

# Comment: can China rise?

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## Introduction

First, 'peaceful rise' was the theme of a keynote speech to a regional policy forum created by the Chinese government, aptly named the Bo'ao Forum for Asia, then it was an emphatic point made by China's Premier Wen Jiabao in a speech at Harvard University, and still later it was a key feature in China's President Hu Jintao's talk at a gathering to mark the 110th anniversary of Mao Zedong's birth. The phrase 'peaceful rise' (*heping jueqi*) has caught the imagination both inside China and abroad partly because all three events took place within a short two-month period beginning at the end of 2003.<sup>1</sup> The Chinese leadership seems to have a well-coordinated campaign to officially present the notion to the country and the world.

This was by no means the first time China's leaders used the term 'rise' (*jueqi*) to describe China. In 1993, veteran diplomat Qian Qichen declared that 'a peaceful, stable, prosperous, and developing China is rising in the East of the world.'<sup>2</sup> Certainly by 1993 China had managed to end much of the diplomatic isolation imposed after the dramatic June 1989 events in Tiananmen Square. Back in 1993, most Chinese analysts were sceptical about the International Monetary Fund (IMF)'s use of the purchasing power parity method to predict that China could surpass the United States as the world's largest economy as early as 2007. Indeed, in 2003 China was still long way from even equalling the United States; Chinese government statistics reported a per capita gross domestic product (GDP) of US\$1,000, while the US per capita GDP was \$37,800, over 30 times the Chinese level. Nonetheless, China's growing economic prosperity, coupled with the successful launching of a manned spacecraft among other inspiring developments, showed that China is on the way to something new, if not something big.

For China's domestic audience, then, does the introduction of the term 'peaceful rise' mean a significant upgrading of the development goal of building a 'moderately well-off society' (*xiaokang shehui*) by the year 2020, as promised by Jiang Zemin at the 16th Party Congress in 2002? If so, what is an acceptable benchmark for a 'moderately well-off society'? A per capita GDP of US\$1,000 in 2002 certainly falls far short, as everyday life in China visibly shows. What then is the point in setting the new goal of 'peaceful rise'?

Moreover, what purpose is China's promotion of the idea of a 'peaceful rise' meant to serve for a foreign audience? Thus far, reference by Chinese authorities to the term has not fared well outside China, which probably explains why Hu Jintao

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<sup>1</sup> 'World sees chance as China pursues peaceful rise', *Renmin ribao* (People's Daily), 26 April 2004 archived at <http://english.people.com.cn/>.

<sup>2</sup> Qian Qichen, '1993: Shijie kaishi chongxin renshi Zhongguo' (The world begins to re-evaluate China), *Renmin ribao*, 15 December 1993, p. 8.

used the term 'peaceful development' instead of 'peaceful rise' in his 2004 Bo'ao Forum speech.

Although 'peaceful rise' may well be just another catch-phrase in Chinese politics, it does raise the serious issues of how to come to grips with change both in China's domestic politics and its international relations. In this commentary, first I will offer an assessment of initial reactions to the Chinese notion of 'peaceful rise' as contained in the four articles assembled in this special section of the *Review of International Studies*, then, I will introduce emerging concerns in China about the prospect of the 'Latin Americanization' (*Lameihua*) of China.<sup>3</sup> As later parts of the article will show, such rhetoric, like 'peaceful rise', sheds much light on whether or not China can rise in the end.

### Is China rising, peacefully?

All the articles in this collection deal with a central question: is China rising? Related to this question is whether or not China's expressed desire to rise can bring peace to the rest of the world in the future. I shall mainly comment on the four authors' answers to the first question, because the second question is by nature more speculative and indeed is going to be contingent upon actions and movements outside China as well.

Arthur Waldron's historical contextualisation of the development of China's military power is right on the mark. Indeed, in the mid-1990s, when the 'China threat' rhetoric was on the rise, the Chinese military was assessed to be more of a paper tiger than a real one to the United States.<sup>4</sup> In 2003, a Council on Foreign Relations task force study concluded that:

China is pursuing a deliberate and focused course of military modernisation but it is at least two decades behind the United States in terms of military technology and capability. Moreover, if the United States continues to dedicate significant resources to improving its military forces, as expected, the balance between the United States and China, both globally and in Asia, is likely to remain decisively in America's favor beyond the next twenty years.<sup>5</sup>

Therefore, Waldron sees a Chinese military build-up as aimed more at Japan, India, and Russia. Space does not allow me to comment on China's relations with each of the three countries at the same length. Because changes in Sino-Japanese relations will have a greater impact on the rest of the world, I shall spend more time on China's relations with Japan than on the rest.

