wealthiest U.S. tycoons in Shanghai may not be “able to weather the storm.”²¹

The overseas network of Chinese merchants, students, sojourners, and laborers that mobilized the 1905 boycott would form the base for the dissemination of propaganda, financial support, and safe havens in the runup to the Xinhai Revolution that overthrew the Qing court in 1911. But later events of the twentieth century would prove the inadequacies of the bourgeois democratic model as a conduit for the liberation of China’s peoples. Having overthrown the monarchical system, the young Republic of China continued to face backward industry, a new capitalist class society, the influence of feudal warlords, and, most importantly, lacked real national recognition in an imperialist international system. Despite Chinese military support in Europe’s “great war,” China was marginalized from the Allied powers Paris Peace Conference in 1919. That conference’s transfer of German concessions in Shandong to Japan, rather than retrocession to China, proved the endurance of the colonialist domination of China and the persisting era of national humiliation. It was not until the formation of the People’s Republic of China in 1949 that Mao Zedong could credibly announce that the Chinese people had “stood up,” rejecting the colonial incursions suffered by its Qing predecessor and the foreign manipulation of which the rival U.S.-backed Kuomintang was long accused.

After decades of support for the exiled Kuomintang, the United States saw Communist Party leadership as a closing of China’s long-sought open door. Having now “lost” China, these changes fundamentally refigured the strategic significance of the Chinese diaspora in the eyes of U.S. officials. The racial regime of Chinese exclusion that had animated a transnational Chinese alliance in support of China’s national liberation gave way to Cold War tactics of contingent Chinese *inclusion* that sought to presage the U.S. battle for “hearts and minds” by symbolically integrating loyal Chinese Americans. Meanwhile, the lingering enforcement apparatus of the exclusion era was mobilized to target overseas Chinese with perceived loyalties to “Red China.” In this context, the precondition for Chinese diasporic political subjectivity was its allegiance to a hostile U.S. stance toward the new People’s Republic and an unquestioning loyalty to both the United States and the Kuomintang regime in Taiwan known by Cold Warriors as “Free China.” These early Cold War years enshrined new strategies of racial liberalism and multicultural empire that assimilated the Chinese diaspora into a militarized project of Cold War anticommunism.

The Cold War Mandate of Chinese-American Inclusion

Following liberation from Japanese occupation and the fleeing of Kuomintang troops to Taiwan, the United States emerged as the primary antagonist facing New China. As Mao identified U.S. imperialism as “the common enemy of the whole world,” racism against overseas Chinese was invoked as evidence of the hypocritical support the United States pledged toward “Free China.” In this context, the People’s Republic of China attempted to once again mobilize the racism faced by overseas Chinese in service of a project of national rejuvenation – now one of socialist development. For instance, a 1951 pamphlet published by the People’s Republic of China Office of Overseas Chinese Affairs included the testimony of a Chinese national living in San Francisco, describing the contradictions of a United States that preached a “special friendship” with the Chinese people that was never extended to Chinese nationals in the United States. As the pamphlet described: “Every Chinese in America has experienced mistreatment by the American Imperialist Immigration Authorities.”²²

These charges of U.S. racism, white supremacy, and imperialism from Chinese, Soviet, and nonaligned third world nations chipped away at the U.S. self-designation as leader of the “free world.” Socialist, anticolonial revolution was the only way toward real self-determination and an end to the fetters of neocolonialism in a supposedly postcolonial era. Aware of the ramifications of these allegations for U.S. influence in the third world, the Cold War ushered in a new regime of racial liberalism – what Jodi Melamed has described as the “incorporation of antiracism into postwar U.S. governmentality.”²³ Prototypical discourses of U.S. Cold War racial liberalism framed the Chinese diaspora in new ways: “overseas Chinese” emerged not as a politicized identity of transnational Chinese anticolonialism, but a category of targeted U.S. propaganda and strategic integration that, in the words of a 1954 U.S. Information Agency (USIA) memorandum, aimed to have the Chinese diaspora “be denied to world communism...and the Peking Regime.”²⁴

The new paradigm of racial liberalism presented unprecedented opportunities for Chinese-American civic inclusion after decades of legally mandated exclusion, segregation, and discrimination. Chinese-American political elites – from elected officials to old Chinatown organizations such as the Chinese Consolidated Benevolent Association – exploited these newfound opportunities for political power and representation. But this civic power was predicated on a willingness to wield Chinese ethnicity and U.S. patriotism in service of U.S. foreign policy objectives – decisively wedding Chinese-American racial “progress” at home to a militarized regime of Cold War anticommunism abroad.

The political ascent of Hiram Fong, the first Asian-American U.S. senator and a Republican representing occupied Hawai'i, is illustrative of the opportunities to be found under the auspices of a multicultural Cold War empire. As speaker of the Hawai'i House of Representatives, Fong yoked the movement for Hawaiian statehood to the Cold War "battle for hearts and minds" in Asia. Like others, Fong recognized that granting statehood to Hawai'i, with its majority-Asian population, would help dispel suspicions in Asia about U.S. racism – particularly anti-Asian immigration quotas that remained on the books until 1965. In a 1950 testimony before Congress, Fong argued that Hawaiian statehood would do in Asia what the Marshall Plan did in Europe – "win friends for our democratic way of life" by refuting communist allegations of U.S. racism, without incurring the equivalent costs of the Marshall Plan.²⁵

Fong's political success was no doubt grounded in his ability to wield his ethnic identity as proof of U.S. racial tolerance in the face of propagandized communist "totalitarianism." As *Newsweek* put it amid Fong's first senatorial run in 1959: "Imagine a Chinese in the U.S. Senate – how would Red China like that?"²⁶ Once in office, Fong made good on the promise of instrumentalizing his ethnic identity to advance U.S. foreign policy objectives. In October 1959, Fong embarked on a diplomatic tour of U.S. allies in Asia, in what was described in the *New York Times* as a "one-man people-to-people program" designed to "promote Asian appreciation of democracy as practiced in the United States."²⁷ It was a delegation only Fong could accomplish, for "the color of his skin and the shape of his eyes tell his story to an Asian audience before he begins to speak." Fong himself described his tour's mission of preaching to ethnically Chinese people in Southeast Asia on the question of national loyalties and inclusion: "They say that a picture tells more than 10,000 words. I hope that my appearance in the flesh will do the same." On the heels of the genocidal U.S. intervention in Korea, Fong's delegation speaks to the uses of "diversity" in rendering U.S. Cold War imperialism as a project of "spreading democracy" rather than a militarized project of anticommunist invasion and occupation.

