

China's New Role in the Global Political Economy

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FOCUS *on the
Global South*

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China's Renaissance

- Economic re-emergence
- Socio-political transformation
- Intellectual reinterpretation of Chinese tradition

China as a New Global Power

- World's fourth largest economy and third largest trading country - China accounted for approximately 5% of world GDP
- Supplies more than 1/3 of the world's steel, half of its cement, and about a third of its aluminum
- 90% of all the marginal growth of Japanese and European companies is coming from China
- By the end of 2006, China made \$75 billion direct investment in more than 160 countries.
- Role in the WTO (G20 and G33)
- Role in World Bank and other IFIs

Official Political and Economic Diplomacy with the South

- China shares the status with other developing countries
- Importance of South-South cooperation
- Equality and mutual benefit (win-win cooperation)
- Mutual trust and peaceful development cooperation
- Sincerity, mutual support and common development in cooperation
- Non-interference in other's internal affairs
 - No conditionality
- China also suffered from similar semi-colonial past as other developing countries, and therefore, will not become a colonizer / dominant power

Going Out Strategy

- “inviting in” (inflow of FDI) and “going out” (outflow of FDI) as supplementary in its growth plan
- More responsible role, aid donor
- Blocking Japan’s bid for a UN Permanent Security Council Seat
- Political exclusion of Taiwan
- Market space for Chinese exports
- “Going global” strategy i.e. commercial learning
- Attempt to extract the Chinese economy from international commodity markets

Hard Power

- Role as a regional hegemon
- 18% increase in 2007 defense budget (now \$45 B) for modernization of military
- Containing China as remaining commanding objective of US
 - “The US will not allow the rise of a competing superpower”

Quadrennial Defense Review, 5 February 2006

Soft Power

- “Think Big” Policy
- Role in the ASEAN
 - Code of Conduct for the South China Sea
 - ASEAN Treaty of Amity and Cooperation
 - ASEAN-China Free Trade Agreements
 - * Early Harvest Plan
 - * ASEAN – China trade at US\$160.8 billion in 2006
- China Development Bank, the world's largest development institution by assets, is putting more resources behind the overseas expansion of Chinese enterprises, particularly in natural resource projects.
- No-strings Aid approach
 - ex. Cambodia, five offshore oil fields (estimate yield of \$700m M to \$1 B /year)

Philippine – China economic partnership

- China is now the Philippines' third largest trading partner after Japan and the US with ave. annual growth rate of 41 %
- Philippine exports to China amounted to US\$4.62 billion in 2006 making China the third largest export market, while imports amounted to US\$3.67 billion, giving the Philippines a surplus of US\$495 million.
- The Philippines was China's 17th largest trading partner in 2006, accounting for 1.33 percent of China's foreign trade.
- Investments by China to the Philippines amounted to US\$370 million (11.7% of total investments) from January to September of 2006
- From January 2007, the Philippines signed 12 non-agricultural agreements and 19 agricultural agreements