Waldron makes it clear that China's development of its military power – a marker of any country's rise – is causing Japan to seek means for self protection, including the possibility of developing a force projection capacity *independent of* the US–Japan alliance. To China's Japan observers, the cause-effect rationale is the reverse. In part because of generational changes in Japanese society in general and political elite in particular, a new generation of Japanese politicians is bent on profiting from a

<sup>3</sup> *Lamei* is an acronym for *Lading meizhou* (Latin America). The affix *hua* is equivalent to -isation in English, as in, for example, *Xiandai* (modern) *hua* for 'modernisation'.

<sup>4</sup> David Shambaugh, 'China's Military: Real or Paper Tiger?' *The Washington Quarterly*, 19:2 (1996), pp. 19–36.

<sup>5</sup> Adam Segal, *Chinese Military Power* (New York: Council on Foreign Relations, 2003), p. 2.

national defence campaign in Japan.<sup>6</sup> Japan's quest to become a 'normal nation' goes back to the 1950s. Regardless of whether or not China is rising in military capability, Japan is rising according to its own agenda.

I would argue that the notion that China's rise comes at the expense of Japan's role in Asia results more from a US- or Europe-centred view of East Asia. In managing security affairs in East Asia, Japan has closely followed the post-World War II US agenda. The end of the Cold War provides a strategic opportunity for Japan to seek incremental change to its power projection capability. As Bruce Cumings observed in 1992:

Japan is a rising power and it may one day be the hegemonic power of the Pacific region or even the world, but it is today about where the United States was in regard to Great Britain in the first decades of [the twentieth] century: happy to play second fiddle, content to let the hegemon police the world and rule the waves.<sup>7</sup>

Even if one accepts Waldron's assertion, and sees the Koizumi administration's sweeping preparations for war 'contingencies' around and inside Japan as being reactive, it is still hard to understand why Japanese officials have begun to explore the possibility of Japan exporting weapons again.<sup>8</sup> Certainly the Chinese navy's surveying of ocean floors in disputed waters between Japan and China is a source of controversy. Yet in July 2004 Japan likewise started a natural gas exploration project in the disputed East China Sea waters.<sup>9</sup>

But it is more important to note that the Chinese Ministry of Foreign Affairs has shifted from denouncing Japanese expansion of the use of its Self Defense Force (SDF) as a sign of a possible revival of Japanese militarism, to being largely silent when the SDF was deployed to Iraq. This indicates China's acceptance of Japan's pursuit of normalcy; China is learning to live with Japanese power.

A Realist examination of China's relations with its neighbours leads one to see India as a ready candidate for being another military target. Indeed the China, India and Pakistan triangle is a complicated situation. In the past five years, India has achieved the twin task of demonstrating its power to China (through nuclear weapons testing) and seeing a thaw in bilateral ties, which included a joint naval exercise in November 2003. In other words, both China and India are learning to live with each other.

There are paradoxes in the military ties between Russia and China. As a matter of fact, the evolution of their proclaimed 'strategic partnership' has shown that it is difficult to achieve real trust between the two neighbours that have a long history of animosity. Russia recently decided to cancel a proposed oil pipeline from Siberia to Northeast China in favour of the Japanese proposal of a line that ends in a Russian port right across the Sea of Japan. This speaks volumes about how little substance there is to any Sino-Russian project for a multi-polar world that would challenge America's superpower influence. Nowadays Chinese supporters of the wisdom of pursuing a strategic partnership with Russia are definitely on the defensive.

<sup>6</sup> Wu Ji'nan, 'Ribei 'xin guofangzu' de jueqi jiqi yingxiang' (The rise of the 'New National Defense Generation' and its impact), *Riben xuekan* (May 2003), pp. 6–22.

<sup>7</sup> Bruce Cumings, 'The Wicked Witch of the West is Dead. Long Live the Wicked Witch of the East', In Michael J. Hogan (ed.), *The End of the Cold War: Its Meaning and Implications* (New York: Cambridge University Press, 1992), p. 95.

<sup>8</sup> Jiji Press, 'Japan to consider easing weapons export ban', 16 November 2003, p. 1.

