

A SHIFTING WORLD ORDER

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Part III: China's Faustian Bargain**Introduction:**

In the first installment of this series, we discussed the rise and fall of American economic hegemony in the 20th century. In the second, we considered the financialization of its economy, the growth of inequality, and the emergence of political and social opposition, which, we argued, has brought the period of ultra-capitalism to a breaking point.

These changes in the U.S. have been bound up with major alterations to global capitalism. In this regard, no development has been as significant as the emergence of the People's Republic of China as a major economic power and competitor of the United States. It is this subject that we turn to in this installment.

China's growth has not been without cost. Within China, conditions of financial, political, and social instability have been created that threaten the Communist Party regime. Meanwhile, China's rise has provoked increasingly bitter opposition from foreign powers, especially the United States, a situation that threatens war—the subject of the next installment of this series.

The first part of the current analysis focuses on the roots of China's political and economic development, or the period between the historic defeats at the hands of European imperialism in the 19th century, up until Mao's Cultural Revolution in the late 1960s and 70s. The second part examines the conditions in which the CCP's bureaucracy embraced the re-orientation towards economic "opening," before turning to the internal financial, social, and political challenges unleashed by that economic transformation, and the vulnerabilities they create in the international arena.

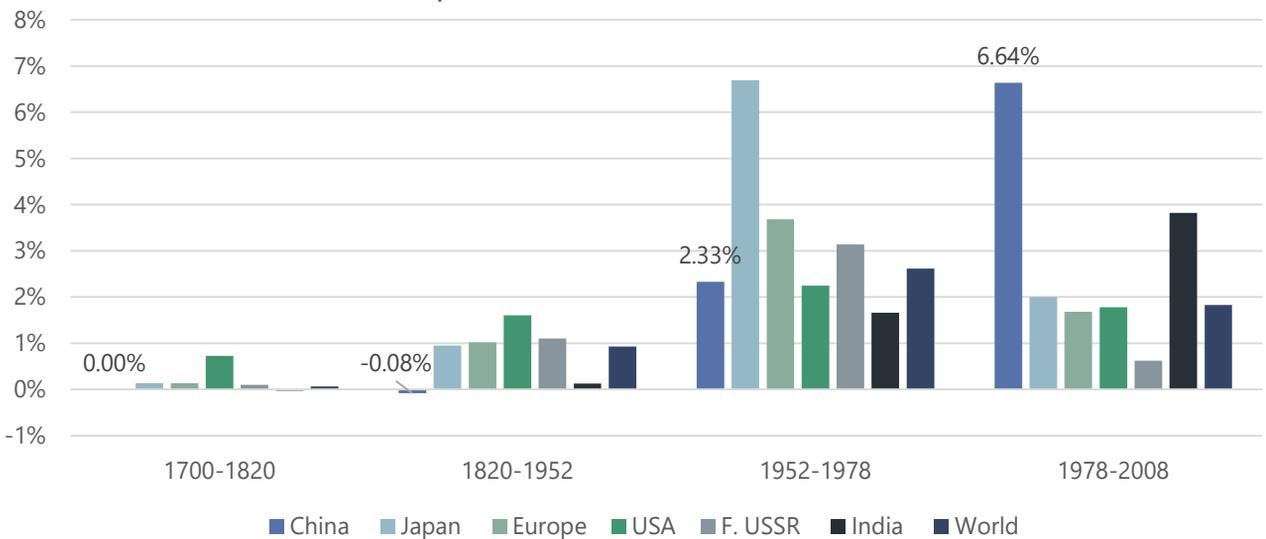
I. The Fall and Rise of China's Global Position

1. In a sense, the emergence of China as a great economic power is not novel but the resumption of a position that it has held dating back to antiquity. China can trace a constant history going back several thousand years. The threads of this continuity include a relatively well-defined geographical area, a common culture based on a