Fong's foreign diplomacy was part of broader efforts to sever the political linkages between socialist China and overseas Chinese populations. By the mid-1950s, the State Department and CIA had both identified the overseas Chinese as a strategic target for psychological warfare and anticommunist propaganda. In the eyes of the U.S. government, the sizable population of ethnic Chinese living in countries like the Philippines, Indonesia, and Singapore was considered a latent "fifth column" of communist mobilization. Identifying the "critical importance" of overseas Chinese to U.S. Cold War efforts, ethnic Chinese in the United States were mobilized to produce and

disseminate testimonials of U.S. exceptionalism to encourage Chinese diasporic allegiance to their host countries and not “Red China.” For instance, the USIA launched a popular Chinese-language magazine called *Free World Chinese*, which featured success stories of Chinese and other Asians in the United States as evidence of free world liberal exceptionalism.

Voice of America, a radio broadcast unit of USIA, similarly tapped Chinese-American figureheads to perform the ideological work of U.S. empire. Chinese-American screenwriter Betty Lee Sung was tapped to write a Voice of America series titled “Chinese Activities,” depicting a rose-tinted view of life for Chinese people in America. As Sung would later recount: “What would interest the Chinese in China and Southeast Asia more than learning about how their compatriots lived and were treated in a country that represented to them the ‘mountain of gold,’ the ‘land of the beautiful,’ and presently archenemy of the Chinese communists?”²⁸

Beyond token individuals, Chinese-American communal institutions were also courted to cooperate with the goals of the U.S. foreign policy establishment and its geopolitical allies. The Chinese Consolidated Benevolent Association (CCBA), a longstanding intermediary between the Chinese-American community and U.S. immigration authorities, emerged during the Cold War as an avatar of both Kuomintang and U.S. anticommunist repression in the Chinese diaspora. For pledging loyalty to “Free China,” many CCBA executives were rewarded with positions in the Kuomintang party and the Nationalist government. These loyalties were tapped to crush any political sympathies in the Chinese-American community with the People’s Republic: when Chinese Americans in San Francisco hoisted the People’s Republic of China flag in celebration of China’s founding in 1949, pro-Kuomintang thugs disrupted the celebration and beat the attendees.²⁹ The following day, posters were plastered throughout Chinatown listing some fifteen diaspora supporters of the People’s Republic and offering a \$5,000 reward to anyone willing to kill them.³⁰ In New York, the consul general of the former Republic of China complained to authorities of the “hoisting of the new flag of the bogus regime in Chinatown.”³¹

These acts of anticommunist repression were coupled with public displays of patriotism for both the United States and the Kuomintang regime. Various CCBA organizations officially condemned Mao’s leadership, denounced China’s entrance into the Korean War, and protested against potential People’s Republic of China representation in the UN General Assembly. Partisan publications like the *Chinese Nationalist Daily* urged Chinatown leaders to “prove to the American people that we are against communism.” Chinatown leaders met the call—in 1950, the CCBA helped establish the Chinese Six Companies Anti-Communist League and declared that “99.7

percent” of Chinatown was on the right side of the Korean War.³² The League formed with the express objective to support the U.S. intervention in Korea and “cooperate with Americans in general and help them differentiate between friend and enemy among the Chinese.” Doing so entailed public performances of patriotism, such as a February 1951 fundraising rally in which participants carried signs proclaiming “Down with Red Imperialists,” “Chinese Americans Are Loyal Citizens,” and “Help Free China.”³³ With their knowledge of the community landscape and their shared interest in suppressing the diaspora left, the CCBA increasingly took on a role as community broker for state repression. For instance, when the Kang Jai Association, a local organization for men from Hainan, declined to sign a CCBA declaration of loyalty following China’s entrance into the Korean War, their headquarters were raided by U.S. Immigration and Naturalization Service (INS), and eighty-three of its members were detained.³⁴

In differentiating “friends and enemies,” Cold War Chinese-American inclusion was premised on a binary between “model minority” anticommunist allies and “yellow peril” communist sympathizers. While Cold War racial liberalism afforded new opportunities for civil inclusion for Chinese Americans willing to embrace the legitimizing fictions of U.S. imperialism, it also created conditions for state-sanctioned anticommunist repression for those alleged to have the wrong international sympathies. Programs such as the Chinese Confession Program, overseen by the INS from 1956 to 1965, are illustrative of the binary of assimilation and repression that governed U.S. mediation of Chinese diasporic communities during the Cold War. Sparked by a Hong Kong embassy official’s concerns that the longstanding “paper son” system utilized by Chinese migrants to evade Chinese Exclusion restrictions could become a “criminal conspiracy” to be exploited by Chinese communists, the INS called for Chinese-American paper sons and their descendants to come forward to “confess” and normalize their immigration status. In this way, officials hoped to close the books on the paper son system through which Chinese migrants used fraudulent family immigration records to evade onerous exclusion laws and, later, national quotas that remained in place until 1965.

The Confession Program attempted to reconcile decades of distrust between Chinese Americans and immigration officials with the benevolent promise of normalizing the status of paper sons and their families “if at all possible under the law.”³⁵ And yet, under the spirit of McCarthyism, the program was also wielded to uncover and reprimand potential communist activities in the Chinese-American community. As the 1954 FBI report *Potentialities of Chinese Communist Intelligence Activities in the United States* claimed, leftist diaspora groups such as New York City’s Chinese Hand Laundry Alliance

were “alleged to be under Communist control.”³⁶ Based on these tenuous associations, membership lists of the Chinese Hand Laundry Alliance and subscription lists for their affiliated *Chinese Daily News* were used as evidence in immigration hearings, leading many to cancel their subscriptions and leave the group. Two prominent Laundry Alliance members committed suicide because they could “no longer endure the constant FBI harassment.”³⁷ While the INS promised that it would “assist [paper sons] to adjust their status if at all possible under the law,” it exercised no such benevolence when it came to those affiliated with left-wing organizations. Paper sons such as Louie Pon, a member of Chinese Hand Laundry Alliance, were routinely denied relief and stripped of citizenship “as a matter of administrative discretion.”³⁸ While the confession program was posed as a program of racial liberalism and inclusion, its anticommunist bent revealed its lingering racism. INS reports boasted of the agency’s “special attention” to the “problem of the subversive class of Asiatic origin” – selectively transposing the nineteenth-century figure of the unassimilable alien onto the Chinese communist.