<sup>9</sup> Mariko Sanchanta, 'Gas provokes Japanese clash', *Financial Times*, 7 July 2004, p. 10.

Waldron's question of 'why China should feel so urgent a need for this [military] capacity' is a hard one for observers focusing on a US-centred definition of security in Northeast Asia to answer. For China, enhanced military capacity is necessary for dealing with the contingency in the Taiwan Straits. The pattern of every incoming US president pushing China to the brink over what kind of 'one China' policy the US will pursue certainly comes as no comfort to Beijing. Since the United States and the European Union have maintained their arms embargo on China since 1989, since indigenous weapons production may be too slow to narrow the gaps between US supplies of weaponry to Taiwan, Russian supplies – whose levels of technological sophistication are much lower than those to India – became the only choice.

Taiwan is *the* strategic and security issue between China and the United States. The reality of an American domestic law (the Taiwan Relations Act) carrying more binding power than the three joint communiqués between Washington and Beijing signed during the Cold War means that the Taiwan issue is forever subject to initiatives resulting from political dynamics in Washington.<sup>10</sup> At the level of grand strategy, China and the United States are on a definite collision course over the status of Taiwan in international politics. The Taiwan question thus is the main drag on China's wish to rise. Patience and diplomatic skills are more important than military hardware in preventing the worst-case scenario from materialising.

Chih-yu Shih's extensive review of Chinese-language literature on 'peaceful rise' sheds much light on how the notion fares in Taiwan, in addition to how it fits into the stream of Chinese intellectual debates about the thrust of China's global diplomacy. Indeed, in recent years, there has been a shift away from 'great power diplomacy' in Chinese discussions. In the past five years China has achieved international acknowledgement as a great power: hosting the 2008 Olympics, entering the WTO in 2001, and the World Expo in 2010, in addition to the numerous television images showing China's leaders shaking hands with leaders of powerful nation-states in the world. The only major international club in which China does not hold membership is the Group of Eight (G8). Cao Linjun argues that by 2004 China risks being marginalised if it continues to stay out of the G8, in spite of bitter memories of the G8 coordinating sanctions against China in 1989.<sup>11</sup> While this stands in contrast with the situation in 2000, when China chose not to participate in the G8 summit,<sup>12</sup> there are substantive reasons for the absence of a campaign to join the group.

After accession to the WTO in 2001, which was sold as a milestone achievement for China, Chinese businesses found themselves to be targets for the largest number of anti-dumping investigations for three consecutive years. China's leaders and diplomats find themselves having to negotiate again with the European Union (EU) and the United States to officially recognise China as a market economy, a decisive factor in dispute resolution when it comes to anti-dumping.<sup>13</sup> Worse still, the EU that China has to negotiate with now incorporates Eastern European economies that are,

<sup>10</sup> Daojiong Zha, 'China and the United States in Northeast Asia', *Asian Studies* (Japan), 50:2 (2004), p. 60.

<sup>11</sup> Cao Linjun, 'Zhongguo jiaru baguojituan yanjiu' (On China's membership in the G8), *Yanshan daxue xuebao*, April 2003, p. 68.

<sup>12</sup> Zhang Yuncheng, 'Zhongguo yuanhe bucanjia baguojituan shounao huiyi' (Why China declined to join [this year's] G8 summit), *Guoji ziliao xinxi*, March 2000, pp. 6–9.

<sup>13</sup> Ding Zhitao, 'Is China There Yet?' *Beijing Review*, 47:29 (2004), pp. 12–13.

like China, categorised by the World Bank and the IMF as ‘transition economies’. China’s insistence on being treated as a ‘developing economy’ in the process of WTO accession negotiations has proven to be of little use in post-WTO dispute resolution. If having international status means feeling good domestically, China’s post-WTO experience has yet to prove that this status means something tangible. It is time to be sober: there is a limit to how much the pursuit of status can do to improve living standards on the ground in China.

The issue, of course, goes back to whether or not *in material terms* China is rising and how China feels the rest of the world (great powers in particular) is reacting to a rising China. As Shih has made clear, ‘peaceful rise’ as a way to conceptualise Chinese foreign policy may well have same fate as ‘great power diplomacy’. And, as Callahan points out in the introduction to this collection, China’s international relations experts would like the new phrase to indicate a departure from an emphasis on victimisation (beginning with Chinese understanding of modern world history). In this sense, ‘peaceful rise’ can be read as an indication of a continuous grappling with the global environment that China faces.

