

# China's Transformation: A Southeast Asian Perspective

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China's once-in-a-decade leadership transition will have major implications for China's neighbors in Southeast Asia. Given this, it might be worthwhile to review the changing understanding of the momentous developments in China on the part of people in our region, using my generation—the so-called “baby boomers”—as an example.

Many in my generation in Southeast Asia came of age during the tempestuous years of the Mao era, when China was seeking to assert itself as a revolutionary beacon and undergoing the Great Proletarian Cultural Revolution. Many were radicalized by the twin forces of the Vietnamese struggle for national liberation against the United States and China's bid for revolutionary leadership in the third world.

## Mao and Southeast Asian Youth

Throughout Southeast Asia in the 1960s, young radicals gravitated away from the established pro-Soviet communist parties that had been dominant for four decades and went on to form new communist parties based on the Chinese model. In the Philippines, the Communist Party was reestablished in December 1968 and the New People's Army was founded in March 1969. The Chinese imprint was very visible: the basic military strategy was to surround cities from the countryside in a “protracted people's war” relying on the peasantry as the main force of the revolution, not the urban working class.

Many in my generation were more attracted to this vision of armed revolution than the parliamentary struggle that was then regarded as the trademark of the pro-Soviet communist parties. I would say, however, that what led some of us to join the organized left in the early 1970s was not so much its revolutionary promise as the fact that it was the only force that seemed capable of resisting the Marcos dictatorship that was foisted on the country in 1972.

China's break with the rapid industrialization model espoused by the Soviet Union struck a resonant chord among intellectuals in countries where more than two thirds of the work force was in the countryside and the massive amount of capital needed for a large-scale rapid industrialization

program was simply not available. Yet nor was there any appetite for countryside-led development based on the commune system. It was the Chinese model of armed revolution that attracted so many of us, not China as a model of development.

## **Deng and the Countryside**

The twists and turns of Chinese domestic politics in the 1970s and '80s, along with the crisis of socialism, led many of us to become cooler about China, even as the political limitations, economic illusions, and ethical flaws of Maoist and Leninist approaches became apparent to us in our efforts at social transformation. Many activists left the traditional organized left in the late 1980s, concerned about development with equity and sovereignty even as they saw classical Marxism-Leninism as anachronistic. It is from this perspective that I developed my stance towards Deng Hsiao Ping's policies in the 1980s and '90s. This process was probably less a theoretical than a subliminal one, as is usually the case.

I was cautiously optimistic about the introduction of more market forces into the countryside, which allowed farmers to significantly raise their income. Under the "Household Responsibility Contract System," each household was given a piece of land to farm. The household was allowed to retain what was left of what it produced after selling a fixed proportion to the state, or simply paying a tax. The rest it could consume or sell on the market.

I distinctly remember reading an article about Deng's rural reforms in the *Washington Post* in 1982, and while it challenged my cautious views on market reform, I felt this was the way for China to go if the conditions of life for the country's masses of peasants were to improve after the chaos of the Cultural Revolution. Indeed, looking back, my instinctive reactions were justified. Between 1978 and 1984, rural poverty, according to official estimates, declined from 33 percent to 11 percent of the population. Put another way, the number of poor people declined from 260 million to 89 million in a matter of six years.

## **Export-oriented Industrialization**

However, I was less enamored with the policy shift towards export-oriented industrialization that occurred in 1984, which portended that China's rapid modernization would be carried out on the backs of peasants and workers. For China's neighbors, such export-led industrialization had led to a decline in rural income growth, a deterioration of agriculture, and repressive working conditions. My 1990 book, *Dragons in Distress: Asia's Miracle Economies in Crisis*, documented this underside of rapid development in South Korea, Taiwan, and Singapore.

Indeed, in China, peasant income—which had grown by 15.2 percent a year from 1978 to 1984—dropped by 2.8 percent a year from 1986 to 1991. Some recovery occurred in the early part of the 1990s, but stagnation of rural income marked the latter part of the decade. In contrast, urban income, already higher than that of the peasants in the mid-1980s, was on average six times the income of peasants by 2000.

Nevertheless, one could not but be impressed by the boldness of Deng's reforms: the building of massive export-processing zones, the invitation to foreign capital, the loosening of restrictions on domestic entrepreneurs, the tying of China's future to the export markets of Europe and the United States. There was nothing new about these thrusts. Taiwan and South Korea had adopted them in the mid-sixties, some twenty years earlier. It was the scale and speed with which the reorientation

was done that was impressive in the case of China.

There was also the sense that China could tie its future to the western markets and western capital while still preserving its autonomy because it had carried out something that few other developing countries had been able to do: successfully carry out a national revolution to create a strong state that could bargain on equal terms with global capital and a hegemon like the United States. Most other developing countries, unlike China, were very susceptible to global capital and to domination by the premier state of the global capitalist system.

## **China at 63**

Nearly 30 years since its decisive move toward foreign-capital-led, export-oriented industrialization, China's success is being undermined by a multisided ecological, equity, and governance crisis.

Citizen participation in governance is minimal, with the Communist Party continuing to monopolize political decision-making (though it must be acknowledged that village-level elections that involve some degree of free choice have been introduced).

China's environmental crisis is now global in scope. China is now the world's biggest emitter of greenhouse gases, accounting for some 29 percent of total emissions in 2011, up by 9 percent from 2010.