In a telling juxtaposition, the targeted repression of Chinese-American leftists was coterminous with refugee relief programs that sought to “rescue” Chinese refugees who, in “voting with their feet,” had spurned Chinese communism and represented a symbolic coup for the United States. Organizations such as Aid Refugee Chinese Intellectuals, which launched with \$50,000 in CIA seed funding, sought to resettle Chinese refugees with professional and technical training with a “plea to the American people...that these people must be saved for service to Free China.”³⁹ In a confession of the class character of the refugee program, Aid Refugee Chinese Intellectuals leaders compared the “hundreds of coolies” entering the United States “simply because they have relatives” to the legislative obstacles encountered in their efforts to relocate elite intellectuals. Dramatic solicitations for financial support were supplemented with moralizing calls to support families who “thought enough of freedom to hazard the agony of exile rather than bow to Communism.” A “gift of \$350,” one advert read, “will save one Chinese for freedom.”⁴⁰

Once resettled in the United States, Chinese refugees were assumed to owe a debt to the United States. A declassified CIA document from 1964 titled *Windfall from Hong Kong* described a program “exploiting the emergency mass admission of Red China refugees” that had presented the intelligence community with an “exceptional opportunity” to collect information. As the author of the brief curtly described: “When the government pays for the transportation and arranges for the livelihood of a political refugee, it has the right to ask certain things of the refugee in return.” In this case, that meant “providing information of value” about the nature of China under

Communist leadership that might advance Cold War aggression toward the United States's "most difficult intelligence target."⁴¹ Once more, the Chinese diaspora's price of admission for the "American dream" was their instrumentalization before the mandates of U.S. Cold War foreign policy.

"Free Speech" in a Discursive Cage

The contemporary escalation of Cold War aggression on China – heralded by the Barack Obama administration's "pivot to Asia" and intensified by both the Trump and Joe Biden administrations – retains the twentieth-century ideological configuration of the Chinese diaspora. The tactics of racial liberalism that mandated the easing of explicit anti-Asian immigration policy in favor of selective civic inclusion for patriotic Chinese Americans and anticommunist Chinese refugees have only become more sophisticated in an age of neoliberal multiculturalism. Where 1950s Cold Warriors spoke of the "special relationship" between the United States and China to justify the U.S. embargo on China and the propping up of Chiang Kai-shek's Taiwan regime as "Free China," contemporary Sino-phobia is structured by a similar profession of solidarity with an abstract "Chinese people" posed alongside righteous opposition to the Chinese state and the leadership of the Communist Party.

Rampant targeted prosecution of Chinese nationals in the STEM fields now coexists with the elevation of Chinese-American government officials, journalists, and researchers as foot soldiers of Cold War Sinophobia. The roundup of Chinese-American scientists such as Massachusetts Institute of Technology professor Chen Gang, accused of grant fraud for receiving research scholarships from Chinese entities, can be defended as "race neutral" in a multicultural system in which trade hawks such as Katherine Tai, the Biden administration's U.S. trade representative, is heralded as the first Asian-American woman to hold the role.⁴² The value of the confessional speech of ethnic Chinese willing to testify to the "depravities" of the Communist Party of China is reflected in the growing prevalence of Chinese-descent journalists and researchers who pepper the staff directories of corporate media China bureaus and defense industry think tanks. While vapid multiculturalism poses these native informants as authentic affirmations of U.S. superiority, historicizing the Cold War roots of such confessional speech betrays a more complicated truth: the political subjectivities of the Chinese diaspora have long been shaped not by a liberal ideal of "free speech," but by the illiberal confines of Cold War anticommunism that uplifted a Chinese-American brand of U.S. exceptionalism while silencing all dissent.

In the midst of a sharp rise in anti-Asian violence in the United States over the past year, the severe curtailment of Chinese-American political dis-

course has become all the more evident. This violence, above all, has been structured by Sinophobia: countless victims of racist violence have recounted being told to “go back to China” or being labeled as carriers of the “Chinese virus.” In a telling convergence, the Georgia police chief who described the Atlanta spa shooter as “having a bad day” was linked to Facebook posts depicting T-shirts declaring COVID-19 as “imported...from Chy-na.”

Yet, the liberal response to Sinophobic violence has not been a critique of U.S. empire’s Cold War posture toward China, but instead the deployment of claims to American belonging that reflects a fervent reinvestment in U.S. liberal democracy as the only legible framework for a viable Asian-American future. This rehearsal of Asian-American belonging and calls for civic inclusion in the face of “perpetual foreigner” tropes strips anti-Asian violence from the discursive and political conditions from which it arises. Rather than rejecting the fictions of U.S. liberalism and multiculturalism, this political genre professes a deep faith in their future realization, reifying American exceptionalism and its inexorable capacity for liberal progress.

The colliding political projects of institutionalized Sinophobia and a neoliberal promise to “Stop Asian Hate” has circumscribed the possibilities for Chinese-American political speech in new ways. Increasingly, the confessional genre of the Chinese-American political essay is predicated on a repudiation of Chinese national affiliation as one of guilt and shame. As one essayist wrote in the wake of the Atlanta massacre, “to live conscientiously as a Chinese person is to assume a perpetual state of guilt.”⁴³ The performance of Chinese liberal guilt enables the reification of U.S. exceptionalism in a moment of crisis: in the face of anti-Black police executions and the persistence of the U.S. settler state, it is *Chinese* “authoritarianism” that Chinese Americans are tasked with denouncing.

It is a trope within this genre to say that Chinese people in the United States who exercise the right to political speech are engaged in a freedom they would not be allowed in China. The irony is that despite being held up as exemplars of freedom, tolerance, and opportunity, Chinese diasporic figureheads of U.S. liberalism remain deeply circumscribed by Cold War anticommunism and its racist undertones. “Freedom” to speak has only been afforded to those willing to stake their right to speak on the backs of those crushed by an increasingly aggressive U.S. empire. As the confessional testimonies of Chinese Americans are rallied once more to reinvigorate U.S. Cold War imperialism, seeing through the ruses of multicultural empire is paramount. Until the Cold War binaries of “free world” liberalism and Chinese “authoritarianism” are undone, the Chinese diaspora will not be able to speak on its own terms.

Notes

1. "#Proud of China UMD," Youtube video, posted by Esme Jiang, May 22, 2017.
2. Carrie Gracie, "The New Red Guards: China's Angry Student Patriots," BBC, May 26, 2017.
3. Mobo Gao, *Constructing China: Clashing Views of the People's Republic* (London: Pluto, 2018).
4. See Liping Bu et al., *Making the World Like Us: Education, Cultural Expansion, and the American Century* (Westport: Praeger, 2003).
5. He Huifeng, "China's Millennials, Generation Z Leading Nation Away from Hollywood Films, American Culture, US Brands," *Southern China Morning Post*, March 20, 2021.
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From Sandstorm and Smog to Sustainability and Justice

China's Challenges

LAU KIN CHI, JIN PEIYUN, AND YAN XIAOHUI

Blue Sun over Beijing

From March 14 to 27, 2021, a severe sandstorm that started in the Eastern Gobi Desert steppe swept across the Mongolian Plateau South, the Loess Plateau, the North China Plain, and the Korean Peninsula. Beijing and twelve provinces in China were hit by the worst sandstorm in a decade. In Beijing, on March 15, a blue sun appeared, as the red rays were absorbed by the sandstorm particles. In a 2015 sandstorm, PM₁₀ (coarse atmospheric particulate matter) was at 1,000 micrograms per cubic meter – 30,000 tons of sand fell onto Beijing, amounting to 1 kilogram of sand per capita for the city's population. The 2021 sandstorm, however, was more severe as PM_{2.5} (fine atmospheric particulate matter) levels reached a height of 680 micrograms per cubic meter and PM₁₀ were 8,108 micrograms per cubic meter. The World Health Organization guidelines for safety levels of PM_{2.5} and PM₁₀ for twenty-four hours are, respectively, 25 micrograms per cubic meter and 50 micrograms per cubic meter.