It is little wonder that in Taiwan the Realist approach has more appeal in assessing China’s diplomacy. The ongoing complexity of the Taiwan Straits, which involves China, Taiwan, the United States and its allies in Northeast Asia, is an issue that closely follows classical Realist theorisations of international relations. The political system in mainland China is often cited as a legitimate source of viewing China’s policy as hegemonic and unsettling. However, it is tempting to speculate how a democratic mainland China would approach a Taiwan that continues to be separated. If political democratisation goes hand-in-hand with locality-based nationalism, as has happened in Taiwan and Hong Kong, what makes us think the situation will be any different in the mainland? Would reconciliation between the mainland and Taiwan be easier to achieve?

Of deeper significance is the question of whether or not a democratic China – measured by a democratic leadership formation process – would have an easier time in reaching the goal of completing the project of national (re)unification. Calculations of power and status do matter in everyday international politics. To the United States, Japan and other great powers, a completely united China would be the ‘Greater China’ scenario coming true. Reference to a ‘Greater China’ would no longer simply describe logistical supply chains in markets across the Western Pacific, or function as a heuristic device for understanding business dynamism in the ‘Chinese economic area’. Greater China as a unified political-economic entity is not the kind of prospect the United States and Japan would like to see.

Shaun Breslin does a brilliant job in tearing apart popular references to China’s ‘economic power’, pointing out areas to investigate for a better understanding of China’s economic dynamism today. His article complements Waldron’s advice that an appraisal about China’s rise should be put in a broader context. Breslin is particularly strong in urging China-watchers to differentiate between place-based and people-based development, to situate China in the international production system, and to apply state-market dichotomies to the study of the political economy of any country.

About the only addition I would make to Breslin’s discussion is that we must pay attention to how outward investment from China takes place, as a means for appraising how the Chinese government – still searching for a proper location in the

international system – has and has not affected that process. If outward investment results more from the Chinese's government's inability to control the loss of state property, as Xueliang Ding's study reveals, then a greater capital flow out of China is in reality a sign of the government's weakness and a declining attraction of the China market for Chinese capital.<sup>14</sup>

The articles in this collection together serve to put the Chinese government's expressed intention to rise in the proper perspective. It is possible to discern a shared message in the articles: yes, China is becoming stronger economically and militarily compared with its own past; yes, China says it wants to be peaceful, but, the future evolution of China's role remains to be seen.

But, within China, is 'peaceful rising' seen as the only prospect?

### **The Latin Americanisation of China?**

In China, the annual National People's Congress (NPC) gathering is the most broad-based political theatre for deciding on the country's political and economic priorities for the year to come. The 2004 NPC session is better known to the international media to have amended the country's constitution to include protection of property rights and human rights. Another half-step reform seen from the 'Washington consensus' perspective, China is nonetheless edging closer to a liberal formula for transition economies, at least on paper.

Attracting less attention were Ma Kai's observations about the possible direction that China may go in now that its GDP per capita (US\$1,000) is moving closer to the higher end of the World Bank's designation of medium-income countries (between \$650 and \$2,550). Ma, who is the Minister of the State Development, warned that China risks repeating the 'Latin American phenomenon': stagnation in economic growth, coupled with societal conflicts arising from a polarisation of the population, ultimately leading to long-term instability.<sup>15</sup> Under that scenario, there can be no rise for China! This was the first time a high-ranking Chinese official acknowledged such a grim prospect; it is especially noteworthy as the remarks were made in a formal political setting, amidst the usual tradition of making positive forecasts.

Others in China's top leadership seem to have acknowledged just the same risk – although in a less dramatic way. A case in point is the selection of topics for the Poliburo's 'group study sessions' – invited lectures by intellectuals – since December 2002.<sup>16</sup> The theme of the second session was an evaluation of the world economic situation and China's development, which was closely followed by a survey of employment promotion policies around the world and their lessons for China. The most telling is perhaps the ninth session (November 2003), when two professors were invited to lecture the top leaders about the rise and fall of major countries in the world since the 15th century.

<sup>14</sup> Xueliang Ding, 'Informal Privatization Through Internationalization', *British Journal of Political Science*, 30:1 (2000), pp. 121–36.

