

(Text of the speech made at the Conference organized by the National Institute for Global Strategy, the Chinese Academy of Social Sciences, held on November 5-6, in Shanghai, China)

China's 70-Year Development: New Interaction between China and the World

Prof. Gamini Keerawella
Executive Director, Regional Centre for Strategic Studies,
Colombo, Sri Lanka

The peoples' Republic of China was founded in 1949, just one year before I was born. At first, when I was still in my high school, the Chinese silk paintings, its ceramics, Chinese calligraphy and the photographs of Chinese historical sites aroused my fascination in Chinese history and culture. Later, I observed the way in which 'New China' was managing its political and economic challenges by aptly fusing its deep-rooted cultural heritage and historical underpinnings with modern socio-political structures with sheer tenacity and how it returned to mark its imprint in regional and global affairs. Within the span of my lifetime, China progressed from the ruins of colonial destruction and plunder to the status of a 'great power'. The ascendancy of China to a global great power no longer remains in the realm of prediction; it is a well-established fact with far reaching global and regional implications. China claims not only to be the second largest economy in the world, but also to be the fastest growing economy in the world by maintaining an average of around ten percent annual growth rate for the last two and a half decades.

The ascendancy of China to a great power status is perhaps the most striking feature of the changed distribution of economic and political power in global politics at the dawn of the 21st century. In order to trace the political and historical significance of the ascendancy of China since 1949, it is necessary to place it against the backdrop of the colonial domination of China in the 19th and the early 20th centuries. Before becoming prey to Western colonial machinations, China was a commercial and technological powerhouse. The downward trajectory of historical development was gradually reversed after the establishment of the Peoples Republic of China in 1949.

Pre Modern China

The Middle Kingdom was a world power and a global center of civilization well before the era of modern capitalism. Prior to the arrival of the modern world system, there were three cultural zones in Asia, each of which functioned as its own world-- the Chinese character zone in East Asia, the Nagari script zone in South Asia and the Arab alphabet zone in West Asia. Each zone functioned on socio-cultural and political dynamics of its own and interacted with each other through a number of modes. This broad civilizational connectivity and dialogue between the three zones in Asia gave credentials to the construct of the 'Orient'. In their path-breaking studies, K.N. Chaudhary and Janet Abu-Lughod traced the flourishing long distance trade between Asia and Europe before the rise of the West¹. As Andre Gunder Frank pointed out that Asia enjoyed a huge trade surplus. "India had a massive balance of trade surplus with Europe and some with West Asia, based mostly on its low cost cotton textile production and export. In return, India received massive amounts of silver and some gold from the West". "West Asia had a balance of trade surplus with Europe, but a deficit with South, Southeast, East, and possibly Central Asia. West Asia covered its balance of trade deficits to the East with the re-export of bullion derived from its balance of trade surplus with Europe". "China had a balance of trade surplus with everybody (making it a 'super-accumulator?'), based on its unrivaled manufacturing efficiency and export of silks and porcelain and other ceramics"² China was not only the leading trading nation but also a world technological power between 1100-1800. As John Hobson pointed out, its innovations in production of paper, book printing, firearms and tools made it a manufacturing powerhouse during this period³.

Colonialism and Plundering of China

The decline of pre-modern China was directly linked to the colonial conquest of the East by Western colonial powers and the imposition of new global trade patterns linked with the

¹ K N Chaudhary *Trade and Civilization in the Indian Ocean: An Economic History from the Rise of Islam to 1750*. Cambridge: Cambridge University Press, 1985. and Abu-Lughod, Janet L., *Before European Hegemony: The World System A.D. 1250-1350*. New York: Oxford University Press, 1991.

² Andre Gunder Frank and Barry K. Gills, *The Five Thousand-Year World System in Theory and Praxis*, <https://www.researchgate.net/publication/313175270>.

³ John M. Hobson, *The Eastern Origins of Western Civilization*, Cambridge: Cambridge University Press, 2006.

‘Modern World System’ (MWS). In the process of establishing MWS, the age-old long-distance Eurasian trade was remodeled to serve the interests of rising ‘nation states’ in Western Europe and imposed unequal trade by employing military force and intimidation. At first, Western colonial powers acquired and monopolized the Indian Ocean seaborne trade and attempted to divert land-based intercontinental trade to oceanic routs. Subsequently, they infiltrated into Asian economies through the instruments of colonial domination.

