

China and the US in the 21st century

Sunday 9 March 2025, by [HORE Charlie](#) (Date first published: 9 March 2025).

Charlie Hore chronicles the rapid growth of the Chinese economy over the last quarter of a century and the growing tensions with the US. Video transcript.



Thanks very much to Edinburgh rs21 for arranging this and thanks to everyone who's come. There's no question that when the history of the 21st century comes to be written, China's rise is going to be one of the major themes. This is a huge topic so it's going to be a very broad-brush review. In this introduction I want to try and do three basic things: first explain China's rise to becoming a World Economic power and consequently a major imperialist power, secondly to look at some of the class and national tensions that the economic success of the past 25 years has exacerbated, and lastly to talk about China and the world, in particular the growing tensions with the US.

The picture tells a thousand words. This graph shows the speed and scale of China's rise over the past quarter century. This is year on year GDP growth this century, the blue line is China, the grey line is the world economy, the orange line is the USA. Three obvious things from this. China has consistently outperformed both the world economy as a whole and the US. Secondly, the US has consistently underperformed in relation to the world economy until quite recently. Thirdly, there are two enormous breaks in this. The stock market crash of 2008 and then Covid in 2020. I'm going to talk about the economic miracle in these three phases.

Another way of seeing this is that in 2000 China produced just 4% of the world's GDP with the US accounting for 30%. By 2021 China was up to 18% and the US down to 24% and within this there are three distinct periods: before 2008, the 2008 crash to Covid and Covid and after. There are three general themes that structure this throughout. Firstly, the Chinese Communist Party's (CCP) good fortune in opening to the world economy at the right time in the 1990s. A good fortune that lasted until 2008. Secondly, the advantages of backwardness, China was still a rural country and had a huge army of reserve labour in the countryside. Lastly, the central economic role of the state at all levels, not just national government, but provincial government, local government, counties and cities. And the CCP's success in both managing change and taking advantage of unexpected developments. A consistent story of victories of pragmatists over planners.

China's boom was founded on explosive growth in manufacturing mostly for export to the US, and on Western Europe wanting to outsource production to cheaper sources. China now accounts for a third of the world's manufacturing output. I'll highlight three aspects of this. Firstly, it relied on what was assumed to be an inexhaustible supply of migrant workers from the countryside, drawn by much higher wages than they could get back at home. One of the first-generation migrants tells a story of going into a perfectly ordinary factory in Shenzhen in early 1990 and starting work on higher wages

than the officials back in her village were paid. That was the gap between the countryside and city. Secondly, China became the world's largest exporter but also the world's second largest importer. That huge explosion of manufacturing required China to draw in energy, raw materials and components and create a network of trading links across the world. China ran a trade deficit with the rest of the world apart from the US and the EU until 2013. And the last point to make about this is that it was unsustainable. The sheer volume of growth in exports was simply too fast for the sluggish western economies to absorb. Even in 2008 the model was in trouble.

This next slide gives you a sense of the extent to which China is the major player in trade across the world. I should say that if you include the EU as a third party this looks quite different. Europe and half of Africa are dominated by the EU rather than China. But that doesn't in any way change things, if anything it highlights the extent to which the US has fallen back as the dominant power in world capitalism. The 2008 crash hit China's exporting and manufacturing capacity incredibly hard. On one account some 25 million workers lost their jobs. The immediate response of the CCP was a massive government economic stimulus, spending on construction of roads, airports, railways etc and then later a major housing boom. These were the years in which China became a majority urban country. This was a short-term stopgap. It was neither environmentally nor economically sustainable and it was premised on a huge build-up of debt. The housing boom in particular has repeatedly caused huge economic instability, although the CCP has managed to balance from one crisis to another. I don't have time to go into it, but basically almost all debt in China is internal, it's owned inside China, almost all debt is owed by one part of the state to another. So effectively it becomes just bookkeeping.

The second part of the strategy to recover from the crash was a massive export of capital for construction across the global south, mostly using the belt and road initiative as a vehicle. The belt and road initiative (BRI), which is better thought of as an umbrella for lots of different things, rather than one centralised plan, amounts to the largest investment programme in the history of capitalism. One source estimates that it is seven times the size of the Marshall Plan that rebuilt European capitalism after World War 2. This has caused huge debt problems in partner countries. The central problem is that the countries that most need Chinese investment have the least resources to repay the debt. And this is absolutely about investment in order to get repaid, none of this is aid. The BRI investment is primarily driven by China's needs rather than those of its recipients. China has an essentially extractivist approach to African and South American economies and uses that investment to build better transport infrastructure so that China can get raw materials and energy capacity from those countries to China.

