



Peaceful Rise of China: Myth or Reality?

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The ‘rise of China’ discourse involves two critical issues: whether China is rising or has risen? If the answer is yes, will China be a *status quo* power or a revisionist power? The sustained rapid economic growth in the last three decades seemed to have confirmed the rising trend of China as a potential global power. There is definitely little suspicion about a rising China nowadays and attention is predominantly focused on whether China will be rising peacefully. I doubted the oversimplified assertion on the ‘China rising’ issue. The remarkable economic growth did provide the foundations of China’s rise, but the growth itself was problematic. I would argue from international political economy perspective that the way in which China was integrated into the global economic system enabled its economic ‘success’ in growth terms but blocked its industrialization which was the real foundation of the rise of any great power in modern world history. China’s rhetoric on ‘peaceful rise’ precisely revealed its deepening dependence on the international system dominated by the US, whereby its intentions to sustain current neo-liberalist economic development model for the purpose of legitimation of the authoritarian regime. The paradox is, though China has neither the intention nor the capability to challenge the order of existing international system and does hope to seek a peaceful rise within the international framework, the maintaining of an unprofitable economic growth model, or one of a ‘technologyless industrialization’, will inevitably exacerbate the constraints of market and resource bottlenecks and thus make China’s economic growth hard to sustain. This would heighten tensions and even increase the likelihood of conflicts between China and the developed world which would in turn be destabilizing to the international system within which the US intends to transform China into a responsible stakeholder that will play by the rules. Thus, the so-called ‘peaceful rise’ is nothing but a wishful illusion.

International Politics (2008) 45, 439–456. doi:10.1057/ip.2008.13

Keywords: economic growth; industrialization; globalization; international system

Introduction

Since it embarked on the market-oriented economic reform and open-door policy in 1978 and in particular, since it joined the World Trade Organization (WTO) in 2001, China has achieved the world’s fastest rate of economic growth. Its foreign trade and outbound foreign direct investment (FDI)



expanded sharply, which has produced significant implications on world economy and international relations. And beginning from the late 1980s, China's defense expenditure kept growing rapidly. Therefore, the 'rise of China' attracts worldwide attention.

Different Interpretations of 'Peaceful Rise'

Is China really rising? It seems there is little doubt about it (Sutter, 2003–2004). Then what does the 'rise of China' mean? The prevalent views of Western countries, in particular, the United States and Japan, perceived the rising China with realist suspicions that China will probably or even inevitably challenge the international system by dint of its industrialized economic power and armament expansion as what the Second Reich did prior to the First World War.¹ In contrast, the dominant views in China believed that China is the beneficiary of the economic globalization and international system, thus to maintain a cooperative partnership with the US and to safeguard the stability of the international system is vital to China's economic development. China's official theorists made every effort to profess the following points to the US and its allies that China, being plagued by the increasingly acute resource shortages, environmental worsening and social conflicts at home, is pre-occupied with domestic issues, namely, economic development and social stability; China respects the US as the guarantor of international order in East Asia and has no ambition to seek hegemony and dominate world affairs; China will further integrate itself into the international economic system and acquire world resources by peaceful means, that is trade and investment; China will bring 'increased opportunities by means of its enlarging domestic market instead of posing threat to the international community'. China is endeavoring to realize a 'peaceful rise' on these entire bases (Wang, 2005; Zheng, 2005).

The response of the US administration included the following: many countries do hope that China will pursue a 'peaceful rise', but none will bet their future on it; US market is crucial to China's development, but China cannot take its access to the US market for granted; China's cooperation with rogue states such as Sudan and Iran for energy-seeking has undermined China's international moral image. The US urges China to become a 'responsible stakeholder' in the international system and open its politics at home.² These indicate that the US did not concur with China's 'peaceful rise' explanation. Its tacit conditions of accepting the rise of China differed hugely from the latter's domestic and foreign policy bottomlines. Thus the rise of China is quintessentially a 'China threat' in the eyes of American policy-makers, even though China has being irreversibly integrated into the US-dominated international system, with its international behavior increasingly bound and shaped by global institutions. In fact, US skepticism of China's rise



has been heavily influenced by the democratic peace theory as well as the neo-realist argument about the inevitability of inter-state conflicts arising from power maximization. For the part of China, therefore, whether it pursues its rise in a peaceful way or not, it will be regarded as a threat to the US.

However, as of the current stage, it is inappropriate to compare the rising China to the Second Reich before WWI. First of all, the economic status is different. Before WWI, Germany had become a highly industrialized core-state whose economic power had surpassed that of the UK and ranked only next to the US. Its capabilities of exporting capital and technology were immense, lending it considerable political and economic clout in central Europe, Near-Middle East and Latin America. While for today's China, in spite of its vast economic scale, it still lags far behind the objective of industrialization and has a long way to go in bridging up the gap with developed countries in terms of both the industrial technology and the general level of national modernization.³ Secondly, the international environment confronting the two great powers is totally different. Germany before the Great War stayed in a Europe-centered multipolar world. As one of the 'poles', Germany had both the strength and will to break the balance of power in the European continent and became a conqueror. China in contrast is located in a unipolar world dominated by the US; China has neither the intention nor the capacity to challenge the US in terms of its much weaker economic, political and military powers.