The infiltration into Chinese economy remained one of the key motives of British imperialism in the 18th century. There was a high demand for Chinese tea, silk and porcelain in the British market but there was no demand for British goods in the self-sufficient Chinese society. British didn’t have the required silver to trade with China. In order to resolve the problem of payment, the East India Company, the vessel of British imperialism of the day, practiced a system of barter based on Indian opium. Consequently, the sheer increase in opium addicts in China became a serious social issue. When China attempted to address this menace by banning opium in the port city of Canton, Britain reacted with military force and declared war against China - the First Opium War in 1839. After military victory, British forced China to enter the Treaty of Nanjing in 1842 in which Hong Kong was ceded and trading rights in the port cities of Canton and Shanghai were snatched, in addition to a large indemnity to the British. After the British, other Western colonial powers also followed suit and demanded similar privileges through the Treaty of Wangxia by the United States in July and the Treaty of Huangpu by France in October 1844.

When the Second Opium War broke out in 1856, the Western Colonial powers were ready to impose their authority on China more forcefully. In 1860 British-French joint forces invaded Beijing, driving the reigning Chinese emperor out of the capital.⁴ The vandalism of the famous Summer Palace by British troops in October 1860 was just another example of Colonial looting.

After 1860, the disintegration of the Chinese state was accelerated on the face of continuous Western imperial pressure, despite some attempts to reform. The growing antipathy of the Chinese people against the Western and Japanese intervention in China was manifested in

⁴ Kenneth Pletcher, “Opium Wars.” *Encyclopædia Britannica*, 5 Sept. 2019, <https://www.britannica.com/topic/Opium-Wars>.

the Boxer Uprising in 1900. A joint international force that included American troops subdued the uprising and China was forced to pay more than \$330 million in reparations under the Boxer Protocol in 1901⁵. As a result of continuous political turmoil, one after another, the Qing Dynasty lost much of its influence in the provinces by 1911 and local warlords came forward to fill the political vacuum. In this context, republic political ideology gained currency among some sections of Chinese educated middle class. The ideological basis for the republican movement was the ‘Three Principles of the People’ presented by Sun Yat-sen, i.e., nationalism, democracy, and socialism. The Xinhai Revolution of 1911 resulted in overthrowing the Qing Dynasty and establishing a Republic of China on February 12, 1912. Sun Yat-sen set up a provisional government in Nanjing with the support of Yuan Shikai, the Commander-in-Chief of the imperial Army, who took over the Capital and forced the emperor to abdicate the throne. The uneasy alliance between Yuan Shikai and Sun Yat-sen was short lived. The establishment of the Republic of China in 1912 neither brought political stability nor ended the Western colonial domination. Instead, it ushered in a new phase of political turmoil, conflict among warring warlords and military occupation of imperial powers. Along with Western Colonial powers, Japan also entered the colonial prey in China in the 20th century. The Versailles Peace Treaty after the First World War recognized the Japanese claims to former German rights in the Shandong peninsula of China.

In the first half of the 20th century, Japan entered the colonial prey in China more ferociously. Japan invaded Manchuria in 1931 and installed a puppet government in 1932. The Japanese launched major attacks on Beijing, Shanghai and Nanking in 1937. The atrocities committed by the invading Japanese army in and around Nanjing during a six-week period in December 1937 and January 1938, known as the Nanjing Massacre, were an infamous manifestation of the cruelty of Japanese colonialism in China. By the time of the outbreak of World War II, Japan was occupying much of the eastern part of China.

The Modern World System and Western Domination

In order to understand the thrust of Western Colonialism into China in its proper historical context, it should be viewed as an organic element of the Modern World System. The

⁵ “Boxer Rebellion”, *History*, 9 Nov. 2009, <https://www.history.com/topics/china/boxer-rebellion>

Western colonialism emerged as an economic project of capitalism as well as a political project of the new political entities identified as the 'nation states' in the West.