RP – China Framework Agreement

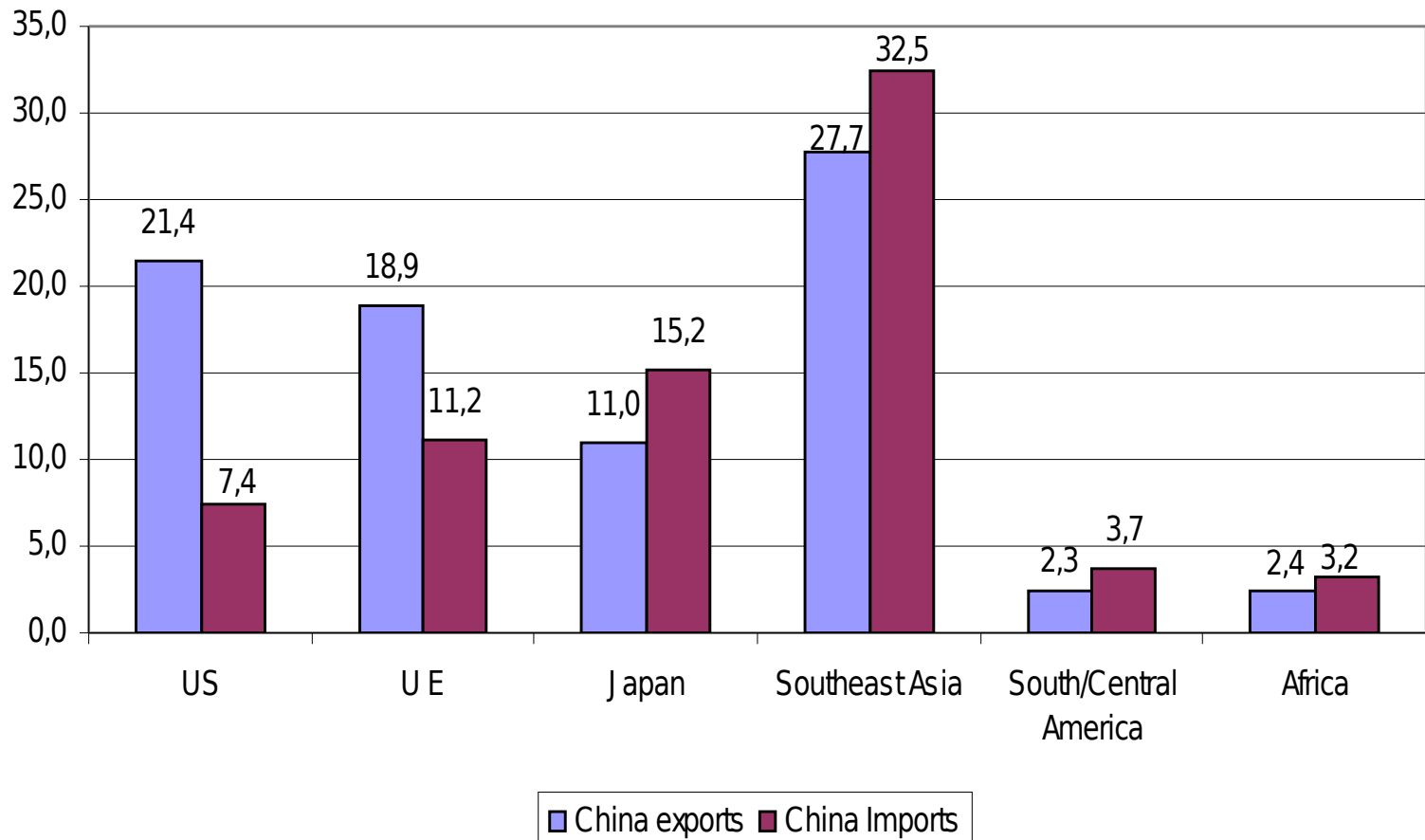
- 2005 Joint Trade Committee to develop cooperation in mining and infrastructure
- January 2007 Framework Agreement on Expanding and Deepening Bilateral Economic and Trade Cooperation between the Philippine Government and the Chinese Government
 - Areas of cooperation - agriculture, fisheries, public works and infrastructure, housing, mining, energy, manufacturing, textiles and garments, industrial parks and economic development zones, tourism, information and communications technology, container inspection machines, and trade promotion