<sup>15</sup> 'Ma Kai: Renjun GDP tupu 1000 Meiyuan, jishi jiyu youshi tiaozhan' (Ma Kai: per-capita GDP reaching 1,000 US dollars, an opportunity and a challenge), *Renmin ribao*, 8 March 2004, archived at (<http://www.people.com.cn>).

<sup>16</sup> For a description of such sessions, see Howard W. French, 'China opens a window on the really big ideas', *The New York Times*, 2 June 2004, p. A4.

For over a decade Chinese intellectuals have been noting the risks of China going the way Latin America did as a result of the crises of the 1980s. To understand the crisis in Latin America, they commonly employ dependency theory, which was first developed by Latin American scholars to explain how and why Latin America continues to suffer in a neo-imperialistic world economic system.

Most international observers would agree that, at least in the area of poverty reduction, China in the past twenty years has had better fortune than Latin American countries in dealing with the forces of globalisation.<sup>17</sup> The World Bank's May 2004 launching of a 'Shanghai Agenda for Poverty Reduction' can be understood as a message that Africa and Latin America can learn from China's experience.<sup>18</sup> What then do Chinese intellectuals see as signs of China going the way of Latin America?

The journal *China Reform Forum* (*Zhongguo gaige*), run by the very commission that Ma Kai heads, published a summary of a seminar among China's Latin American observers. The seminar participants made the following observations about Latin America that they felt were pertinent to China's current situation:<sup>19</sup>

1. Latin America's seventy-year pursuit of modernisation and industrialisation has failed to narrow the huge income gaps.
2. Latin American economies are highly dependent on external markets for growth. Few Latin American countries are in a position to withstand the shock associated with an international movement of investment capital.
3. With the exception of Brazil, Latin American countries failed to develop indigenous industrial systems. Argentina's adoption of the American dollar as its national currency turns out to have brought only disaster to the country.
4. The governments of Latin American countries have seen their governing capacities greatly reduced, making them incapable of effective economic and societal governance.

They concluded that to avoid 'Latin Americanization' China will need to stress the following issues:

1. Farmers' right to till the land. China's decision in 1996 to grant a 30-year tenure to land-farming rights sets China apart from Latin America. The possibility of large-scale peasant revolution is low, but China faces urbanisation pressures similar to those in Latin America.
2. Compulsory education. Not only has China failed to live up to the promise of providing compulsory education, the trend in commercialisation of higher education is worrisome.
3. Social protection. Increasing social welfare has been one of the means for many Latin American countries to achieve stability. But if China follows suit, it risks losing its competitive edge (cheap labour) in the international division of labour. Likewise, job creation would not be as robust.

<sup>17</sup> Robert Hunter Wade, 'Is Globalization Reducing Poverty and Inequality?', *World Development*, 32:4 (2004), pp. 567–89.

<sup>18</sup> See text of the Agenda and related World Bank literature at (<http://www.worldbank.org/wbi/reducingpoverty/>).

<sup>19</sup> Zhang Xi, 'Women hui Zhongdao Lameihua xianjin ma?' (Are we likely to be trapped in a situation of Latin Americanization?), *Zhongguo gaige* (October 2002), pp. 13–15; also see George Gilboy and Eric Heginbotham, 'The Latin Americanization of China?', *Current History* (September 2004), pp. 256–61.

4. Financial system. Are the weaknesses in China's financial system going to make the country suffer Argentina's 2001 financial disaster? What about the risk of massive capital flight from China, as is the case in many Latin American countries?

China thus faces many risks: reliance on labour-intensive industries, being on the receiving end of post-Fordism's global 'flexible production' chain, a lack of rigour in structural reform (particularly in the financial sector), and serious corruption. More importantly, if there is a financial crisis, China feels that it cannot count on the international 'lenders of last resort'.<sup>20</sup>

In terms of substance, the acknowledgement by China's intellectual elite of these challenges, both structural and issue specific, is hardly new. Moreover, internationally it is easy to find many of the same arguments in the 'China collapse' literature, a twin brother of the 'China threat' literature, which has proliferated for the past two decades. The government-sponsored daily newspaper *Reference News* (*Cankao xiaoxi*) regularly publishes translated texts and excerpts of such foreign literature as well. What is new is that China's intellectual elite is now finding a sympathetic audience among the leadership in terms of recognising the pitfalls in the reform process. More importantly, reference to Latin America, in an ironic way, actually fits well into the expression of 'peaceful rise'. The message is not subtle: in order to achieve the goal of lifting the China to a higher level of development at home and status abroad, take a lesson from how and where Latin America has failed!