Marx perceived colonialism simply as a geographical expansion of capitalist production. According to Marx, "The bourgeoisie cannot exist without constantly revolutionizing the instruments of production, and thereby the relations of production and with them the whole relations of society"⁶. After Marx, Rosa Luxemburg took the Marxist concept of geographical expansion of capitalism and developed it further, examining the impact on pre-capitalist societies. She argued that modern capitalism can't survive without constantly revitalizing its production forces and expanding its production relations. According to Luxemburg, "capital cannot accumulate without the aid of non-capitalist organizations, nor, on the other hand, can it tolerate their continued existence side by side with itself. Only the continuous and progressive disintegration of non-capitalist organizations makes accumulation of capital possible"⁷. Therefore, imperialism is an inherent feature of capitalism and it is also the catalyst for the crisis of modern capitalism. Lenin's short essay on imperialism is the most precise piece in the classical Marxist writings. In contrast to earlier Marxist writers, Lenin identified imperialism as a stage of the growth of capitalism rather than simply a characteristic of capitalism.

The changed global atmosphere after 1945 and the progress of de-colonization gave birth to a new generation of scholars who view the evolving world order from a fresh perspective. In 1957, Paul Baran rejected the notion that colonialism would work as an unintended tool of capitalist development in colonized societies.⁸ He traced the connectivity between the developed and underdeveloped parts of the world in terms of trade, flows of capital and political and military influence.

Going further in this line of thinking, Immanuel Wallenstein argued that modern capitalism emerged as a world system with long-distance trade on a global scale. It was an unequal exchange in which surplus from the periphery of the capitalist world system

⁶ Karl Marx and Friedrich Engels, *Manifesto of the Communist Party*. Moscow: Progress Publishers, 1965. p.52.

⁷ Rosa Luxemburg, *The Accumulation of Capital*, London: Routledge & Kegan Paul, 1951, p. 416.

⁸ Baran, Paul A. *The Political Economy of Growth*. Harmondsworth, England: Penguin Books, 1978.

continuously transferred to the center. It leads to a process of capital accumulation on a global scale and necessarily involves the appropriation and transformation of peripheral surplus to the center. This division of labour leads to the existence of two interdependent regions: core and periphery in a single world system.⁹ The emergence of a world system was not a smooth and non-violent process at all. Andre Gunder Frank, most eloquent proponent of the Center-Periphery theory, argued that *Underdevelopment* is a condition fundamentally different from *undevelopment*. Undevelopment refers to a condition in which resources are not being used whereas underdevelopment refers to a situation in which resources are being actively used, but used in a way which benefits dominant states and not the poorer states in which the resources are found. The ‘Third World’ does not exist in isolation. It can only be understood in the context of the world economic and political system. Accordingly, the development of world capitalist centers and the underdevelopment of the world periphery are complementary and interdependent in the modern world system. This unequal development created by unequal exchange dated back to the 16th century with the formation of modern world system. The ‘modern’ world system evolved as an interlinked historical package where modern capitalism, the nation state system, modern science and enlightenment culture comprised its integral elements. The net outcome of the hundred years of direct and indirect intrusion of Western colonialism in China was the relegation of China to the periphery in the modern world system.

The Chinese Revolution and the Rupture from Dependency Relationship

The establishment of the Peoples’ Republic of China in 1949 following the victory of the Chinese Communist Revolution marked a definite rupture of its dependency relationship with the global world system to which China was forcefully integrated during the preceding century. After years of national humiliation, the Chinese people recovered their pride and national dignity in 1949. The modern Chinese state took its present character and shape as a result of the Chinese Communist revolution. The new state was founded on a set ideology, which was the basis for its institutional apparatus and the organization of human and physical base. It is this state that works as the motor of social and economic reforms and the engine of growth. It abolished the extraterritorial privileges, which were snatched by Western powers in the past and put to end the

⁹ Wallerstein, Immanuel. *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. New York: Academic Press, 1974.

unequal trade pattern with the global centers of the world system. The economic and social reforms, launched after 1949, paved the way for the gradual ascendancy of modern China. The agrarian reforms changed the old forms of relations of agrarian production as well as production forces, providing lands, infrastructure and technical assistance to hundreds of millions of landless peasants. The state investment and public enterprise helped to develop infrastructure such as road networks, canals and bridges that laid down the base of industrial production and modern economy. As James Petras noted, “China’s sustained growth in its manufacturing sector was a result of highly concentrated public investments, high profits, technological innovations and a protected domestic market”¹⁰. The dynamic economic growth of China with market-economy reforms after 1978 was made possible due to the economic and social reforms set in motion since 1949. The four modernizations launched systematically after 1978 has a long history, going back to Mao days. During the years of the ‘Great Leap Forward’, Mao Zedong urged that modernization of industry, agriculture, science and technology was to be completed in 1972. Once again in January 1963, Zhou Enlai referred to four modernizations, comprising agriculture, industry, national defense, and science and technology and called for professionals in the sciences to realize them. As such, economic modernization after 1978 was not a sudden departure from the past. We should not forget the fact that the sustained growth in the manufacturing sector with pro-market reforms was a result of highly concentrated public investments, technological innovations and dynamic export strategy where Chinese state played a key role.