These two differences are too obvious to be overlooked by Western statesmen and strategists. Yet, by punctuating 'China threat', the US would justify the containment or even preemption against China in strategic terms. This strategic posture will leave China few alternatives but to succumb to US leadership in the international system. In other words, China's efforts to seek a 'peaceful rise' have their limits and will be increasingly constrained by the US unipolarity — the *Pax Americana* backed up by preponderant US power. That in large part explained why the US administrations have been consistently pursuing to fully integrate China into the international system politically and economically since the early 1970s.⁴ Interestingly, China has also been emphasizing the vital importance of joining the global capitalist system under the US domination, viewing it as a fundamental approach to achieving 'peaceful rise'. What are the underlying reasons for such strange international politics phenomena? I would investigate this question by probing into the 'rise of China' *per se*.

Economic Growth: The Foundation of 'China's Rise'

The notion of the 'rise of China' first appeared in the second half of the 1990s, when China's economic growth was fast and its rank in world economy kept going up. Some Western scholars questioned the notion, contending that China's economic scale did not make it one of the major powers; and China's



economic power was equivalent only to that of Brazil, thus mattered nothing in international politics (Segal, 1999). The situation changed qualitatively with China's accession to the WTO in November 2001. Firstly, China's integration into world economy stepped forward rapidly and its growth rate took the lead in a depressing global economic environment. China's gross domestic product (GDP) in exchange rate terms ranked the fourth largest in the world and second in PPP (purchasing power parity) terms; its international trade volume ranked the third and foreign exchange reserve overtook Japan's to be the largest by the end of 2006. US debt financing and even, to some extent, the macroeconomic stability were increasingly dependent on China that is now the second largest buyer of US treasury bonds.

Secondly, due to growing shortage of resources, China has been importing energy and raw materials in large quantities since the early 1990s. China's quickly expanding economic size reshaped the supply–demand pattern of world resources and generated considerable impacts on global economy. China's prodigious acquisition of resources in recent years drove it at loggerheads with developed countries, particularly, the US and Japan in the competition for strategic resources. To ensure energy supply, China has been investing in resource-rich countries located in Central Asia, Latin America and Africa in unprecedented magnitudes, and China's political influence in those areas is rising as well.

Thirdly, China's globalizing economy generated spillover effect in East Asia that drew China and Asean countries closer in geoeconomic terms. As an extension of the liberalization logic that enabled China's rapid economic growth, China was ever more zealous than Japan in promoting regional trade integration with Asean. In high politics, China's involvement in the Asean multilateral framework moderated hostilities among Asean members and increased China's influence there. Thus, China's new Asia Policy of 'mulin, anlin, fulin' (bringing harmony, security and prosperity to the neighbors), which represents a revision of its regional policy from bilateralism to multilateralism, has achieved remarkable success. All these developments show that China's economic growth has produced significant clouts on world economics and politics. This is why the 'rise of China' has been widely acknowledged by the international community.

But the problem is: will China's economic growth be sustainable? Are the ways in which China acquires world resources through trade and investment workable forever? In light of China's rigid demand for energy,⁵ if the competition for global resources between China and developed countries cannot be compromised, the 'peaceful rise' will surely be ceased. What would China that had enjoyed three-decade-long 'peace and development' by bandwagoning on the international system respond under such circumstances?⁶ Why the international system that enabled China's economic success



would possibly result in the destruction of China's economy and/or itself? The crux of all these questions lies in: what is the essence of China's economic growth?

The Essence of China's Economic Growth: Technologyless Industrialization

Unlike most other market economies in the world, the main dynamism of China's economic growth is not from domestic demand. From the 1990s onwards, the growing income gap started to encroach on overall social purchasing power and substantially depressed the consumption demand. The share of consumption in China's GDP kept declining from some 65% in the early 1990s to less than 50% at present.⁷ As a result, China's economic growth has to rely on investment and export. As a technologically backward developing country, China is undergoing industrialization, in the process of which manufacturing industries play a key role in national economy. Manufacturing sector is the carrier of industrialization and the main absorber of social employment. Hence, it is the engine of economic growth.⁸ Yet, underneath the surface of rapid economic growth, China's regular manufacturing is under enormous pressure of the 'substitution effects' from both the FDI-related manufacturing and domestic irregular counterparts. Its development scale has kept shrinking in relative terms. Throughout the 1990s, a lingering industrialization, or as Cheng termed, 'deindustrialization', had been a conspicuous trend of China's economy.⁹

The economic globalization characterized by trade and investment liberalization refueled China's economy, which had decelerated and seemed to have lost momentum in the late 1990s. Since 2001, the year when China was about to join the WTO, swarms of multinational firms started to relocate their manufacturing operations into China, which gave a strong impetus to China's economic growth.¹⁰ However, this round of investment boom by multinational firms was not motivated by the perceived China's huge consumption market as was the case in 1992.¹¹ The chief aim of these multinationals was to use China as the super-low-cost production center and export the manufactured products to their global marketing networks on the basis of the effective control and domination of China's market that had been accomplished at the end of the 1990s (Yue, 2004). This strategy turned out to be a great success. About 60% of China's foreign trade and 90% of the new and high-tech export trade have now been controlled by the foreign-funded enterprises (see Table 1). Multinational firms have achieved the optimal mode of global operations by means of taking full advantage of China's market access and comparative advantage in cheap labor, as a result of which, posed tremendous competitive pressure upon China's indigenous industries.