As for smog, a few days before the sandstorm arrived, Beijing authorities issued a yellow warning – the second-most severe level of a four-tier air pollution warning system. According to a Community Modeling and Analysis System-Integrated Source Apportionment Method model that determines the source of air pollutants, 35 percent of pollutants came from Beijing and 65 percent from outside.¹

How do we understand these figures of sandstorm and smog? For the sandstorm, two factors are given as explanations. One is global warming. In Mongolia, the average temperature in March 2021 was 5 to 8 degrees Celsius higher than the usual -4 to -14 degrees Celsius. The average temperature of Mongolia in the last eighty years has risen by 2.25 degrees

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Celsius. The second factor is said to be the Mongolian cyclone caused by low atmospheric pressure. This cyclone has once again approached high levels after a decade of having abated.

With little precipitation, “the combined action of the Mongolian cyclone and the cold high pressure,” Zhang Bihui, director of China’s National Meteorological Center, stated in March 2021, “provided a strong impetus for the sandstorm,” carrying sand and dust from the Gobi Desert in Mongolia and the central and western deserts of inner Mongolia.² Warming of surface temperature was also due partly to continuous desertification: 40 percent of Mongolia is desert and 75 percent of its land area is arid. If it is a matter of irresistible natural phenomena, one would have to be resigned to accepting this as ill fate and devise ways to adapt or mitigate the effects. However, the ecological issues in Mongolia in the last two decades have been seriously aggravated by overgrazing and mining, human factors that have contributed to the destruction of grasslands and desertification. In strictly economic terms, Mongolia could pride itself on the highest economic growth rate of double digits in the world in the first decade of the millennium, and even when the growth rate came down to one digit in the last few years, it still surpassed that of China and India. The reason? The economy has been boosted by mining.

Gold and Copper

Mongolia hosts 10 percent of the world’s coal reserve and operates eleven coal mines. Furthermore, the Oyu Tolgoi gold-copper mine in the Gobi Desert, 80 kilometers from the Mongolia-China border, is being developed as the biggest mining project in the world. *Oyu Tolgoi* means *turquoise hill* in Mongolian, due to the color of the copper exposed to oxygen. The site was constructed in 2010 and started exporting copper in 2013. Some people even jokingly call Mongolia “Minegolia,” but behind this is the tragedy of a ravaged environment for traditional herders as mining drains huge amounts of water resources. The UK-based mining giant Rio Tinto and Canada’s Ivanhoe Mines own 66 percent of the mine; the Mongolian government owns 34 percent of the mine. The open pit mine of 2 square kilometers in phase one was expanded into a surface subsidence of 8 square kilometers with block caving in phase two in 2015.³ Relocation of the Bor Ovoo spring for the mine denied herders access to water for their livelihood and for the herding pastures. Rio Tinto later drew water from the Gunii Hooloi aquifer, a 150-meter-deep resource holding around 6.8 billion cubic meters of non-drinkable saline water that is used for processing ore. The mining giant claimed that Oyu Tolgoi used around 420 liters of water to process a ton of ore and stressed that this was half of the

industry average, as if half the industry's average were not an excessive devastation of water resources, with the mine processing about 100,000 tons of ore daily. The huge scale of mining is thus contributing to the process of desertification (dustbowlification).

Mongolia's increasing dependence on extractive industries displaces traditional crafts, such as the cashmere industry, and makes the country vulnerable to vacillations of prices in the global mineral markets.⁴ The March 2021 sandstorm highlights the environmental consequences of the extractive industries that have aggravated the stress on ecological equilibrium.

However, Mongolia is not solely to blame for the March sandstorm. Intensifying global warming has meant that the extremities of the weather, causing floods in some regions and droughts in some others, are affecting the entire world.

Licorice and Poplar

Historically, the northern regions in China were periodically affected by severe sandstorms, hence the moving of the capital on several occasions, such as from Xi'an to Luoyang in 904, during the Tang dynasty, and subsequently in 960, the Song dynasty set Kaifeng as its capital. The problem of desertification in northern China is thus a longstanding problem.

According to the 2015 national survey on desertification, the desertified area constituted 27 percent of China's total area, concentrated in the five northwestern provinces of Xinjiang, Inner Mongolia, Tibet, Gansu, and Qinghai. An additional 18 percent of land was arid. The Chinese government estimated that the land area affected by desertification was about 3 million square kilometers, about one-third of China's total land area, and desertification expanded at an annual rate of 2,640 square kilometers, leading to loss of 5 billion tons of topsoil. Degradation of indigenous vegetation also meant diminishing water resources.⁵

The biggest afforestation project that the Chinese government has invested into is the Three-North Shelter Belt Project, also known as the Great Green Wall Project. It was launched in 1978 and planned for seventy-three years, until 2050, during which 35 million hectares of shelterbelt forests and vegetation would be set up along a windbreaking green belt measuring 4,480 kilometers east to west and 560 to 1,460 kilometers north to south. The Three Norths, referring to the north, northeast, and northwest regions with a total area of 4.069 million square kilometers, constitutes 42.4 percent of China's total land area. Forest cover is planned to increase from 5.05 to 14.95 percent. Growing trees would also offer local residents timber. On the fortieth anniversary of the project, in 2018, the government announced that forest cover had increased from 5.05 to 13.59 percent.⁶

The massive Great Green Wall Project carries another mission besides containing desertification and fending off sandstorms. The new forests are supposed to serve as carbon sinks, though there are reservations on the lack of biodiversity as distinct from old-growth vegetation.

The March 2021 sandstorm was quite a disappointment, as the increasing intensity and scope of sandstorms seemed to defy the human efforts of all these years. The sandstorm cast some doubts over the effectiveness of this mega afforestation project. The project is necessarily ambitious in order to counter the acuteness of the problem of desertification. The determination of the Chinese government is a positive factor in the design and implementation of the project. However, success of a project of this scale necessitates active engagement of the local population and a respect for the differences of localities.