The continuous progress witnessed by China in many spheres from 1980s and resultant spectacular GDP growth has made it a global power at the beginning of the new Millennium, with powerful trading, financial and investment networks covering the entire world. China’s entry into the World Trade Organization in 2001 helped it cement its status as the world’s factory and largest trader. According to Reuters, China has surpassed the United States as the number one destination for foreign investment and exporter of information technology products in 2018. China is the world’s third-largest trading power.

¹⁰ James Petras, “China: Rise, Fall and Re-Emergence as a Global Power.” *Global Research*, 12 Dec. 2018.

One of the key objectives of China's foreign policy in the 1950s and the 60s was building solidarity with the 'new states' in the Afro-Asian world. Within the limited openings China had at the time in international politics, China identify itself with the anti-colonial struggles in the context of decolonization, offering them moral and political support. At the Asia-African Conference held in Bandung in 1955, Zhou Enlai called for increased cooperation between the countries of Asia and Africa. The modes operandi of Zhou Enlai at Bandung earned him with much recognition among the delegates. In the 1960s and 70s, China was on the forefront of Non-Aligned Movement (NAM). However, by the end of 1970s, ideological factor in international affairs receded to back in the changed national and global context. The new turn in its foreign policy that was propelled by economic considerations of rapid economic transformations and growth and a restructured global role became apparent after 1978.

New Global Role and Interaction with the World

Parallel to the ascendancy of China as a global power, a steady shift in its global role and its strategic thinking as to its maritime domains has also taken place. In 2004, President Hu Jintao articulated the 'new historic mission' for the PLAN, underscoring the mission of the Navy in providing strategic support to maintain China's national interests. Consequent to redefining the role of the PLAN, naval modernization progressed rapidly covering all aspects of naval mission. The '*2010 Ocean Development Report*', the first comprehensive document on China's maritime activities published by the State Oceanic Administration of China, stated that enhancing maritime power is China's historic task for the 21st century. The report specifically mentions 'protecting' authority over 'relevant waters', developing the maritime economy, and strengthening ocean and land management¹¹.

The port construction projects undertaken by China in the Indian Ocean littoral is perhaps the most talked about aspect of the Chinese naval diplomacy. When China faced the issue of reinvesting the capital generated by external trade surplus, it turned to her traditional allies in the Indian Ocean region and used its capital strength to lure them to embark on port construction projects with Chinese loans.

¹¹ Adam P. MacDonald, "China's Maritime Strategy: A Prolonged Period of Formulation", *Canadian Naval Review*, 2013, p.10.

The new global leadership role that China came forward to play is manifested in the Belt and Road Initiative (BRI) and the setting of Asian Infrastructure Investment Bank (AIIB). In October 2013, Chinese President Xi Jinping unveiled the two components of infrastructure project under the One Belt One Road: the Silk Road Economic Belt and the Maritime Silk Road at the informal leadership meeting of Asia Pacific Economic Cooperation (APEC). It was rephrased as the ‘Belt and Road Initiative’ in 2016¹². The declared objectives of BRI are mainly three-fold: (1) find a way for global economic growth in the post-financial crisis era, (2) realize global rebalancing and (3) create a new model for regional cooperation in the 21st century. It is very pertinent to quote Wang Yiwei to highlight the Chinese perception on BRI: “The Belt and Road Initiative shoulders the responsibility of realizing the Chinese Dream. After the Chinese dream of realizing the great rejuvenation of the Chinese nation was proposed, a viable path and a road map were needed. The Belt and Road Initiative has undertaken this task of great significance”¹³.

Simultaneously, China initiated the establishment of an International Financial Institution, the Asian Infrastructure Investment Bank (AIIB)¹⁴. *The Economist* observed that “China’s decision to fund a new multilateral bank rather than give more to existing ones reflects its exasperation with the glacial pace of global economic governance reform. The same motivation lies behind the New Development Bank established by the BRICS”¹⁵.