Table 1 Categorized statistics of (a) China's import and export in 2007, (b) import and export of China's new and high-tech products in 2005 (Unit: US\$100 million)

<i>Jan-Dec 2007</i>	<i>Export</i>	<i>%</i>	<i>Import</i>	<i>%</i>	<i>Trade balance</i>
<i>(a)</i>					
Foreign enterprises	6,955.2	57.1	5,594.1	58.5	1,361.1
State-owned enterprises	2,248.1	18.5	2,697.2	28.2	-449.1
<i>Other enterprises:</i>	2,976.8	24.4	1,266.9	13.3	1,709.9
Collectively owned	468.9	3.8	231.7	2.4	237.2
Privately owned	2,474.9	20.0	1,000.9	10.5	1,474.0
Chinese enterprises (subtotal)	5,224.9	42.9	3,964.1	41.5	1,260.8
Import/export total	12,180.1	100.0	9,558.2	100.0	2,621.9
<i>Jan-Dec 2005</i>					
<i>(b)</i>					
Foreign enterprises	1,920.0	88.0	1,579.8	79.9	340.2
State-owned enterprises	161.5	7.4	282.2	14.3	-120.7
Collectively owned enterprises	39.8	1.8	30.8	1.6	9.0
Privately owned enterprises	61.1	2.8	83.4	4.2	-22.3
Other enterprises	0.059	0.0027	0.895	0.045	-0.84
Chinese enterprises (Subtotal)	262.5	12.0	397.3	20.1	-134.8
Import/export total	2,182.5	100.0	1,977.1	100.0	205.4

Data: Statistics of China's Customs. See databank of the Planning and Finance Department of the Ministry of Commerce, PRC. (2007 data for panel b not available at the moment)

In consequence, China's manufacturing industries have kept declining,¹² whose weaknesses in technological capability are evident particularly in the core equipment manufacturing. According to China's official data, 95% of the integrated circuits (IC), more than 70% of the highly sophisticated digital-control machine tools, 100% of the photo-electronics facilities, and 70% of the car manufacturing equipments and textile machineries have to be imported from developed countries (Wang, 2005).¹³ The decline of China's manufacturing directly led to the shrinking of demand for high-level technical talents, which further exacerbated the social employment crisis.¹⁴ However, the politicization of economic growth for legitimacy concerns under China's authoritarian regime gave rise to extreme pragmatism and opportunism in policy-makings that prioritized instant economic growth over the objective of modernization of domestic industries. As such, the worsening social crisis adversely added up to the distortions of policy objectives,¹⁵ which rendered resource allocation lesser efficient and kept China's macroeconomy in a constant state of instability.¹⁶ Therefore, China's modernization program has



evolved into one of the ‘technologyless industrialization’ approach, a derivative from the interaction of China’s communist authoritarianism with the radical neo-liberalism, which turned out to be the root cause of China’s mounting social crisis and deepening dependence on foreign markets and technology that coexisted with a sustained rapid economic growth.

The departure of economic growth from the normative target of industrialization revealed a basic truth: the economic globalization has stifled China’s industrialization. Tightly bound by its WTO commitments, especially those on investment liberalization, the Chinese government would find it virtually unable to enforce industrial policies in a bid to build up national champions as what Taiwan and South Korea had done in the Cold War era. These two East Asian developmental states (Taiwan is not a sovereign state, the term ‘state’ hereby used is simply for explanatory purposes with regard to the developmental-state theory) benefited greatly from the US–Soviet bipolarity in the Cold War, during which the US, to contain the Soviet Union strategically, opened its market without reciprocity to these two capitalist allies and offered generous aids in capital and technology transfer, while allowing the two countries to protect national industries by restricting imports and foreign investment. Taiwan and South Korea seized the historic opportunity and fulfilled industrialization in less than three decades prior to the ending of the Cold War. China in contrast, though strategically, or to be more exact, militarily allied with the US to oppose the USSR since the early 1970s, was massively guarded against by the US economically and technologically, in that China, which was then a radical and influential communist power, stayed outside the global capitalist system under the US domination.¹⁷

After the Cold War, the globalization became a necessity when the unipolar new world order was taking shape. With no strategic balancers emerging and communist alternatives evaporating, the US had no obstacles in promoting neo-liberalism that swiftly dominated global economic thinking. Meanwhile, the information technology (IT) revolution that took place in the US during the early 1990s furthered worldwide trade and investment liberalization. And the globalizing of world economy was reinforced by the strengthening of global institutions the US pioneered to create and thus forged strong inertia of self-expansion that was hard to reverse. The US was the staunchest propeller of globalization as it served US interests, enabling it to bring its economic and technological superiority into full play and reverse the relative declining trends since the collapse of the Bretton Woods System (BWS) in 1972. Thus, the rule-based global economic system enormously promoted US national interests and extended its power through worldwide economic liberalization that was jointly advanced by the US and the global institutions it dominated that oversee rule enforcements.