There are “success” stories in the afforestation project. The Kubuqi Desert greening project has been acclaimed by the UN Environment Programme as an “eco-pioneer” and praised by the December 2015 Paris Summit on Climate Change. Within thirty years, one third of the Kubuqi Desert in Inner Mongolia, with an area of 6,000 square kilometers, had been greened. The region is 800 kilometers to the west of Beijing. Licorice and cistanche, drought-resistant Chinese medical herbs, are planted. They hold and fertilize the arid soil and at the same time bring income to the local people.

However, there are also “failure” stories. Zhang Jianlong, director of the State Forestry Administration, told a reporter in an October 2016 interview that, in some regions, in order to seek immediate results, large areas became monoculture plantations growing poplars. Poplar cuttings were planted, as they grow rapidly and require low maintenance. There were reports on massive deaths of the poplar in the last twenty years. For example, from 2007 to 2013, in Zhangbei County, 200 kilometers from Beijing, 33,000 hectares out of 43,800 hectares of poplar shrunk and died.⁷ Several problems arose. Rapidly growing trees have a shorter lifespan, so vast stretches would die and need to be replaced after thirty to forty years. Additionally, monoculture planting causes poplar borers and diseases that destroy the trees. In some places, fearing that the poplar saplings may die, several times the appropriate number of trees were planted, leading to crowding.

One other problem is that the poplar requires adequate watering, so its drawing on water inadvertently further depletes underground water resources in some regions. Scientists have commented that the introduction of trees to arid areas could have the negative impact of trees taking up too much ground water. The rapid drop in groundwater levels is pronounced in many parts of the desert and arid regions. For example, Minqin County in Gansu Province, once an oasis at the junction of two

deserts, suffered from serious water shortage due to the water of the upstream Shiyang River being diverted for irrigation purposes, and serious droughts in the 1990s. The evaporation was twenty-three times the precipitation. Its underground water level dropped by as much as 0.5 to 1 meter per year. Village wells were drilled down to 300 meters and some still dried up.⁸ In the 1980s, local villagers developed 30,000 hectares of farmland from arid soil, which put a further stress on water resources. In 2007, the government took drastic measures, setting a quota of 6,900 cubic meters of irrigation water for each hectare, forbidding high water consumption items such as onions, closed 3,018 wells, and reduced farmland by 29,450 hectares. Large numbers of the population were moved out as environmental migrants. The population of Minqin County had dropped from 300,000 in 2000 to 240,000 in 2019, losing 20 percent of its population within less than two decades.⁹ In 2015, Minqin County was acclaimed as a model in containing sand erosion. With the government's intervention, Minqin now has a greener outlook and a better ecological environment. Yet the question needs to be asked: At whose expense?

Starting in 2000, massive migrations took place due to the reestablishment of ecological equilibrium. Over seven million migrants left their homes in northwest China, but life of resettlement was not at all easy. In early 2021, the television drama series *Minning Town*, representing the lives of environmental migrants, became very popular (it will be shown abroad with subtitles in various languages). Some catchphrases are: in the resettlement area, the villagers say, "we have only one draught of wind every year, it blows from spring to winter" and "When will the future ever arrive?" This reveals a contradiction: generations had lived in difficult circumstances, fighting and adapting to the adverse environment. Nature is given a chance to recover when people move out, but resettlement life for migrants may not be improving and income may not be stable. Without a decent living and farming or working environments, many migrants have chosen to leave their resettlement areas and become "labor migrants."¹⁰ This social plight is prevalent, hence the popularity of the television series.

Greening Urban-Rural Fringe Zones

Massive migrations are happening not only in afforestation projects or dam projects, but also at the fringes of metropolitan cities. An example is the eviction of migrants from Daxing.

Today, Daxing District is a developed, orderly, and green zone hosting the airport in the southern suburbs of Beijing. In the last few decades, due to its proximity to the center of the capital, Daxing underwent a rapid process of urbanization. In a mere span of forty years, the northern

belt of Daxing took a few leaps, from agricultural production to textile manufacturing, to small-scale industrial enterprises, to a tertiary sector of warehouses, logistics, and small businesses. These transitions went hand in hand with several “upgrades,” with expulsions of migrant laborers and industries in the northern belt of the district in 1995, 2011, and 2017. With an influx of labor-intensive manufacturing, such as the textile industry in the 1980s, and the development of industrial compounds in the villages in the 2000s, local villagers no longer farmed but leased their plots to small-scale industries, logistics, and services in the 2010s. In this urban-rural fringe zone, in the early winter of 2017, a major fire broke out in an apartment building in the town of Xihongmen, resulting in nineteen dead and eight injured. An investigation found that the fire was caused by a malfunctioning circuit in a cold storage located on the underground floor of the building. The three-story apartment building, with an area of about 20,000 square meters, had been a “tri-functional” structure that combined warehouses, factories, and residential units. On the underground floor were cold storages, on the ground floor eateries, small shops, textile workshops, and so on, while the first floor and part of the second floor were residential rental units; a total of three hundred small rooms were rented to more than four hundred migrant workers.

Two days after the fire, the authorities quickly moved to justify evictions for the sake of eliminating “potential safety hazards.”¹¹ With an eviction deadline, tens of thousands of “non-local” migrant workers in suburban areas of Beijing – factory workers, food service personnel, couriers, and construction workers – as well as their families, old and young, hastily moved out of their rental homes and workplaces. In just the town of Xihongmen alone, 120,000 migrant workers and thousands of small enterprises were expelled within two weeks. At the same time, original rural households, instead of renting out their land to migrant workers, were organized through a new government pilot scheme to put together their fragmented land pieces (distributed to individual households under the reform program) for auctioning in the land market. Daxing District was one of the thirty-three pilot experiments across the country. The first lot of 26,700 square meters was traded in 2017 at ¥805 million for a usage right of forty years. The villagers became stockholders, taking dividends off their land.

In the meantime, Daxing moved on its upgrading. Apart from the new airport, it now hosts a modern façade of high-end commercial buildings, middle-class residences, and ecological green zones. It has shed the “backward” primary sector, the secondary sector, as well as a “low-end” tertiary sector.

Between 2015 and 2019, Beijing’s migrant worker population was reduced by 770,000.

