

The China Advantage: Great Leap Forward for Capitalism, Big Step Backward for Labour

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THE HUGE GROWTH of China's manufacturing in the last 20 years cannot be attributed to China's embrace of the world market alone, as neoliberal academics want us to believe. It is the outcome of a combination of many unique factors, the most important of which relate to the legacy of the great social and political transformation that came about between 1949-79, albeit at unnecessarily high social cost. Not understanding China's contemporary history is to understand nothing about China's future. Here we can only briefly touch on this vast subject. [1]

There are seven great advantages of China. First, she has a more developed and balanced industry than many developing countries, a result of China's much faster growth rate in manufacturing than India's since the 1950s. In 1980, when India and China were more or less equal in Gross Domestic Product (GDP) per capita, China already enjoyed a powerful advantage in manufacturing. An Indian economist Pranab Bardhan remarked that "compared to India, Chinese were better 'socialists' during the planning era, and better 'capitalists' during the reform era." [2]

Second, China's very strong and effective state machinery has been an effective tool for mobilizing resources for modernization. Despite the ascendancy of faith in the free market as the only reliable tool of development, the truth is that the modernization of Korea and Taiwan has always been state-led. China only adds one more example, despite the fact that the state since the 1980s accounts for a smaller share of economic activity than during 1949-79. China is able to pour huge sums of state money into developing new industry, new EPZs (Export Processing Zones), great infrastructure etc, with which few developing countries can compete. The same goes for the degree of social control exercised by the Chinese state.

Third, the sheer size of China - a huge country with a population of 1.3 billion - greatly magnifies the advantages of effective state-led growth and sophisticated manufacturing. It produces the benefit of economy of scale. She builds huge EPZs out of nothing; now China houses two-thirds of the world's total number of EPZs workers. This advantage helps China to build three basic manufacturing

clusters, each with its own specialization. The first is the Pearl River Delta (including Hong Kong as the main channel for export), which specializes in labor intensive manufacturing, production of spare parts and their assembly. The second is the Yangtze River Delta, specializing in capital intensive industries: cars, semiconductors, mobile phones and notebooks, computers etc.

The third cluster is Zhongguan Cun, Beijing, the Chinese Silicon Valley. Here the state directly intervenes to make possible the collaboration of colleges, enterprises and state banks to develop the Chinese IT industry. [3] Meanwhile state colleges are also turning out huge numbers of college graduates - comparable to developed countries. In 2002 China had 590,000 college graduates majoring in science and technology, whereas Japan had 690,000 one or two years earlier, and Thailand only 10,000. [4]

Land Reform and Nationalism

China's fourth great advantage is the legacy of land reform. China's land reform is generally recognized as much more successful than India. China already out-competed India as far back as 1980 and even earlier in all human development indicators: literacy rate, daily calorie intake, death rate, infant mortality rate, life expectancy, etc. [5]

When Western and Japanese media repeatedly praise the quality of Chinese labor (better educated, more willing to learn, disciplined), especially those rural migrants as compared to India's, it never occurs to them that a contributing factor to this achievement is the great transformation in land reform earlier, and the collective provision of rural infrastructure and education that followed - not anything related to the later market reform.

Quite the contrary, with the dismantling of the commune and the return to family farming since the 1980s, the burden of paying for their children's education is now shifted to the peasants. The erosion of the past social progress is happening swiftly. The only remaining conquest of the past social transformation in the rural sector are small pieces of land to which farmers are entitled, providing a certain degree of social security for rural households, and thus a kind of safety valve for the sharpening class contradiction since the market reform took off.

The fifth element of China advantage is deep-rooted nationalism. The dominant Han ethnic group accounts for more than 90%, of the country, whereas the Indian dominant ethnicity only accounts for one-fifth of that nation. This probably gives Chinese nationalism a greater coherence than India: Indeed, this factor helped to give rise to the People's Republic of China (PRC), and impelled her once to dare defy the United States and USSR simultaneously. China's contemporary history of anti-colonialism makes her sensitive both to foreign domination and confident to defy it if necessary.