In handling economic relations with China, the US on the one hand, continues to maintain high-tech export control regimes against the nominally communist China; on the other hand, it used its huge market as a bait to force open China's domestic market through rounds of market access talks since 1992. This strategy strongly induced the neo-liberalist orientation of China's development strategy: so long as it is resolved to achieve the highly politicized target of GDP growth, China has to abandon economic nationalism and be integrated, likes it or not, into the world economy pursuant to the principle of comparative advantage.

In the history of world economy, no latecomer industrialized countries followed the liberalist creed of 'comparative advantage'. They caught up with or surpassed the leading rivals by pursuing nationalist economic policies (the US and Germany) or concurrently by the charity of favorable international context (Taiwan and South Korea). The US was not blind to this basic historical fact. It traded off liberalism promotion with strategic foreign policy objectives flexibly. For instance, in the 1950s, the US, out of the Cold War strategic considerations, was reluctant to impose liberalism upon its European allies that heavily intervened in the economy. US-China rapprochement in the 1970s ended up with strategic alignment. However, China, in the eyes of US decision-makers, remained a communist totalitarian state and ideologically inferior to even its capitalist authoritarian allies that depended on US security guarantee and the US-dominated global system. Thus, the exogenous conditions for the interventionist developmental-state (DS) model of East Asian market economies were non-existent for China then and even after it started the market-oriented economic reform and opening and transformed into some sort of post-totalitarian authoritarianism. As was expected, the ending of the Cold War terminated Sino-US strategic alliance and exposed China to systemic pressure of economic liberalization. Fully aware that China's marketization reform would irreversibly generate strong demand for global market, the US would, through peaceful means of 'globalizing' China's economy, be able to 'lure' China into the international system upon which China would become increasingly dependent. This grand strategy of integrating China into the international system proved much more intelligent and effective compared with the one of *fencing in* the USSR from the global capitalist system. This strategic element of US China policy has been firm and consistent since China started restructuring its inefficient socialist planned economy and opening up to the outside world in the late 1970s.¹⁸

In such global context, it will be extremely difficult for China to industrialize by means of fully globalizing its economy and bandwagoning on existing international system. As a developing country, China after joining the WTO opened its door even wider than most OECD countries. Yet its comprehensive competitiveness, particularly the key component — innovation capability,

ranks very low among the major powers (see Tables 2 and 3). China's indigenous manufacturing as a whole has been squeezed to the low-end production of the value chain in the 'global level playing field' created as per the WTO agreement. Under the dual pressure from imports and FDI, the bulk of China's manufacturing industries could only engage in low-tech operations.¹⁹ China's manufacturing sectors profited little from the seeming 'win-win' international division of labor and were financially incapable of massively investing in research and development (R&D) to enhance their abilities to innovate.²⁰ Their financial incapability of innovating was further reinforced by the disincentive mechanism of TRIPs (Trade-related Intellectual Property) to which China had also committed in the WTO deals. Under the IPR (intellectual property rights) regime, however improper the enforcement turned out to be, the consequence is that although patents applications in China has

Table 2 The competitiveness index 2005 (the biggest 25 economies) — only major powers are listed in this chart)

<i>Country</i>	<i>Index ranking</i>	<i>Macroeconomic stability</i>	<i>Enterprise</i>	<i>Innovation</i>	<i>Investment</i>	<i>Human capital</i>	<i>Openness</i>
US	1	1	2	2	5	2	22
Germany	5	4	15	6	16	7	15
UK	6	5	4	12	12	10	12
Japan	8	22	21	21	5	11	24
France	12	3	22	9	22	20	19
South Korea	13	15	11	15	17	5	5
India	22	23	24	21	19	27	23
China	24	24	12	25	21	25	9
Russia	25	25	24	24	14	—	—

Source: Deloitte Research UK, 2005

*The preceding eight countries of higher openness than China: Ireland, Belgium, the Netherlands, Austria, South Korea, Sweden, Finland and Canada.

Table 3 Top eight economies with highest R&D expenditure (% of companies in R&D 1000 index, 2005)

<i>Rank</i>	<i>Country/area</i>	<i>%</i>	<i>Rank</i>	<i>Country/area</i>	<i>%</i>
1	US	42.0	6	Switzerland	2.8
2	Japan	21.0	7	Sweden	2.2
3	Germany	6.3	8	Taiwan	2.2
4	UK	5.4	—		
5	France	4.5	—	Others	13.6

Source: *The Economist*, October 27, 2005.