Carbon Neutrality

In 2017, going along with the eviction of “low-end” populations from urban-rural fringe zones, the authorities implemented drastic measures in banning coal burners. It was near the end of the government’s five-year plan (2013 to 2017) to improve air quality through a “no-coal zone” for Beijing, Tianjin, and twenty-six cities in the provinces of Hebei, Shanxi, Shandong, and Henan (known as the 2 + 26 scheme). In this region, every year, thirty-six million tons of low-quality coal was burnt by rural households for heating and cooking, constituting 10 percent of coal used but 50 percent of pollution.¹² The final push in 2017 to eliminate household coal burners when winter was setting in caused much distress as gas supply was inadequate but coal burners had already been banned and destroyed.¹³ The air quality, however, did improve. At the end of 2019, the rate of clean-energy heating in the rural areas of northern China (not limited to the 2 + 26 zones) was about 31 percent, up 21.6 percentage points from 2016. By 2019, about twenty-three million households in rural areas in northern China had replaced bulk coal with clean energy, including eighteen million households in the Beijing-Tianjin-Hebei region, its surrounding areas, and the Fenhe-Weihe River Plain.¹⁴

Doing away with household coal burners was necessary but insufficient to curb air pollution. Even the drastic reduction of human activities and economic production in 2020 during COVID-19 shutdowns contributed only to a temporary improvement in air quality. China has been the biggest emitter of carbon dioxide since 2007, but as the world’s factory, the pollution responsibility should not be taken up by China alone. The global consumer community should be responsible for the ecological footprint, especially the United States, which in 2018 had more than twice the per capita carbon emissions of China.¹⁵

In September 2020 at the UN General Assembly and in December 2020 at the Climate Ambition Summit, China pledged to achieve peak carbon dioxide emissions by 2030 and carbon neutrality (net zero emissions) before 2060.¹⁶ The pledge is that, by 2030, China will “lower its carbon dioxide emissions per unit of GDP by over 65 percent from the 2005 level, increase the share of non-fossil fuels in primary energy consumption to around 25 percent, increase the forest stock volume by 6 billion cubic meters from the 2005 level, and bring its total installed capacity of wind and solar power to over 1.2 billion kilowatts.”¹⁷ In February 2021, China implemented a set of interim rules for the management of carbon-emissions trading. From 2012 to 2019, energy consumption per unit of gross domestic product was reduced by 24.4 percent, equivalent to 1.27 billion tons of standard coal. In this period, China saw an average annual growth of 7 percent in the economy, while annual energy consumption rose by only 2.8 percent. The government re-

port of 2021 pledged that energy consumption per unit of gross domestic product and carbon dioxide emissions per unit of gross domestic product in 2021 will be reduced by 13.5 percent and 18 percent, respectively.¹⁸

The share of non-fossil fuel consumption in China had risen from 19.1 percent in 2016 to 24.3 percent in 2020. Coal remains the basic energy source. In 2019, coal consumption accounted for 57.7 percent of total energy consumption, but this was already a decrease of 10.8 percentage points from 2012; the consumption of so-called clean energy (natural gas, hydropower, nuclear power, and wind power) accounted for 23.4 percent of total energy consumption, an increase of 8.9 percentage points over 2012. China's renewable energy resources have expanded rapidly, with cumulative installed capacities of hydropower, wind power, and solar photovoltaic power each ranking top in the world. The total installed capacity of nuclear power plants under construction and in operation reached 65.93 million kilowatts, the second largest in the world.

Reduction in fossil fuel consumption would certainly be welcome. However, the emphatic use of the term *clean energy* with respect to nuclear power, presented in a positive light, needs to be scrutinized. In particular, nuclear energy risks irreparable damage. The Fukushima nuclear power plant catastrophe continues to be a nightmare.¹⁹ The Japanese government's proposal in April 2021 to dispose of 1 million tons of contaminated water into the sea garnered international outcry, yet the cruel fact is that the reason for the incessant generation of 140 tons of radioactive water a day comes from a far more hideous monster. In the last ten years after the explosion of reactors one and three of the Fukushima Daiichi nuclear power plant in March 2011, almost nothing has been, or could be, done to handle the radioactive mass/mess of the nuclear meltdown inside the two reactors. The sight of the ruined reactor buildings may have become a sight too familiar to draw attention, but what lies within is concealed from public sight. Proclaiming nuclear energy as "clean" veils the catastrophic risk.

Alternatives?

The approach to climate change and the mainstream "remedies" proposed require serious attention. As Gustavo Esteva has noted, the terms *climate change* or *global warming* are too mild to have a strong impact on general perception. The term *climate collapse* is a much more accurate rendering of the immense challenge for the whole of humanity. However, in the mainstream, the symptoms may be dealt with, but the fundamental problem is not. As in the case of the disposal of radioactive water in Fukushima, which certainly deserves concern, the fundamental question to be asked is how to stop more contaminated water from being generat-

ed, so the limelight needs to fall on the molten nuclear mass inside the reactors. In the same manner, the solution is not setting carbon-emission trading quotas, because this presumes emission can continue after purchasing a quota; business as usual. In the same manner, the crucial question is not to choose between fossil fuel or renewable energy, but to interrogate the paradigm that consumes so much energy. Thus, the entire paradigm of modernization and development as we know it, which has persisted for over two centuries, needs to be interrogated and radically changed. We cannot have business as usual, or lifestyle as usual for the elites, and suffering and sacrifice as usual for the subaltern.

China, given the scale of its problems as well as the scale of its population, economy, and resources, is in a position to make a significant contribution to a turn in the trajectory for humanity – this century may see catastrophic consequences for life on earth, including humans, if we cannot avoid a global warming of 2 degrees Celsius.

Thus, while there are proposals for remedial measures, these may be futile if some key orientations are not pursued. In 2020, despite the global pandemic, China's total input and output value was ¥32.1557 trillion (\$4.93 trillion), an increase of 1.9 percent over 2019. With the sanctions and hostilities from the United States and its allies in the unfolding of a New Cold War, China, in May 2020, pronounced a “dual circulation strategy,” which essentially means readjustment of its four-decade-long strategy of integration into the global economy since 1978, which was to contribute massive human and environmental “resources” to support an export-oriented economy. The term *dual circulation strategy*, apparently giving equal importance to the two strategies, in essence means adding “domestic circulation” to the four-decade-long prominence of “external circulation.”

However, if this strategy of turning inward is compelled by hostilities and instabilities in the external world, it would vacillate depending on external factors. It does not necessarily mean a self-chosen turn to self-reliance, self-sufficiency, and a proactive path of “delinking” from the impositions of the United States and its allies. If the shift is to be made toward “internal circulation” based on “delinking” from the hegemony and impositions of the United States and its allies, a major reversal of the four decades of export-oriented economic development will need to be carried out.

For China and the semi-peripheral and peripheral countries to pursue a path of autonomy and delinking from the U.S.-dominated capitalism, and capitalism itself, radical alternative approaches could and should be contemplated. COVID-19 with its ghastly impacts was unthinkable before December 2019. If over 90 percent of airplanes can be grounded, if extensive human activities can be suspended under lockdowns, though involuntari-

ly, it is also possible to take a path of active (not passive) individual, collective, and systemic changes to meet the challenges of climate collapse.