Inequality has worsened. With its gini-coefficient—a measure of inequality—rising to 0.47 in 2010, China is now a more unequal society than the United States, a far cry from the egalitarian society that the revolution was supposed to bring to China. A recent New York Times article on the economic activities of Prime Minister Wen Jia Bao's relatives revealed how the families of the high officials of the Communist Party of China have been able to corner much of the wealth created by the policies of the last few years.

Moreover, the model of foreign capital-dependent, export-oriented industrialization is now at the center of debate in the party and government.

In 2008, in response to the deepening economic crisis in its main markets, the United States and Europe, China launched a \$585-billion stimulus program to enable the domestic market to make up for the loss of export demand. This has had fleeting success, however. China's growth rate in the first half of 2012 declined to 7.8 percent, its slowest pace in three years. The main reason appeared to be its continuing dependence on Northern markets and its inability to institutionalize domestic demand as the key engine of the economy.

China's failure to break with export-led growth, rather than merely a case of structural dependency, reflected a set of interests from the reform period that, as the respected technocrat Yu Yong Ding put it, "have morphed into vested interests, which are fighting hard to protect what they have." The export lobby, which brings together private entrepreneurs, state enterprise managers, foreign investors, and government technocrats, remains the strongest lobby in Beijing.

Indeed, according to Yu, China's "growth pattern has now almost exhausted its potential." China, the economy that most successfully rode the globalization wave, "has reached a crucial juncture: without painful structural adjustments, the momentum of its economic growth could suddenly be lost. China's rapid growth has been achieved at an extremely high cost. Only future generations will know the true price."

## **From Low-Profile Developing Country to High-Profile Hegemon?**

When I was in Vietnam last year, some people in the government there asked me if I thought that China had entered a new phase in its development—whether it had transitioned from Deng’s preferred posture of keeping a low profile internationally while focusing on economic development to one where it was now striving for regional hegemony. Was China, the Vietnamese asked me, turning from an inward-looking country focused on modernization into an outward-oriented power seeking regional hegemony?

The question was, of course, related to the inexplicable claim China was making to the whole South China Sea [1], or what Vietnamese call the East Sea and Filipinos now call the West Philippine Sea. The Chinese “nine-dash-line” claim has become extremely destabilizing [2], not only because it so brazenly violates the United Nations Convention on the Law of the Seas that recognizes for each country a 200-mile Exclusive Economic Zone (EEZ), but also because it would subject to Chinese domestic jurisdiction one of the world’s most active international waterways. Moreover, it has provided the United States an opportunity to reinsert itself aggressively into the region, converting a territorial dispute that could be resolved through multilateral diplomacy—if China would only allow that—into a superpower confrontation.

## **Challenges to the New Leadership**

For all these reasons, the leadership transition that is currently taking place in Beijing is of interest not only to the Chinese but to the whole world. The questions that are now uppermost in the minds of many include the following:

Will the new Chinese government headed by incoming President Xi Jin Ping definitively move to a new economic paradigm that would put an emphasis on income redistribution and be more ecologically friendly?

Will the new leadership institutionalize new ways to address the grievances of peasants and migrant workers and make them genuine stakeholders in the Chinese miracle?

Will China’s new leaders move towards promoting more citizen participation in governance and make a major effort to root out the now pervasive corruption that is a serious threat to their legitimacy?

Will the new leadership become more flexible in global negotiations on climate change, so that in the coming United Nations Climate Conference in Doha, Qatar, it will declare itself—as the world’s leading emitter of greenhouse gases—open to accepting mandatory cuts in its emissions?

Will the new leadership move away from confrontation and declare itself open to multilateral negotiations to resolve the territorial disputes with Southeast Asian countries in the South China Sea?

## **A Second Chance?**

There was a time during the early 1990s, before the Asian financial crisis, when the Association of Southeast Asian Nations (ASEAN) was still influential and China still placed a great deal of emphasis on good relations with its neighbors, that many of us felt that a new era was dawning in the region, a

time when countries could finally develop the mature relations that had been stunted by decades of Cold War. Finally, I felt, developments were eroding the rationale that the United States presented for its military presence in the region: that it was the guarantor of peace and stability in the region.

That maturation of Asian relations did not come about. The Asian financial crisis, unfortunately, eroded the prestige of ASEAN and the effectiveness of the once promising ASEAN Regional Forum as an institution for the discussion and resolution of regional security issues, while China and the United States went on to develop their own special relationship that has oscillated from complementary to adversarial.

There is still time to move away from the course of confrontation that threatens the region with America's reckless "Pivot to Asia," but it will take a really bold effort on the part of ASEAN leaders and the new Chinese leadership to reach out to each other. Given the propensity of history to spring surprises on us, I would not preclude such a development.

**Walden Bello**

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\* From Foreign Policy in Focus, November 16, 2012:

[http://www.fpif.org/articles/chinas\\_transformation\\_a\\_southeast\\_asian\\_perspective](http://www.fpif.org/articles/chinas_transformation_a_southeast_asian_perspective)

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## **Footnotes**

[1] [http://www.fpif.org/articles/pivoting\\_toward\\_the\\_south\\_china\\_sea](http://www.fpif.org/articles/pivoting_toward_the_south_china_sea)

[2] [http://en.wikipedia.org/wiki/Nine-dotted\\_line](http://en.wikipedia.org/wiki/Nine-dotted_line)