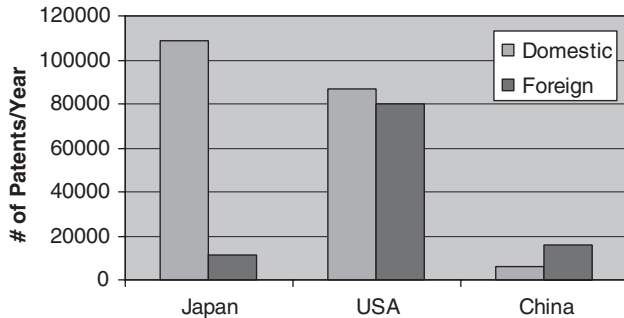


Figure 1 Patents granted in Japan, USA and China.

Source: cited from Komaiko, July 25, 2007.

increased exponentially in recent years, the majority of the patents are granted to non-Chinese citizens, or foreign enterprises in other words, a stunning yet understandable phenomenon, which is in stark contrast to Japan, the US and the EU where ‘almost all patents applicable in the three largest markets are granted to people who are citizens of these jurisdictions’ (Komaiko, 2007). These developments would result in even further enlargement of China’s technological gap with developed countries,²¹ exacerbating its reliance on foreign capital and technology. Should this trend persist, the prospect of China’s technological catch-up and industrialization would vanish (Figure 1).

Based on the above analysis, it is crystal clear that for a developing country like China, there will be no real modernization without an economic growth synchronized with the industrialization. Lacking remarkable technological progress, China’s current development model is quintessentially one of unprofitable growth overshadowed by a ‘technologyless industrialization’. *It is merely the enlargement of economic scale that constitutes the basic truth of China’s ‘rise’.* No doubt, on the basis of massive manufacturing of low-tech products that are easily substituted, neither can this sort of ‘rise’ be transformed into a strong lever for China to govern international economic relations, nor can it elevate China’s bargaining position and power in the international system.²²

Sustainability of Economic Growth: The Predicament of China’s ‘Peaceful Rise’

In fact, even if one defines ‘economic growth’ as connotation of China’s rise, the double effect of rapid economic growth concomitant with deindustrialization entailed by globalization cannot coexist in the long run, since the lingering



industrialization has deteriorated China's internal and external environment and will eventually make the economic growth hard to sustain. This can be interpreted from the following two aspects:

Firstly, given the low technological level and correspondingly low entry barrier of China's manufacturing industries, high national savings is prone to being transformed into over-investment in low-tech industries in China's special institutional context of politicizing the economic growth. This will inevitably lead to overcapacity and place China's macroeconomy under persistent pressure of deflation. To deter recession and alleviate employment crisis caused by the technologyless industrialization, the only way out is to export surplus products in huge quantities to world market, particularly, the developed countries at low prices. By the end of year 2007, import and export accounted for about 63% of China's GDP, in which export trade dependence (ratio of export to GDP) reached as high as 36%, the biggest ratio among all major powers. This reinforced the trend of what China's most influential political economy journal *Caijing* had observed in 2005, arguing 'Data show that China's economic growth has become even more dependent on external demand than any period in the last few years' (Guo and Hu, 2005). Such fragile economic structure has exposed China to huge external risks in case of a recession occurring to the US economy, which would enormously endanger China's economic and social stability. More damaging to the Chinese economy, in addition to its structural weakness, is the fact that the imperative of the export boom and the resulting massive accumulation of foreign exchange reserve prompted by the deflation and the WTO accession has incrementally built up global pressure for RMB revaluation which resulted in a reversal of the deflation to a liquidity-driven creeping inflation. Thus, the sheer performance of favorable balance of payment in the absence of substantial structural upgrading embodied in its innovation capabilities has up till now inflicted double crisis of severe inflation coupled with an ongoing technologyless industrialization on China's economy. This new type of macroeconomic crisis, once erupted, will be far harder to be managed with socio-economic implications much more difficult to be conceived and predicted than the similar one developed in Japan in the late 1980s and early 1990s when its bubble-bursting yet highly industrialized economy was plunged into a decade-long recession.

Secondly, low-tech production is commonly featured by high energy consumption, drain on resources and severe pollutions. Its competitive edge lies in the cheapness of labor and resources, which is the foundation of China's comparative advantage and why China attracts so much FDI.²³ Yet, China's resource endowment is cheapness but not richness. Hence, the sustained high-rate economic growth is bound to be achieved on the basis of overdrafting of domestic resources and 'blood-and-sweat shop'. Facts show that China's economic development achieved at the cost of too-early drying up of domestic



resources, all-round ecological deterioration and increasingly acute social injustice is becoming more and more difficult to sustain (Chen, 2004). The ultimate way out is to modernize China's manufacturing industries, or put it another way, to industrialize the Chinese economy. Yet industrialization and globalization are inherently contradictory. And in China's institutional context after the Cold War, the socio-political psychology in favor of globalization has taken roots in the Chinese society, with neo-liberalism becoming the backbone of the official developmentalist doctrine, thus a political correctness under the authoritarian regime. In other words, the path dependence of China's neo-liberalist reform has made it preventively costly to fundamentally alter the current extensive mode of economic development. Then the remaining solution to sustain economic growth was to import energy and raw materials at any rate. In light of China's gigantic economic scale, sharply increasing resource imports have not only raised China's economic cost and thus contributed to a persistently declining terms of trade²⁴ but also more importantly posed grave challenges to its economic security.²⁵

In short, China's economic dependence on global market was centralized at two key 'ends': at the downstream, large quantities of low-grade cheap products need to be digested by developed countries' consumers; at the upstream, most of the resources imperative to China's economic growth are distributed in areas under US domination. Therefore, China's economic development has to be dependent upon the stability of the US-dominated international system. For that reason, China quietly abandoned its long-lasting diplomatic tenet of 'opposing hegemonism',²⁶ in an attempt to preserve the 'free trade regime' that is crucial to China's economic growth by means of a 'peaceful coexistence' with the US-dominated hegemonic order.²⁷ Even so, China's *de facto* acquiescence in the US hegemonic order would not suffice to avert conflicts between the two major powers over issues related to economic globalization.