Impacts of RP – China

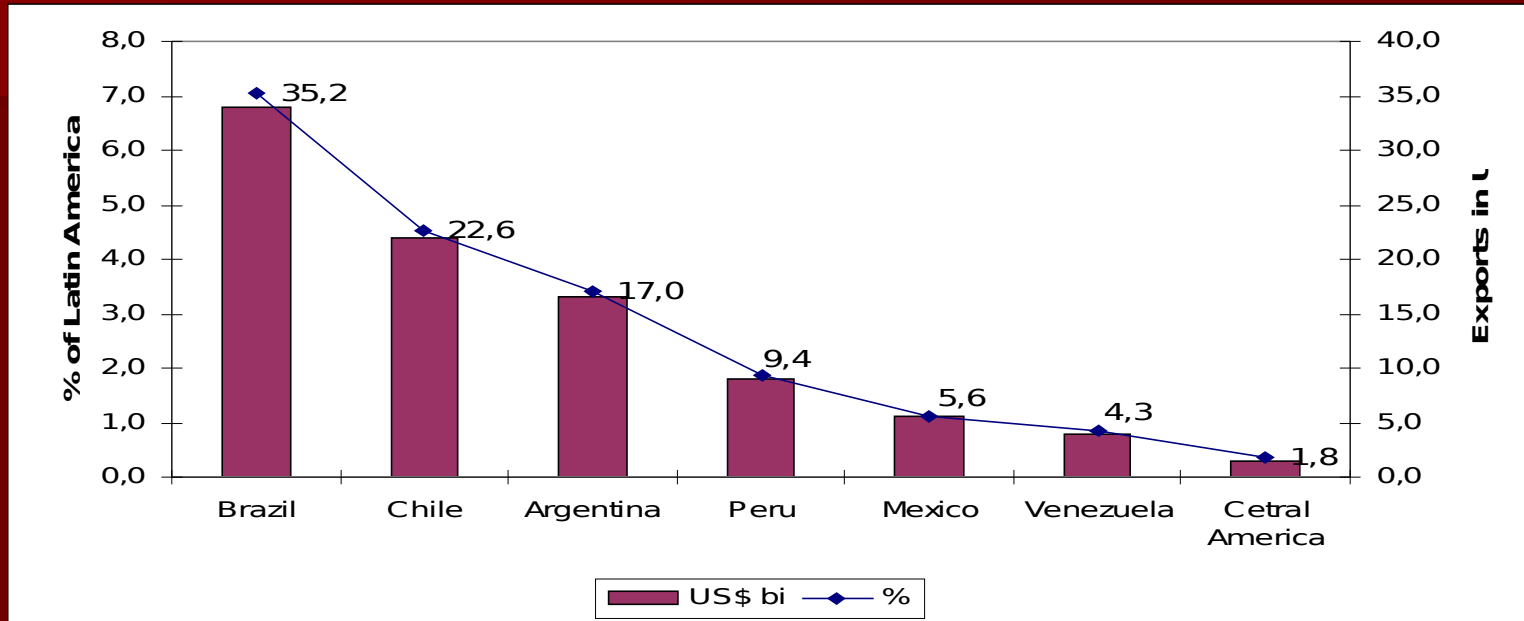
Agricultural Agreements

- Competition for scarce land resources
 - More than 2 million h are estimated ancestral domain area
 - More than 1 million h are still to be redistributed to farmers
 - More than 9 million are targeted by government
- Impact on forests
 - More than 7 million h are forests (16 million h are necessary to ensure healthful and balanced ecology)
- Impact on food production

Trade Flows (2005)