At the end of the 20th century, facing a rapidly enlarging market share for foreign companies, influential factional leaders in the Communist Party already called for a more autonomous model of capitalist development. After the bombing of the Chinese embassy in Belgrade in 1999 during the U.S./ NATO war against the Serbian regime, and the surge of foreign direct investment (FDI) in China's domestic market, mistrust of U.S. and foreign investors has grown, and calls have intensified for more state-led growth in high-end products and less reliance on FDI-dependent growth. Which future direction China may take is still not clear.

Atomized Labor, Harsh Repression

The sixth advantage of capitalist China is her absolutely atomized labor in face of an absolute state. The 1949 revolution was a genuine mass mobilization of peasants for modernizing and democratizing China. While the modernizing task did achieve something significant, the latter - building democracy - failed miserably. Instead we have a bureaucratic state free of all popular control, and ruling arbitrarily.

In the early period of the PRC, the workers, although hailed as the leading class, did not even have the liberty of choosing jobs or occupations or the particular “Danwei” (in this case, a factory), let alone the freedom to form trade unions or free elections. [6]

This contributed to their absolute fragmentation. No layer of activists and organizers ever formed. Union cadres, under repeatedly purges, have long been transformed into an absolutely pro-management layer of officials.

Thus, long before the Communist Party changed its course in the 1980s, the relationship of forces between state and labor was entirely unfavorable to the latter. That is why the Communist Party could safely change its course without fearing too much an organized resistance from below. Deng Xiaoping actually tested his strength in the 1989 TiananMen crackdown, where workers were singled out to be suppressed harshly. One may argue the massacre practically laid the social foundation of turning China into a great sweatshop.

Prasenjit Duara, an American scholar, recently remarked that “the Communists made the work force docile and organized labor to be a managed entity that could be continuously mobilized. A Marxist might see China under Mao as producing the conditions of capitalism. [7] While there is still much debate on the character of the regime between 1949-79, there is less doubt as to the characterization of the present regime.

Last but not the least, China has a unique advantage in the big leap forward to embrace global capitalism, namely the unique factor of having Hong Kong, Macau and Taiwan as her door to the world. The three areas have provided immense support to Deng market reform from the very beginning to the present, from ideological resources to financial and managerial personnel. Hong Kong acts as the chief financial center for China, raising billions of dollars for mainland corporations every year. Neither Russia nor India possess such advantage. [8]

“What is the ‘factory of the world’ anyway? It is simply using our own resources to produce low-end products at the expense of polluting ourselves and what we get in return is only a small profit.” This looks like China bashing from some overseas Chinese dissidents, but it is not. The speaker was Pan Yue, the deputy director of the government’s environmental protection department. [9]

Pan’s colleague Yang Peng is even more radical: “The West robbed the world (in the colonial period), now we are robbing ourselves: the cities rob the rural, the power elites rob the powerless. And when all public resources are robbed to the last penny, there we enter a period when the alliance of the elites split among themselves.” [10]

There are built-in crises in the Chinese model, of course. [11] It is possible for the model to blow up in the near future, though the opposite case cannot be totally ruled out. In either case, this model spells disasters for Chinese as well as Asian working people.

Supporting Chinese Workers

China's model is no model for labor. China's suppression of workers rights, embrace of fiercely export-oriented growth, and cutthroat competition enhance the profitability of business classes in both Chinese and other countries, at the expense of working people across the world. It is the duty of the world labor movement to oppose the ruling elites inside and outside China. It is particularly urgent because today Chinese labor is still in bondage and cannot even make its voice heard.

We need to do this independently, however, on the terrain of labor and social movements, the mobilization of union members - not along the track of trade policy as defined by governments and Trans National Corporations, whether this be trade protectionism or trade liberalization.

Until recently, mainstream labor organizations in developed countries tended to see trade policy of governments and big business as a bus which could give labor a free ride back to welfare states with job security. It appears especially so to union leaders when the bus is going in the direction of trade protectionism. Eventually this route leads nowhere near a welfare state.

Soon the next bus is coming, heading for Free Trade Agreements. Amazingly, labor leaders shake their head but then decide to jump on, hoping that once on board they can show the driver a map called a "labor clause," hoping to convince the driver to change course. As usual the driver nods and smiles, but at the end of the day the bus drives where the boss wants to go, and the security of jobs is nowhere in sight.