The reasons are twofold. On the one hand, the globalization has retarded China's industrialization and to certain extent suppressed the domestic demand. As is expected, China's redundant low-tech products had no other avenues but to enter rich countries' market in great quantities. This has impaired part of the host countries' industries and international balance of payments. If this process is unavoidable, restrictions imposed upon China's imports by these countries out of considerations of domestic politics and national interests are also unavoidable. The essence of the 'unavoidability' does not lie in the contention between 'free trade' and 'protectionist trade', but in the fact that for a big country with such huge economic scale like China, it is not only dangerous but also unrealistic to achieve economic growth on the basis of the 'domestic demand' of developed countries. Moreover, lacking real technological capacity, the foundation of bargaining in international economic



relations, China will find it extremely difficult to partake in the rule-setting and prevent the perceived unfair practices of the developed countries that frequently use the tool of 'fair trade' to block China's 'free trade'. Also China's huge capacity in churning out low-tech manufactured products resulted in a zero-sum race with some developing countries, such as Asean, for global markets and thus put China's long-term relations with these developing countries in question.

On the other hand, globalization has generated China's *irreversibly* huge demand for world resources. Given the unrenewable nature of many of the strategic resources, that is, oil and gas, the scramble for global resources among big powers is unambiguously a 'zero-sum game'.²⁸ What is more, there exists symbiotic relationship between some strategic resources and geopolitics.²⁹ Therefore, China's booming imports will surely lead to dramatic changes of the consumption pattern of world resources and increase the likelihood of confrontation between China and other major powers like the US and Japan.³⁰

Conclusion

By dissecting the 'peaceful rise' discourse and focusing on the 'rising' part, I argue that the assertion of a 'rising China' is premature and problematic. China is definitely rising in economic growth terms, while it is getting increasingly dependent on foreign market and technology. Using the term 'technologyless industrialization' to depict this seemingly contradictory phenomenon, I argue that the globalization has powered China's GDP growth but impeded its industrialization. China's neo-liberalist globalizing approach, though having eased legitimation concerns of the vision-devoid Chinese authoritarian regime, has strained China's relations with both developed and developing countries except those simply relying on energy exports, and thus created more uncertainties than stabilizing factors for China's relations with the global system on which it has sincerely expected to continue bandwagoning in order to facilitate a peaceful rise.

The technologyless industrialization disqualified China as a template of economic success for the developing countries and reduced its room for diplomatic maneuvering as a civilian power. While China's hard power enhancement measures that were based on the same realist logic as that of the US to address the increasingly acute energy dependence,³¹ and the perceived threats from the US that is determined to prevent emerging powers as its top priority of its post-Cold War foreign policy, though largely reasonable in China's reasoning of the globalization (Wang, 2005), have given rise to a rallying of the US-led military and diplomatic realignment in China's periphery.



Thus, neither the globalization nor the US-dominated international system offers a predetermined avenue for China's peaceful rise. It is naive for China to expect a long-time peaceful development which would naturally end up with a 'peaceful rise' by free-riding on the international system. China must find out new alternatives about its peaceful rise. As this goes beyond what this essay paper intended, I would briefly present my argument based on the above analysis: China must politically democratize itself into a modern nation-state; economically, extricate itself from the neo-liberalist dogma and industrialize the economy through proper industrial and social policies; and diplomatically seek strategic reconciliation with Japan to jointly promote regional integration in East Asia. A democratic and industrialized China will strengthen global peace as the democratic peace theory suggests and undermine US realist posture of containment. The China–Japan integration will precipitate a more dispersed power distribution in international politics, which will echo EU's appeal for multilateralism and thus make the world safer. The peaceful rise of China is much likely and expected on such basis.

About the author

Jianyong Yue graduated from Beijing Foreign Studies University in 1989 and is currently carrying out doctoral research on political economy at the London School of Economics and Political Science (LSE). He received his MBA degree from the China Europe International Business School in 1999. He has worked for China's state-owned enterprises, multinational firms and business journals.