Covid hit the Chinese economy very hard, the growth figures are now half what they used to be. There's a major series of meetings taking place in Beijing this week at which they unveiled the growth figures for the next few years. They are aiming for 5%. They may not meet that. The gap between the US and China has widened slightly, by 2023 China's is at 17% of world GDP but the US is up to 26%. So, China is not continuing to close the gap. For some commentators this means that the boom has finished, they point to the massive structural problems that the Chinese economy faces. Foreign investment at the lowest level since the 1990's, the falling birth rate, environmental damage, the growing debt mountain. There's no question that these are real. The graph shows how precipitately the birth rate is falling. The birth rate today is lower than it was during the famine of the great leap forward and that's from a much larger population. Going forward it means there is a much smaller working class. All these are very real problems. They probably mean that China is not going to get back to double digit growth anytime soon, but it's important to stress that an awful lot of these problems are products of economic success, and the CCP has repeatedly shown itself to be capable of adapting to changed economic conditions. The CCP is crucial here, it gives the ruling class a coherence that many other ruling classes lack.

I'm going to go on to talk about resistance from below. The last quarter century has seen huge rises in living standards almost everywhere in China and also huge rising inequality. And the era of greatest prosperity has also been an era of huge, though disconnected protests. Disconnected because they principally target local authorities and enterprise bosses rather than the CCP nationally. They do so for a very simple reason because of the way in which economic power has been devolved from the central state down to local power. If you want a wage rise you go on strike and your boss, and the bosses of the factory decide whether you get the wage rise or not. If the officials in the village try to take your land and you organise a riot against them, you can stop them, they have the power to stop that. Tibet and Xinjiang are exceptions, and I'll come to those in a minute.

In 2000 strikes by migrant workers became ever more common, peaking in 2006 in terms of absolute numbers, and in 2010 we saw a major wave of coordinated strikes by car workers for higher wages. Offensive strikes rather than simply defensive against appalling conditions. There has also been big environmental protest against polluting factories, very big peasant protests against land seizures and localised protests against police brutality and official corruption. The CCP lumps these together as mass incidents that require the police being called. These increased from 9000 in 1993 to 90,000 in 2005. That was last year that official figures were published. On one estimate these doubled again by 2010. What we've seen is that official tolerance has been won for a certain amount of localised protest, providing limits are observed. You can go on strike, but you can't organise an independent trade union. You can protest against your local officials, but you can't challenge the control of the Communist Party. However, that official tolerance has now been challenged under Xi Jinping. Economic strikes have continued which are now overwhelmingly defensive, they're not very heavily policed, but all other forms of protest and organisation have met substantial repression. The extent of the repression was shown most graphically a couple of years ago in the Hong Kong protests. Although it was carried out by the Hong Kong police, the way in which it was done was essentially dictated from Beijing, with over 10,000 people arrested and many of the more high-profile supporters of the movement banned from elections.

China's response to Covid also involved very high levels of state control over movement, which at least did lead to initial success, but it wasn't sustained. Basically, China had a very effective response to the first wave of Covid but then didn't adapt as Covid mutated. The fact that this was just done by arbitrary lockdowns led to huge protests in 2022. These showed that the state remains very sensitive to protest. They weren't huge protests, hundreds of people, thousands in one or two cities, but in reality, the government backed off. It has been quiet since, but we shouldn't assume that quiet means a lack of discontent.

I'm talking now briefly about resistance and repression in Tibet and in Xinjiang. These are both quite depressing. The Tibetan economy has grown substantially over the past 25 years but in ways that excludes most Tibetans from the benefits of growth. In 2008 there was a massive revolt across all majority Tibetan areas which spread far beyond Tibet province. This was followed by student protests against the marginalisation of the Tibetan language, which then overlapped with one of the most disturbing and striking waves of protests in recent years, a wave of self-immolations. People setting themselves on fire in protest against Chinese control of Tibet is something that goes back a long way in Buddhist culture but is not unknown in other religions. That wave of protests peaked in 2015, and the last one was in 2022. Essentially the Chinese state, by retaliating against anyone who's in any way involved with the people who set themselves on fire, eventually managed to stop people doing it. China has in recent years imposed forced resettlement on hundreds of thousands of nomads. This together with the expansion of mining and mass tourism has put the future of the Tibetan language and culture under very serious threat.