For Chinese officials, intellectuals, and the media, using Latin America's trajectory in the global economy as a reference point is a wise strategy in the politics of discussing China today. Reference to Latin America provides a powerful rationale – against the background of 'peaceful rise' – for taking policy actions that may cost China some points in aggregate growth in the short-term. The point is that future success is not as assured as it has been for the past twenty-five years of experience. China must avoid the kind of meltdown that Latin American countries experienced.

#### *Latin Americanisation: international linkage issues*

The conclusion that Latin American intellectuals draw is that developing countries must de-link from the established global capital and production system in order to establish proper national economies. Of the many comparative studies of East Asian and Latin American development strategies by Chinese scholars, there is a consensus that the East Asian model of dependent development proved more effective than the Latin American experiment with economic nationalism.<sup>21</sup> If so, what does warning about the 'Latin Americanisation' of China mean for thinking about China's international linkage with the rest of the world economy, two decades after rejoining the capitalist world economy?

A search of academic and professional Chinese journals using the keyword '*Lameihua*' indicates that writers stress China's failure to develop an indigenous

<sup>20</sup> Wei En, 'Zhongguo gaige yao jingti Lameihua' (China's reform must be mindful of Latin Americanization), *Jingliren neican*, February 2002, pp. 28–9.

<sup>21</sup> Yang Bin, 'Lamei yu Dongya fazhan moshi de chanyi yu qishi' (Differences between Latin American and East Asian models of Development and Their Implications), *Lading Meizhou yanjiu*, March 1997, pp. 37–41.



automobile industry. Before going into more detail about Chinese criticisms, it is interesting to note how China's opening up of its automobile sector to international capital has been seen by international observers as a signpost of the degree of openness of the Chinese economy. China's tariffs on automobile imports also were an important topic in the lengthy negotiations between China and the United States over China's membership in the WTO.<sup>22</sup>

As two South Korean scholars argue, China's failure to develop an indigenous automobile industry is a basic failure of its industrial policy.<sup>23</sup> China's so-called 'market for capital and technology' strategy has encouraged foreign automobile corporations to launch joint ventures with Chinese producers. To Jin Tianzhong, Shanghai Volkswagen, the oldest model of joint-venture automobiles produced in China, is a classical case of policy failure. This model was first introduced to China in 1986 after the company stopped its production in Germany and elsewhere. Volkswagen now makes up nearly 50 per cent of foreign-brand passenger cars sold in China. But for thirteen years it has remained unchanged in technology, design, and even paint colour. 'Why, then, after thirteen years of joint venture, was it so difficult to develop a new model?'<sup>24</sup>

Now multinational automobile manufacturers control every stage of the automobile industry in China, from development, parts procurement, services, and brand naming, to the terms of export from China. Liu Jinshan flatly calls for the Chinese government to abandon the 'market for technology' rationale behind its automobile policies since 1994. More importantly, to Liu, government-led competition for foreign investment and the never-ending offer of incentives to foreign capital have created an uneven platform for domestic capital that seeks to develop an indigenous automobile brand.<sup>25</sup>

Indeed, vertical control and giving dated technology to an offshore subsidiary is a textbook strategy for any cross-border investment project. China as a recipient of foreign direct investment (FDI) is no exception. History also shows that for late-coming industrialising economies, there are three development models for the automobile industry: the Japan model (indigenous technological innovation and capital), the South Korean model (state protection and support to develop a pillar industry), and the Latin American model (parts production for multilateral automobile corporations). China has definitely gone the way of Latin America.

Although the nature of cross-border investment dictates much of the state of affairs in China's automobile industry today, one should not dismiss Chinese complaints as yet another sign of Chinese nationalism. Indeed, cheap labour has been China's competitive edge in the world economic system. But reliance on cheap labour is definitely not conducive to sustainable economic development in a developing country, such as China.

<sup>22</sup> Eric Harwit, 'The Impact of WTO Membership on the Automobile Industry in China', *The China Quarterly*, no. 167 (2001), pp. 655–70.

<sup>23</sup> Jong-Hak Eun and Keun Lee, 'Is an Industrial Policy Possible in China?: The Case of the Automobile Industry', *Journal of International and Area Studies*, 9:1 (2002), pp. 1–20.