Notes

- 1 That is, John J. Mearsheimer.
- 2 'Wither China: From Membership to Responsibility?' Robert Zoellick, Deputy Secretary of State Remarks to National Committee on US–China Relations, September 21, 2005.
- 3 On February 18, 2005, the Chinese Academy of Sciences issued the *Report on China's Modernization 2005*. After making numerous data analysis and scientific comparison, the research team under the Modernization Research Center of the Academy concluded that China ranked 69th among 108 countries in the world in terms of the comprehensive modernization index. In 2002, China was still an economically under-developed country. The gap between China's economy and those advanced economies in the world is huge. In 2002, China was in the middle stage of industrialization; its economic modernization was lower than the world average level. The report also reveals that if the per capita GDP and economic structure are taken as chronicle difference in comparison with other countries, in 2002, China's level of economic modernization was equal to that of UK in 1858, the US in 1892, Japan in 1957 and South Korea in 1976. See media report, 'How Far China is from being a Developed Country? Core Competitiveness Becomes Bottleneck', <http://www.chinanews.com.cn/news/2005/2005-10-13/8/637232.shtml>.
- 4 US Deputy State Secretary Robert B. Zoellick said in his address to the National Committee on United States–China Relations on September 21, 2005, 'Seven US presidents of both parties



recognized this strategic shift and worked to integrate China as a full member of the international system'. Zoellick particularly explained the meaning of 'a responsible stakeholder', saying that 'China has a responsibility to strengthen the international system that has enabled its success. In doing so, China could achieve the objective ... "to transcend the traditional ways for great powers to emerge"'.

5 Han Xiaoping, 'Oil, China's Rigid Demand', <http://www.china5e.com>.

6 One point must be clarified. China should not be juxtaposed with the two vanquished powers, Germany and Japan whose peaceful rise after WWII were underwritten by the US through a set of complicated multilateral arrangements, open global trade system plus security guarantees. The US ally-containment strategy under the disguise of military protection ensured the peaceful inclinations of these two allies. China as a communist power, though vague ideologically nowadays, is being integrated into the international system economically and to certain extent politically. But militarily China was largely self-reliant and followed the realist logic against perceived threats. In a word, China is far from being fully integrated into the US-dominated international system. China is unlikely to become US strategic ally in the post-Cold War era.

7 From the early 1990s, the share of consumption in China's economy kept declining. At present, consumption accounted for around 50% of GDP according to China's official estimation, while Morgan Stanley put the figure at only 41%. In contrast, the percentage in most countries is around 65–70%.

8 Data show that China's manufacturing industries account for some 40% of GDP. The processed goods account for more than 90% of China's total exports. And, the manufacturing sectors provide 50% of national revenue and absorb nearly half of urban employments.

9 For developing economies, deindustrialization is defined as a declining trend of domestic manufacturing industries relative to the foreign counterparts in national economy. Industrialization proceeded very slowly or even stagnated and the economy was increasingly dependent on foreign market and technology, which led to worsening social unemployment despite rapid economic growth. Whereas for developed economies, this concept refers to a 'hollow-out' of domestic manufacturing industries of which a large part have been relocated to low-wage and/or resource-rich developing countries (Cheng, 2003).

10 Take 2003 as an example, the investment by indigenous manufacturing industries was 363.9 billion yuan; manufacturing investment from FDI was US\$36.9 billion (305 billion yuan), about 70% of total FDI in China.

11 Since the late 1990s, foreign investors had realized that Chinese market was not as big as they imagined before. 'China: What's Going Wrong?', *Business Weekly*, February 22, 1999, http://www.businessweek.com/1999/99_08/b3617015.htm.

12 'How China's Manufacturing Industries Break Besiege of Foreign Capital', <http://www.ca800.com/05/4-5/n21679.asp>.

13 Xu Kuangdi (president of the Chinese Academy of Engineering), 'The Current Situation and Challenges of China's Manufacturing Industries', *China Development Observation* webpage, the Development and Research Center of the State Council, April 26, 2005.

14 The FDI in the manufacturing sector predominantly takes up the procedure of labor-intensive processing and assembling, thus having limited demand for China's engineers and technicians. For a long time, China's technologically backward manufacturing plants are no match with their foreign counterparts in offering attractive salaries or other benefit packages as well as sound working conditions to the technical staff. So, lots of Chinese college graduates with engineering and polytechnic backgrounds were forced to reorient their career development and flocked to business and finance sectors where salaries are much higher. The decline of China's manufacturing reduced demand for technicians and drove large numbers of college graduates to the tertiary industry. This is to the detriment of the technological accumulation and enhancement of innovation of China's manufacturing industries. What is more, as modern