Xinjiang's recent history has been even more turbulent. Again, there has been massive economic

growth but again the majority Uighur population are shut out of this. It's important to stress that Xinjiang is much more important to the Chinese economy than Tibet. It's a major source of energy, a major source of raw materials and of course a key staging point for exports into Russia. Repression of Uyghurs saw mass protests in the capital city Ürümqi in 2009 which led to several hundred deaths. This was then followed by instances of terrorist attacks which were met by blanket Islamophobic repression from the CCP which it dubbed 'the people's war on terror'. People were arrested for having beards, wearing veils, for fasting during Ramadan, for not drinking and so on and so forth. There were mass internment campaigns, which the Chinese state dubs 'education campaigns', which have so far imprisoned something like one in ten of the adult population and in those camps forced labour torture and forced assimilation have all been all too common. This has spread from Xinjiang to all Muslims across China. Financial Times reports of 2023 showed that over 1700 mosques have been altered, stripped or destroyed. So, in both Tibet and Xinjiang the process of repression of local culture has unfortunately been a very successful one and that does have ramifications for China and the world which I'm going to come onto now.

I'm going to talk here about China and the world. Recapping a couple of things about the economy. China has gone from being peripheral to the world economy in 1980 to being the main driver of economic growth across the world since 2008. Second largest economy in the world, largest exporter, second largest importer, second largest exporter of capital mostly via the belt and road initiative. China's rise necessarily threatens the US's political and economic hegemony. Not because China wants to replace the US as the world superpower, China's rulers have been very ready to engage with US dominated bodies like the IMF, the World Bank and so on. What they envisage is a multipolar world in which many powers, the US, Russia, China, Japan, India and the EU together decide what goes on. Now there's nothing anti-imperialist about this. This is about redistributing inequality rather than challenging it. It's about challenging the structure of imperialist control over the world economy. Not about challenging the hold of imperialist power over the world economy. The US has had contradictory reactions to this for understandable reasons. It needs China economically but is wary of China's economic and political power across the rest of the world. The two economies have become very closely enmeshed. China is the largest source of imports and it's the third biggest export destination. A US/Chinese comrade described this in an article in Spectre as a situation of antagonistic cooperation. They can't live with each other; they can't live without each other.

China's rise has coincided with, and partially accelerated, the relative decline of US hegemony. It's not the cause of this, there are two separate processes which are overlapping and interacting with each other. Obama came closer to coherent policy than any previous president, with on one hand the military pivot to Asia, and on the other hand an economic project called the trans Pacific partnership. This is basically a free trade area which would encompass every country on either side of the Pacific except for China. Both of these involved the US recognising the need for partners in Asia, admitting that US power was reduced. The military pivot didn't happen because of Iraq, the trans Pacific partnership, precisely because it relied on a partnership rather than US imposition, moved very slowly. Then Trump came into office for the first time. Trump scrapped both, starting damaging tariff wars which he then had to pull back from to an extent. Biden continued the tariff wars, wanted to go back to the Obama policy and found it much more difficult. One indication of these difficulties is that the trans Pacific partnership is now being revived. Eleven other countries decided that it sounded like a good idea and if the US didn't want to be part of it they would go ahead without them. It's now a free trade area across both sides of the Pacific that excludes China and excludes the US, but China. has asked to join, and Britain is an associate member.

The strategic military ambition is probably best shown by the AUKUS programme, which stands for Australia, the UK, and the US and is a programme for building a new generation of nuclear

submarines. It's very long term; submarine construction will start in 2030, and they will be deployed in 2040. That's the plan and obviously military plans tend to extend, but this also highlights that China is now seen as a primary rival by other Western powers. There are huge splits among Western powers especially on the part of Germany which has consistently profited from China's rise. Lots of people talk about this as a new Cold War but I don't think that's the best way to describe it. There is no ideological antagonism, the rivalries are driven by economic not military competition. There are some aspects of classic imperialism of the World War One era but crucially the world is no longer divided into imperial blocks which the big powers control, so the world is much more unpredictable than it was. T

The military tensions across these states are driven both by the USA defending its hegemony but also by China being more assertive both economically and militarily. China now has a naval base in Djibouti in East Africa, and the navy is expanding into the Indian Ocean. China now owns a port in Sri Lanka which Sri Lanka had to give them when they defaulted on a belt and road initiative loan. And China has been increasing activity in the South China Sea as well as stepping up military flights around Taiwan. The South China Sea has become a major flashpoint because around 40% of world trade passes through there. Practically everything from South Korea, everything to and from Japan, everything to and from China. Adding to this the repression in Hong Kong in recent years has increased widespread distrust of China's plans in the region and strengthened the US's hand in making alliances in Southeast Asia. Whether that will continue under Trump remains to be seen.