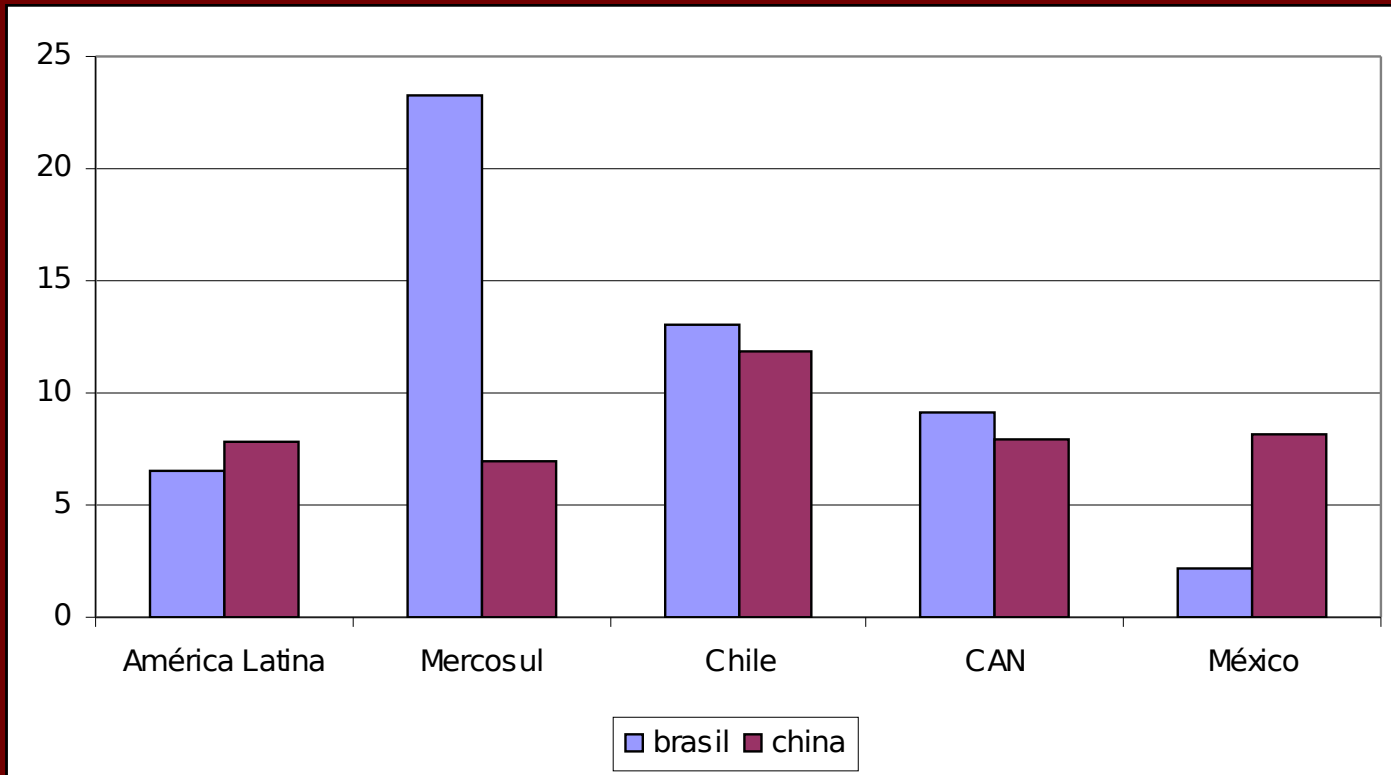


Trade with Latin America



	% principal goods	first	second	third
Argentina	78.5	soy		
Brasil	67.7	iron ore	soy	
Chile	76.2	copper		
Peru	85.2	copper	fish flour	iron ore

China – Brazil Trade with Latin America



Strategic Cooperation with Africa

- Oil Exploration
- Mining
- Construction
- Banking
- Telecommunications
- Retail – textiles and light consumer electronics



China's Engagement with Africa

- **Angola** - In 2004, China Exim Bank extended an oil-backed US\$2-billion credit line to Angolan Gov., later increased to US\$3bn in March 2006
 - Construction of roads, bridges railways, airport, oil refinery, hospitals, housing, water projects & Gov buildings, telecommunications investments.
- **Zambia** - 2007, the Chambishi Copper mine was declared a "China-Zambia Economic and Trade Co-operation Zone". US\$ 800 million in future investments was promised to Zambia.
- **Tanzania** - Dar-es-Salaam has been announced as a second economic and trade co-operation zone
 - rehabilitation of the Tazara Railway
- **Sudan** - The Merowe Dam Project in Sudan is the largest hydropower project currently under construction in Africa

China's Engagement in Africa

- China is strategically investing in infrastructure to enable the extraction of previously inaccessible resources in Africa – the case of Belinga in Gabon
- Investment in railways across the continent bisects the traditional north-south routes, shifting control away from entrenched role-players in Africa
- China's emphasis on high public spending on tangible resources appeals to African government elites, facilitating access
- Engagement with economies dependent on natural resources
- Strategically links up natural resource investments
- Prospects for further Economic and Trade Co-operation



New Developmentalism?

- Could China's increasing power make other developing countries more prosperous, more stable, and equitable?
- China does not offer an alternative development model
- Environmental Footprints
 - Africa
 - Asia
 - Latin America

Cracks in the Wall

- China is critically dependent on foreign oil
- China bubble
- Time bomb of unemployed people
- Low cost manufacturing could not go on forever
- Environmental problems
- Neo-Leninist governance

Current Political Economy

- about 400 M people lifted out from poverty : 135 M still earning \$1/day
- *Xiao Kang* (MDG goals), “harmonious development” (*Hexie Fazhan*)
- “Two Chinas”, Gini coefficient increased in by 50% since the late 1970s
- Less than 1% of households control more than 60% of wealth.

Making People Matter

- Domestic opposition groups and individuals who might challenge the party's authority are left isolated and powerless
- Party's charm campaign of recruiting the intelligentsia into party – the social groups that are normally the forces of democratization have been politically neutralized
- workers average 60-70 hours/week
- 20 protests/per hour