It is time to stop conceiving trade policy of the ruling elites as a bus which can give labor a lift. Appending labor rights to Free Trade Agreement like NAFTA, or the European Union's social clause, has proved to be a failure in defending jobs. It will not succeed for WTO either. Nor is attaching labor rights to trade protectionism a genuine alternative: It is simply not the responsibility of labor to help their own bosses to out-compete bosses in other countries in this global market.

Trade protectionism imposed by developed countries against weaker ones only serves to enhance world hegemonic powers, which are responsible for so much poverty in their homes and all around the world. We need a different yardstick for developing countries, however, recognizing their right to decide their own policy, including the right to protectionism against hegemonic powers.

Even in developing countries trade protectionism is not necessarily pro-labor, and in fact not necessarily effective as a development tool. Between the 1950s and '60s, many developing countries pursued protectionism and import substitutions. At that time jobs were somewhat more secure than now. But the ultimate fading out of this model is not accidental: The worldwide recession in 1974 ended the relative self-reliance model of capitalist development for developing countries.

Precisely because of the limitations of trade protectionism, labor in developing countries needs to avoid making labor rights an appendage of protectionism. We have to judge protectionist policy case by case, subjecting it to the scrutiny of the interests of small farmers and workers. Even when labor supports a particular protectionist policy, it must maintain independence and not allow itself to be used by the ruling elites to pit workers in different countries against each other.

This is doubly true for Chinese labor activists. We are for protecting the livelihood of Chinese small farmers against the onslaught of TNCs and the WTO. But it will be a different matter to protect the domestic market share of local manufacturers, as called for by some mainland nationalistic academics, as if this would benefit labor. Quite the opposite, foreign capital and domestic employers alike know no bound in exploiting Chinese workers.

Therefore, we argue for these principles:

- 1) The paramount task for labor in every country is to oppose the neoliberalism in their own country, and first and foremost hold their own bosses responsible for plant closures.
- 2) Labor, inside and outside China, must come to understand that they need to unite internationally to reverse the global race to the bottom, and do it by independent mobilization rather than putting all hopes on trade policy of their respective governments.
- 3) Labor outside China should support Chinese labor struggles, but in the language of the labor movement, not of trade policy or the narrow nationalism of elites.
- 4) Chinese workers should fight for their own rights independently, regardless of whether this may make Chinese employers more or less competitive in the world market.

The author's recent interview 'Alter-Globo in Hong Kong' is downloadable at New Left Review. See a collection of his articles at ESSF - wait a couple of seconds while tiny url connects you.

NOTES

[1] The author discussed this subject more in detail in an earlier article, "Comment on the rise of China," <http://linkage.ngo.org.tw/redmole/no3/R0305.htm>. Available only in Chinese.

[2] Quoted from *Industrial Growth in China and India, A Preliminary Comparison*, by R. Nagaraj, Economic and Political Weekly, May 21, 2005, Mumbai, India.

[3] Kuroda Atsuo, *Made in China* (Tokyo: Toyo Keizai Inc, 2001), Chinese edition, 2002, Taiwan.

[4] *China Statistical Abstract 2004*, National Bureau of Statistics of China, 178. Also see Kimura Fukunari, 21 & 189.

[5] Peter Nolan, *Transforming China Globalization, transition and development* (London: Anthem Press 2004) 118.

[6] Andrew Walder's *Communist Neo-Traditionalism Work and Authority in Chinese Industry* gives very interesting account as to the authoritarian regime in plant level.

[7] "Ted C. Fishman, "The Chinese Century," *New York Times*, 4 July 2004.

[8] For more discussion of China unique development please refer to the author's article, *ibid*.

[9] Quoted from <http://business.sohu.com/20050719/n226363226.shtml>.

[10] Quoted from http://www.liuhongzhi.com/news/show_article.asp?id=00001325.

[11] The author discussed this in his article on the rise of China, *ibid*.

P.S.

* This article first appeared in *Against the Current*.

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