The maps I'm just going to show illustrates why governments in Southeast Asia are unhappy with China's claims and ambitions. The pink dotted line shows what China claims as territorial waters. According to China these start 12 miles off the coast of Vietnam, 12 miles off the coast of Malaysia, 12 miles off the coast of the Philippines. This is obviously contested by every other government in the region. I should say every other government except Taiwan which also makes the same claim. This illustrates one of the reasons why the tensions across East Asia have been increasing and this has led to a huge arms race which has three distinct causes. The biggest obviously is US military spending. There has been a pivot of American military spending to the East Asian Pacific, although the aim of having 6% of American military resources in that region has not yet been achieved. There has been a huge increase in Chinese arms spending, it increased tenfold from 2000 to 2020, although given the huge dynamism of the Chinese economy this remained constant as a proportion of GDP. There have been similarly large increases in spending by many of the other powers in the region. And to quote one of the best books on the area, an often-neglected element is how US allies have been playing their own strategic games, simultaneously testing the US's commitment to regional or bilateral security but also China's ability to exercise self-restraint.

This next slide shows 2021 military spending for the US and the rest of the world. You can see the US is far and away the biggest military spender across the world. Note how crucial East Asia is, China, Japan and South Korea and just a little further off India and Saudi Arabia. That changing structure of the world economy has also given other ruling classes greater clout. It means there is no longer a simple binary competition between two blocs. Bluntly neither the US nor China can simply get their own way. And into this maelstrom of competing interests and alliances comes Trump. It's important to see that it's not just Trump. Trump is surrounded by people just as vicious but with a much clearer view of what they perceive as American strategic interests. People like Vance and Marco Rubio. We can already see a strategy emerging which is to clear Ukraine and Gaza out of the way so that Trump can concentrate on the major competition, which is from China. The movement over Ukraine is also in part about trying to prise Putin away from China, to do what is essentially a reverse Nixon. In 1972 Richard Nixon went to China and formed an alliance, both saw the USSR as their main opposition. Trump wants to do the reverse. This is an explicit turn away from the idea that the US can be the sole hegemon. It's a recognition that in a multi-polar world Israel can do what

it likes in Gaza, the West Bank, Lebanon and Syria and therefore the US can do what it likes in the parts of the world that it controls. This is a move away from the rules based international order back towards gangster capitalism, it's not in any way a step forward.

So, what is Trump's new world order going to look like? It's exceptionally hard to predict. Militarily the situation is far more perilous. The US is playing catch up while China is taking a more aggressive stance. But economically the region is more integrated than ever before and while there are some moves to decouple, to reinstate national boundaries around key economies there are real limits to how far this can go. It's important to understand these processes do not cancel each other out, they don't dampen down the tensions, rather they make both more volatile, and that volatility is enhanced by the presence of numerous other actors in the region, none of which are simply puppets of one or other superpower. There are no blocks. The Japanese ruling class, the South Korean ruling class, the Taiwanese ruling class make calculations out of self-interest and many of those calculations will turn out to be wrong. There's also a huge gap between desire and reality. Trump would like to get Gaza and Ukraine resolved so that he can focus on China. That's a long way off happening. Obama wanted to get the US out of Iraq so he could focus on China, and it didn't happen. So, I think we have to see that there's a real drive to war here and I think we have to understand that resisting the drive to war means understanding it's a product of imperialist tensions, which are ultimately caused by capitalist competition. In other words, there aren't simple solutions. So how do we act? It's not always easy and I think we need to have a clear understanding of concrete circumstances, but I think there are three general principles. The first is unconditional anti-racism. We stand with Chinese and East Asian people against all forms of racism. This is a major concern in Britain, the US and Australia. As the anti-China rhetoric gears up in Britain we can expect to see heightened forms of racism against Chinese people. Secondly, consistent anti-imperialism, we need to stress that China is not worse than any other imperialist power and keep pointing out parallels between China and other struggles. Hong Kong brought back memories of the Black Lives Matter movement. There are many parallels between Islamophobic repression in Xinjiang, Islamophobic repression in Palestine. Israel and China cooperate in both security software and hardware. We stress that the main enemy is at home because that's where we are, not because they are morally worse than anyone else. But we also need to say that there should be no red washing. China is an imperialist power in the same way as the US or Britain or Russia. As consistent revolutionary socialists we need to support all struggles from below in the same way we support all struggles against oppression and exploitation.

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P.S.

• rs21. March 9, 2025:

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