In China, the orientation for “ecological civilization,” which is an excellent orientation, has been proposed for some years. But if the hard core of developmentalism and modernization continues to be the guiding principle, China will continue to be challenged by social injustice and environmental devastation. China’s poverty alleviation efforts eliminating absolute poverty are laudable, but relative poverty and social polarization will continue. Strengthening the people’s resilience in meeting economic and environmental challenges is paramount. The Made in China 2025 (a state planning measure designed to strengthen China’s position in global high-tech manufacturing) and China 2049 (China’s plan to build a modern socialist country – strong, developed, democratic, civilized, and harmonious – by its centenary) schemes need to be adapted within the “ecological civilization” paradigm.

The opportunity is before China and the Chinese people. The following principles and strategies can be contemplated.

First, to have ecology take precedence over economy. That would mean not only having “domestic circulation” precede “external circulation,” but also fostering localization with respect for local specificities and differences. This involves promoting local efforts and mobilizing people on the ground to organize their energies collectively to tackle problems that are a consequence of modernization and development and that trapped them in vicious circles. To reverse current damages, slowdown in development or urbanization is not adequate. There must be strategies for de-growth, deurbanization, and deindustrialization.

Second, to have agriculture take precedence over industry, and certainly over finance. Financialization in today’s world is speculative and parasitic. Production of physical goods under market demand is geared toward feeding insatiable consumerist demands in the center of the capitalist world system, while basic needs of those at the periphery are ignored. The return to the primary sector is to foster small peasantry production and rural regeneration, reviving community bondages and interdependence, returning to a respect for nature.

Third, to have life take precedence over money and profit. Survival and subsistence are becoming a luxury for massive populations on Earth, whereas a minority lives in obscene wealth. Whether it is termed humanism, egalitarianism, socialism, or communism, the struggle against such gross, rampant injustices in the world today must be waged. The majority, subaltern population should be provided with the conditions for a life lived with dignity and spiritual enrichment.

Fourth, to have internationalism take precedence over nationalism. Going for self-sufficiency within national boundaries is complementary to concerted global efforts in tackling the challenges of climate collapse. Sandstorms from the Gobi Desert blow across countries with no respect for national borders. The COVID-19 pandemic sweeps across the globe. The radioactive water from Fukushima, carrying tritium and other radioactive materials such as iodine-129, cesium-137, strontium-90, will circulate in not only the Asia-Pacific but in all oceans.

Audacity for imagination, for hope, and for action!

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18. "Xi Focus: Walk the Talk: Xi Leads China in Fight for Carbon-Neutral Future," *Xinhua*, March 16, 2021.
19. Lau Kin Chi and He Zhixiong, "Tokyo Olympics and Fukushima 'Revival,'" *Monthly Review Essays*, July 2, 2020; Lau Kin Chi and He Zhixiong, "Eight Years After: No End in Sight for Clearing the Fukushima Nuclear Disaster," *Monthly Review Essays*, April 26, 2019.



It may safely be augured that the Chinese revolution will throw the spark into the overloaded mine of the present industrial system and cause the explosion of the long-prepared general crisis.... It would be a curious spectacle, that of China sending disorder into the Western World.

—KARL MARX, "Revolution in China and in Europe," in Karl Marx and Frederick Engels, *Collected Works* (New York: International Publishers, 1975), 98

The Capitalists of the 21st Century

An Easy-to-Understand Outline on the Rise of the New Financial Players

Werner Rügemer

The Capitalists of the Twenty-First Century presents an outline of the capitalist players that have become dominant since the 1990s in the United States. Capital organizers like BlackRock, Vanguard, and State Street, as well as private equity funds, hedge funds, and venture capitalists, organize the worldwide buying, selling, and restructuring of companies, banks, and public assets.



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Dr. Werner Rügemer, born in 1941, lives in Germany and is a doctor in philosophical anthropology.

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However, it was Amin's ground-breaking article, "China 2013" (*Monthly Review* 64, no. 10 [March 2013]), which provided a conception of the Chinese leadership's anti-imperialist sovereign project and its continuing structural relationship to socialism, that has chiefly governed *Monthly Review's* perspective in recent years. From this standpoint, the anticolonial Chinese Revolution – which commenced in 1850 with the onset of the Taiping Revolution and, following a "Century of Humiliation," led to a world historic victory with the founding of the People's Republic of China in 1949 – still continues: in the form of a sovereign national project with socialist (as well as capitalist) characteristics. Today, the Chinese Revolution remains *in statu nascendi*, the period of its birth, its future still to be determined.



Donald Armour Clelland died on April 22 (Earth Day), at age 85. Clelland was for many years a professor of sociology at the University of Tennessee in Knoxville. He was a longtime member of the Marxist Sociological Association, a leading contributor to world-systems theory, and identified closely with *Monthly Review*. He is best known today for his pioneering work investigating what he called "dark value" in global commodity chains. Using this concept, he examined the process of global unequal exchange, whereby core monopoly capital was able to expropriate extra economic surplus from the periphery by means of unpaid and underpaid labor, expropriation of natural resources, and the externalization of costs. Based on this framework, he was able to encompass numerous forms of expropriation, rooted in gender, race, class, and imperialism, extending beyond the more visible forms of capitalist exploitation, which he associated with "bright value." A key article on "The Core of the Apple: Dark Value and Degrees of Monopoly in Global Commodity Chains" (*Journal of World System Research* 20, no. 1 [2014]: 82–111) interrogated the global role of Apple Inc. His work on dark value can be found online in "Surplus Drain, Monopoly and Dark Value in the Modern World-System: Published Work." For more information on Clelland and his life accomplishments, see his obituary on the Click Funeral Home website.



Correction

At the end of the first full paragraph on page 35 of the May 2021 issue of *Monthly Review*, in "Five Characteristics of Neoimperialism: Building on Lenin's Theory of Imperialism in the Twenty-First Century" by Cheng Enfu and Lu Baolin, the debt in the international credit market is noted to have gone from \$11 billion in 1987 to \$48 billion twenty years later. These should read *trillion*.

From time to time, we receive bequests from readers who want to contribute to the continuance of *Monthly Review*. Those who wish to do so may simply state in their wills that the bequest is to "The Monthly Review Foundation, 134 West 29th Street, Suite 706, New York, NY 10001."

For additional information, contact Martin Paddio at 212-691-2555.

(continued from inside back cover)

(ending officially only in May 2021, in a declaration by the Joe Biden administration). In 1978, after Mao's death, Deng Xiaoping became the paramount leader in China and launched the reform period or what was known as the Chinese road to socialism via market socialism, including the opening of the country to the world economy. Hinton was to refer to this period critically as *The Great Reversal* (New York: Monthly Review Press, 1990). His book began by declaring, in no uncertain terms: "June 4, 1989, stands as a stark watershed in China's modern history. The slaughter of unarmed civilians by units of the People's Liberation Army as they blasted their way to Tiananmen Square illuminated the 'reform' era as nothing else could. It lit up, like a bolt of cosmic lightning, the reactionary essence of China's current leading group."