<sup>24</sup> Quoted in Jin Cheng, Song Hua, 'Zhongguo jiaochē zoushang Lameihua buguilu' (China's passenger car industry on the road to 'Latin Americanization', with no turn back), *Zhongguo shichang*, July 2000, p. 32.

<sup>25</sup> Liu Jinshan, 'Zhongguo qizhegongye 'Lameihua' xianxiang de fansi' (Reflections on the 'Latin Americanization' of the Chinese automobile industry), *Tansuo yu zhengming*, April 2004, pp. 29–30.

De-linkage is not among the strategies that Chinese intellectuals propose for seeing China rise in the international hierarchy of production. As early as 1994, Wang Shaoguang and Hu Angang argued for a strengthening of China's state capacity by putting an end to the policy of offering deep subsidies for foreign investment projects, while maintaining comparatively higher levels of taxation on Chinese-funded enterprises.<sup>26</sup> China's policies since then have been going in exactly the opposite direction to that which Wang and Hu proposed, in large part because cadres at all levels rely on records of FDI growth for career advancement. Thousands of 'development zones' have been fenced off throughout the country and given privileges in taxation and land use, among other essentials, to attract foreign investment capital flows. Foreign investment capital, including Chinese 'round-tripping' capital from Hong Kong, typically enjoys more preferential treatment than domestic capital. Throughout China, there are numerous cases where local cadres do everything possible to make a FDI project succeed rather than being friendly to indigenous private capital. This practice of unequal treatment (that is, against the growth of indigenous capital and industries) is often justified on the basis of the necessity to grow the economy and generate employment. So much so that among China's law experts there has emerged a debate over whether or not 'ultra-national treatment' (as opposed to 'national treatment' under WTO rules) is legally justifiable.<sup>27</sup>

In other words, the proposed solution is for the Chinese government to put an end to policy discrimination against the development of domestic Chinese entrepreneurship. There is much wisdom in such calls, since only when there is a strong middle class can a democratic political system (revolutionary or evolutionary) be sustained. In East Asia, there is no shortage of democratic political systems that are trapped in economic and societal 'Latin Americanization': Indonesia and the Philippines come readily to mind.

There have emerged voices in China questioning whether the 'Latin Americanization' rhetoric amounts to scare-mongering by Chinese about China.<sup>28</sup> This debate is beside the point. What is significant is that using 'Latin Americanization' to think about China's desire to rise is a healthy development in China; it shows that pragmatism is beginning to take root. The emergence of the debate, together with that about 'peaceful rise', is conducive to the kind of pluralism that the Chinese society needs.

## Conclusion

If the phrase 'peaceful rise' became official rhetoric for fear that the outside world, particularly China's Asian neighbours, would think negatively about the impact of China's growth, then 'Latin Americanization' or the warning that China risks going the way of Latin American countries, points to the other side of the coin. Among

<sup>26</sup> Wang Shaoguang, Hu Angang, *Zhongguo de guojia nengli baogao (Report on China's State Capacity)* (Hong Kong: Cambridge University Press, 1994).

<sup>27</sup> Liu Debiao, 'Xiang chaoguomin daiyu shuo bu' (Say no to ultra-national treatment), *Xianqu luntuan*, March 2004, pp. 22–3.

<sup>28</sup> See the series 'Lameihua zhende cunzai ma?' (Does Latin Americanization really exist?), *Nanfang zhoumo*, 25 July 2004, p. 10.

other things, 'Latin Americanization' provides intellectual capital for taking China's problems seriously. It prompts policy thinking to tilt toward people-based development. Indeed, for China to rise, by whatever measurement, there has to be equitable economic growth across the population and across different regions. Short of such developments, China's pursuit of aggregate rise may well turn out to be nothing more than a rhetorical exercise. If China indeed goes the way of Latin America, there can be no rise for China and the chances for a peaceful China will be greatly reduced.

The debates about 'peaceful rise' and 'Latin Americanization' should not be a source of alarm when thinking about China's international political and economic relations. As the contributions in this Forum remind us, efforts to draw a straight line pointing to where China is heading often have more to do with the research perspectives of the writer than the phenomenon they try to explain. A more profitable intellectual exercise is to take the unit and level of analysis question seriously and seek alternative explanations and policies for managing China's future interaction with the rest of world.