The metamorphosis of China into global power coincided with the Fourth Industrial Revolution (4IR). It is important to note that technological advances brought forward by the earlier industrial revolutions contributed to establish technological and economic supremacy of the West. In highlighting the political implications of the Industrial Revolution, Marx once said:

¹² BRI proposed six economic corridors: (1) China-Mongolia-Russia Economic Corridor, (2) New Eurasian Land Bridge, (3) China-Central Asia Economic Corridor, Bangladesh, (4) China, India Myanmar Economic Corridor, (5) China- Indochina Peninsula Economic Corridor and (6) Maritime Economic Corridor.

¹³ Wang Yiwei, *The Belt and Road Initiative: What Will China Offer the World in Its Rise*. Beijing: New World Press, 2016. P.16.

¹⁴ In October 2014, representatives from 22 countries signed the MOU to establish the AIIB and Beijing was selected to host the Bank headquarters and the Articles entered into force on December 25, 2015.

¹⁵ “Why China Is Creating a New ‘World Bank’ for Asia”, *The Economist*, 11 November 2014

“The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls”¹⁶. The mercantile capital, industrial capital and cooperate capital that propelled the First, Second and Third Industrial Revolution were mainly West-based. China was only a casualty of them. The emerging technologies of Robotics, Artificial Intelligence (AI), Internet of Things (IoT), Machine-to-Machine Communication (M2M), Virtual Reality and 3D printing brought forward by 4IR are profoundly impacting on the way people live, work, do business and communicate with each other. China released its ‘New Generation Plan’ in 2017, outlining its strategy to create a technological infrastructure capable of leading the world in AI by 2030. It recognizes that “the exclusive control of a technology has the potential to open up a ‘first-mover-advantage’, which allows a nation to make, and consolidate, gains before competitors can catch up”¹⁷.

In the changed zeitgeist created by evolving the 4IR, Big Data’ became a key asset and the Digital Capital came to forefront, deciding the direction of economic and political life of the world. Hence, collection and analysis of Big Data became a foremost important venture in 4IR. Unlike earlier occasions, China is better positioned today to proceed with 4IR. Accordingly, it is practically challenging the monopoly enjoyed by early-industrialized countries as the dynamo of technological innovations and industrial revolutions. The battle between the US and Huawei in the competition to dominate 5G technologies, a key element of 4IR, would be an indicator of future scenarios¹⁸.

Disruptive technologies identified with 4IR offer opportunities as well as pitfalls to the developing countries. The challenge before us is how to ensure a shared future of mankind by employing the unprecedented technological advances of 4IR. Reality is that the failure on the part of any country to get into 4IR process would exacerbate technological inequality and create

¹⁶ Marx, *Communist Manifesto*, p. 53

¹⁷ Adrian Pecotic, “Whoever Predicts the Future Will Win the AI Arms Race”, *Foreign Affairs*, 5 March 2019.

¹⁸ Damithri Munasinghe, “My Way or the Huawei: Global Battle for 5G Dominance and Its Impact on Sri Lanka,” *Talking Economics Digest*, 2019: Issue one, p.8.

a new form of dependency syndrome. In this context, the global role of China is critically important.

The rise of China to a global power status is so far peaceful. China asserts that the ideology behind BRI is the Ancient Silk Road, which did not lead to any plunder or aggressive territorial expansion. Is China pursuing the same path for the global leadership? It is important to note, however, that nature of aggression and territorial acquisition has also changed in the changed context. In the past, any attempt to shift the existing distribution of global power resulted in wars and periods of political tension. What would be the response of other global powers to the rise of China? The peace and stability of the emerging new world depends on both the reactions on the part of the established global powers to the rise of China as well as how China manages these challenges.

After 70 years of the establishment of PRC, the country stands today on a crucial historic juncture in its post-colonial history. The future direction of China depends on three critical factors: (1) the role of the Chinese state, (2) the role of the economically powerful 'new rich' that emerged with the economic liberalization process and (3) how China handles the issue of democracy. The fundamental concern related to the ascendancy of China is whether it ushers in a new world system based on the community with a shared future for mankind, marking the end of the one that came into being with the economic, political and ideological supremacy of the West or whether China would displace the West by establishing its own dominance in the world. History will answer this question.