- manufacturing provides the basis for a modern service industry, the declining Chinese manufacturing set limits on the expansion of the service industry, disenabling it to create more jobs. Therefore, the decline of China's manufacturing industries has led to deterioration of the overall situation of social employment.
- 15 In the last two decades, China had intended to repeat Japan's success story by pursuing the interventionist (developmental state) economic policies. Unfortunately, China failed to develop a consistent and well-implemented industrial policy because of corruption, myopia and lack of commitments of the bureaucratic elites to building up national champions to withstand fierce global competition, and other deeper political and economic reasons.
 - 16 For instance, urbanization can increase GDP in a short period of time. But the particular kind of urbanization detached from the industrialization has produced investment bubbles in other fields (such as an excess speculation in real estate), in addition to an increase of new farmers-transformed urban poor. This had led to an even more unbalanced redistribution of wealth and a greater risk exposure for the macro-economy as a whole.
 - 17 For example, the US has long refused to give China the Generalized System of Preferences (GSP) treatment and only accorded conditional most-favored-nation (MFN) to China's exports. And the US-led Coordinating Committee for Export Control (COCOM) had imposed strict restrictions on high-tech exports to socialist countries including China during the Cold War.
 - 18 See note 2. Zoellick also pointed out, 'For fifty years, our policy was to *fence in* the Soviet Union while its own internal contradictions undermined it. For thirty years, our policy has been to *draw out* the People's Republic of China. As a result, the China of today is simply not the Soviet Union of the late 1940s.....Chinese leaders have decided that their success depends on being networked with the modern world'.
 - 19 Quite some of the so-called high-tech industries in China are *de facto* labor-intensive industries engaging in simple processing and assembling, whose core components must be imported from abroad. According to my interview findings in Guangdong Province in late 2005.
 - 20 According to Hu Chunli, deputy director of the Research Institute of Industry Economy and Technology Economy under the National Development and Reform Commission, the profitability of China's manufacturing industries as a whole is 5–6%, while profitability of high-tech industries is only 2–3%. See note 12.
 - 21 Peter Nolan noted that China lagged further behind Western countries, in particular the US that took the lead in the global IT and business revolution in the last two decades (Nolan, 2001).
 - 22 The negotiations between China and the EU and the US on textiles export quota all ended up with the eventual compromise on the Chinese side. This clearly demonstrates that China is still running short of bargaining power against the developed countries.
 - 23 The part of manufacturing (including some so-called high-tech manufacturing) that has been relocated by the multinationals into China is predominantly the low value-added segment in the value chain suitable for large-scale assembly.
 - 24 The sharp increase of resource imports in recent years drastically pushed up China's economic cost, while at the same time, the vicious competition between indigenous enterprises pushed down export prices.
 - 25 China has surpassed Japan and become the second largest oil importer in the world after the US. According to an estimate by China's energy experts, by 2020, China's oil consumption will reach 500 million tons, of which 300 million tons will be imported. China's foreign dependence on oil will reach 60%, higher than the current 50% of the US (50% is a widely recognized alert line). See report, 'Energy expert: China's Foreign Dependence on Oil Exceeds US in 2020', October 12, 2005, *Xinhua* Urumqi, <http://finance.people.com.cn/GB/1038/3763890.html>. China's oil dependence reached 47% in 2006, up by 4.1 percentage point than 2005. *Nanfang Daily*, February 14, 2007, <http://www.southcn.com/finance/nfcm/nanfangrb/200702140286.htm>.

- 26 Since the reform and opening up in the late 1970s, the fundamental principle of China's foreign policy had been 'opposing hegemonism and maintaining world peace'. The political report of the Sixteenth CCP Congress revised the wording into one of 'maintaining world peace and promoting common development'; 'opposing hegemonism' has no longer been mentioned ever since. Please see the report of the Sixteenth CCP Congress at webpage: http://news.xinhuanet.com/newscenter/2002-11/17/content_632296.htm.
- 27 It seems that a tacit consensus exists between China and US policy-makers that challenging the 'fundamental order of the international system' is not in China's national interests. Although China has developed close relations with some oil-rich US-labeled 'rogue' states in West Africa, Middle East and Latin America which is obviously to US displeasure, it is not so much an intentional challenge to US hegemony, as I would argue, as an intuitive reaction to the acute shortages of energy resources, precisely because these states are, borrowing Lenin's concept, 'the weakest links' of global capitalism. Thus, China's assertiveness is alerted but not viewed as a fundamental challenge to US strategic interests. In fact, China has repeatedly stated that maintaining good relations with the United States is the top priority of China's foreign policy.
- 28 This has nothing to do with whether the world should thank China for providing cheap products, a harsh reality for which quite many people in China have naive illusions.
- 29 Ebel, 'The Geopolitics of Energy into the 21st Century', Vol. 1, p. 7. Cited from Michael Klare, (2005) *Blood and Oil: The Dangers and Consequences of America's Growing Petroleum Dependency*, London: Penguin.
- 30 For instance, China has imported large quantities of tar sand from Canada in recent years. Such huge imports aroused US concern, which 'emphasized the importance of Canada's tar sands to its energy security'. In addition, Japan's Defense Agency had revised its security strategy in 2004 partly on the assumption that 'conflicts over resources between China and Japan could escalate into war' (Zweig and Bi, 2005).
- 31 Even in areas beyond US control, there is no guarantee for China's access to resources or their long-term safe supply through such peaceful means like trade and investment. The major reason is that China's shortness of industrialization has crippled its ability to export capital and technology, thus unable to exert far-fetched political and economic influence over these resource-rich countries that do not really care 'whoever buys'. If encountering real competition from the developed countries, China can hardly get the upper hand. Besides, China's inability to protect its sea lane and the complicated geopolitical calculations of some energy powers like Russia (evidenced by its opportunism in the Sino-Japanese race for the Siberian oil pipeline deal) will discount China's access and long-term stable supply of energy.

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