More than a decade and a half later, *Monthly Review* was still struggling with the complex reality of Chinese development, including the market reform period, China's rapid rise, and the dramatic shift in a short period from China being one of the most egalitarian societies on Earth to having levels of inequality similar to those of the United States. In 2005–08, the magazine and press published a number of varying perspectives on China's meteoric development and its relation to capitalism, including: (1) Martin Hart-Landsberg and Paul Burkett's *China and Socialism* (New York: Monthly Review Press, 2005), criticizing China's elite-determined imposition of a strong market logic and arguing for the necessity of a people-based approach if Chinese socialism were to continue. (2) Harry Magdoff and Fred Magdoff's "Approaching Socialism" (*Monthly Review*, July–August 2005), which contended that market socialism was a "slippery slope" and that if state control of the economy and planning were relinquished altogether, socialism with Chinese characteristics would turn into capitalism with Chinese characteristics. (3) Minqi Li's *The Rise of China and the Demise of the Capitalist World Economy* (New York: Monthly Review Press, 2005), addressing what China's rise meant in terms of the destabilization of the global capitalist order, as well as the still open question of China's future.

The Great Financial Crisis that emerged on Wall Street in 2007–09 shook the entire world economy, undermining faith in capitalism worldwide. China responded with increased state control of finance, a major economic stimulus, and transformations in its planning process, thereby recovering rapidly from the crisis. These conditions led to the strengthening of an emergent critical Marxist tradition, challenging what had been the growing influence of neoliberal thought (see Wang Hui, "Fire at the Castle Gate," *New Left Review* [2000]: 86–87, 95). Meanwhile, the Chinese leadership increasingly recognized the dangers of full-fledged capitalism and began to return to Marxist theory, contending that it remained crucial to China's road forward. Xi Jinping's New Era introduced a massive anticorruption campaign, fighting the cronyism that market-based development had introduced. In 2020, absolute poverty was eliminated in China. (See Lowell Dittmer, ed., *China's Political Economy in the Xi Jinping Epoch* [Singapore: World Scientific Publishing Co., 2021], 8, 11, 18, 45, 350, 366.)

Monthly Review's approach to China underwent major shifts in response to these changing conditions. The transformations in the magazine's outlook occurred partly through an engagement with ecological Marxism in China, which experienced rapid growth in this period (Zhihe Wang, "Ecological Marxism in China," *Monthly Review* 63, no 9 [February 2012]: 36–44), and partly through the work of Samir Amin and those associated with the World Forum for Alternatives, which he had founded, and with which *Monthly Review* was connected. (An additional influence was *Monthly Review's* research into global value chains, demonstrating how China continued to be imperialistically subordinated to the core capitalist economies. See John Bellamy Foster and Robert W. McChesney, *The Endless Crisis* [New York: Monthly Review Press, 2012], 155–83.)

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Often stricken down, the Chinese Communists, like Antaeus in the Greek myth, each time rose up again with redoubled strength to carry the fight to their enemies. The Long March 1934–35, the organization of the countryside behind the Japanese lines, the building up of an army capable of overcoming in three short years the American-equipped and partially American-trained troops of Chiang Kai-shek—these and many other achievements form the elements of an epic which is unique in all the annals of history and will be studied with admiration as long as the human race maintains an interest in its own astonishing potentialities. (Huberman and Sweezy, “The Atlantic Pact: China and Socialism,” *Monthly Review* 1, no. 1 [May 1949]: 5)

Nevertheless, the MR editors pointed to the enormous obstacles ahead, to a considerable extent highlighted by Mao Zedong himself. China was in a “preparatory, or pre-socialist, period” with decades-long struggles ahead of it (6). Although most of the struggles the Chinese Revolution faced were internal, having to do with the momentous task of national development in an overwhelmingly peasant society, external threats were quick to emerge as well: principally arising from the extension of the Cold War to China, including U.S. military support of Taiwan (part of China), where the defeated Kuomintang had fled, and the outright warfare between the United States and China in the Korean War (1950–53).

In the period of the Sino-Soviet split beginning in the late 1950s, which had its theoretical expression in the form of what was known as the Great Debate over world socialist strategy, *Monthly Review* was itself somewhat split. Baran was generally more sympathetic to the Soviet position of peaceful coexistence, aimed at protecting the USSR as the leading socialist nation, while Huberman and Sweezy leaned toward the Chinese view, due to its more direct support for world revolution in the periphery. (See Huberman and Sweezy, “The Split in the Socialist World,” *Monthly Review* 15, no. 1 [May 1963]; Baran and Sweezy, *The Age of Monopoly Capital*, 390–401.)

In 1966, William Hinton’s *Fanshen* (New York: Monthly Review Press, 1966) was published, quickly becoming a best seller. This represented *Monthly Review*’s growing focus on China. In the early years of the Cultural Revolution, *Monthly Review* was sympathetic to Mao’s attempt to prevent the revolutionary process from producing a new bureaucratic class or new bourgeoisie ensconced in the cities and separated from the countryside, thereby corrupting the revolution. The Cultural Revolution went to extremes and failed. Nevertheless, its core theoretical content was of lasting significance, constituting a critique of the evolution of postrevolutionary societies, which, as Sweezy indicated, invariably gave rise to struggles over “the re-entrenchment of an exploiting class” (Paul M. Sweezy, *Post-Revolutionary Society* [New York: Monthly Review Press, 1980], 95). Crucial in this overall assessment was Mao’s 1959 *Critique of Soviet Economics* (New York: Monthly Review Press, 1977).

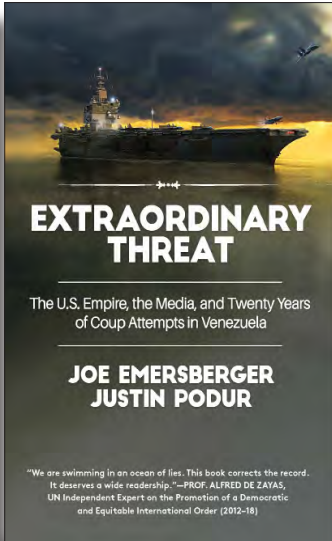
By 1972, the Cultural Revolution had passed its high point, and Washington under Richard Nixon reestablished diplomatic relations with China as part of the U.S. grand imperial strategy of weakening the Soviet Union by taking advantage of the Sino-Soviet dispute, which had assumed the form of a border conflict in 1969. This was the beginning of the period of U.S. engagement with China, to last for fifty years

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