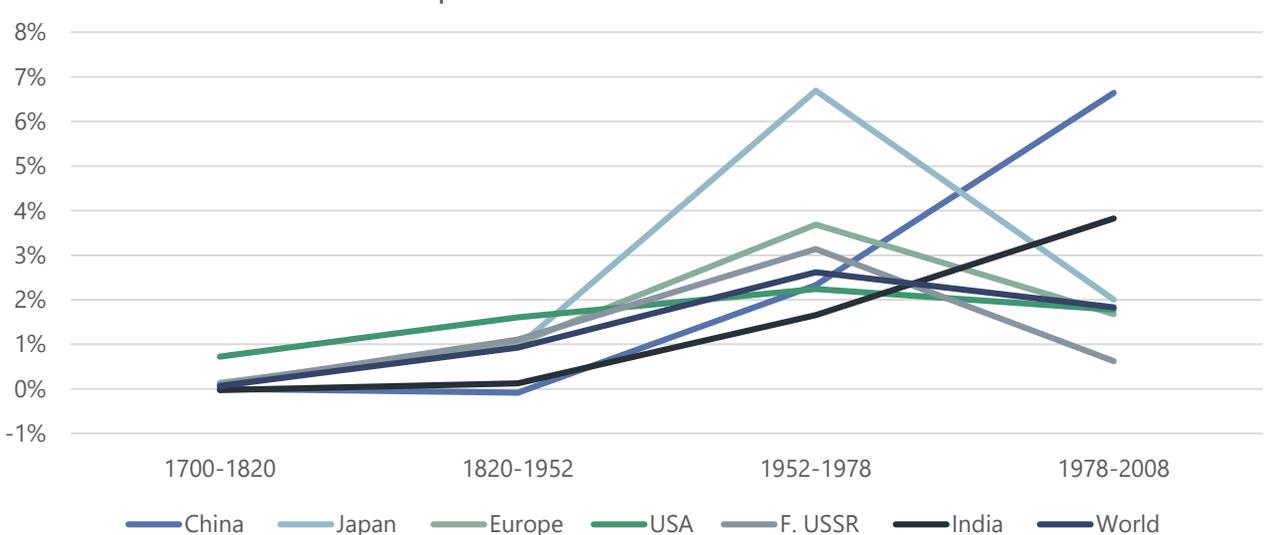
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dominant ethnicity (the Han), a linguistic family (Sinitic), a writing system (Hanzi), and even a tendency toward centralized governing and administrative systems supported by a Confucian ideology. For most of this *longue durée*, China was a leading economic, cultural, and technological power. According to one authority, China maintained through the centuries the world's largest economy until it was surpassed by the United States in the 1890s.¹

Per Capita GDP Growth Rates, 1700-2008



Per Capita GDP Growth Rates, 1700-2008



¹ Source: Maddison, Angus. 2007. *Chinese Economic Performance in the Long Run: 960-2030 A.D.* Development Centre Studies. Paris: Development Centre of the Organisation for Economic Co-operation and Development

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- China's evident historical advantage as a relatively unified imperial state proved a weakness in its encounter with Europe, whose very lack of unity pushed it forward through the protracted crisis of its feudal order. In Europe, a growing merchant and banking class, emerging in the city-states and pitted in competition against each other, gradually freed itself from feudal domination, eventually mobilizing financial resources generated through trade toward further commercial expansion. This in turn led to the discovery and conquest of the New World, and with it, an enormous infusion of specie into the veins of Europe's economy. This was followed by the development of the Triangle trade of cash-crop commodity production in the New World, manufacturers in Europe, and the Transatlantic slave trade. This vast development—in essence, a process of long-distance mercantile trade and war that Marx called “primitive accumulation”—was also the seedbed of Europe's growing technological and scientific advantage. The prehistory of capitalism in Europe, in other words, is the growth of a new social class, the bourgeoisie.

No similar process took place in the Chinese empire. The merchants were subordinate to the Chinese ruling strata—the landlords, the military, and the bureaucracy that administered the vast tributary state. The material products of the West's growing advance only threatened the ancient set-up in the “celestial empire.” China was unable to absorb and put to effective use the technical and scientific advances that propelled Europe, beginning in the Renaissance and continuing through the Age of Discovery and the Industrial Revolution, a growing gap that historians call “the Great Divergence.” China's past failure to acquire and make efficient use of foreign technologies doubtlessly imbues its present search for technological leadership with a sense of historical necessity.

- Another paradox in the Chinese encounter with the West soon emerged. Because there was little market in China for European goods before the 19th century, European merchants were forced to trade specie for desired products—porcelains, silks, and especially tea, thus generating massive capital outflows. The British ultimately solved this trade imbalance by promoting opium exports to China. The trade generated enormous wealth for the British East India Company, which grew the opium poppies in its Bengal colony, ultimately reversing the trade imbalance in Britain's favor. By the end of the 1830s, British merchants were bringing in 40,000 chests of opium per year — each chest weighing nearly 140 pounds — and the addiction to the debilitating narcotic had become an epidemic across the country.

When the Qing dynasty attempted to respond by banning the sale of opium and seizing stores, Britain provoked the Opium Wars of 1839-1842, and 1856-1860 (waged in partnership with France). Catastrophic defeats in each revealed the helplessness of

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China before foreign predations, setting the stage for the humiliating epoch of “unequal treaties,” which compelled China to surrender port cities to foreign powers (such as Hong Kong to the British), acknowledge predatory trade agreements and foreign “spheres of influence,” grant extraterritoriality to foreigners (by which the laws of China did not apply to foreign business agents), and even legalize the opium trade.

A catastrophic decline in China's position ensued. In fact, the only thing that preserved China from total dismemberment, the fate of the rest of Asia and Africa, was the rivalry among the “Great Powers:” Britain, France, Germany, Russia, Japan, and the United States. Ultimately, 19 nations achieved extraterritoriality agreements for their citizens operating in China, and by 1917 there were 92 treaty ports in operation. The historic “national humiliation” suffered at the hands of foreign powers was a driving force in the emergence of Chinese nationalism, which ultimately overthrew the Qing dynasty in 1911.

4. The nationalists, however, were unable to overcome the conservative strata of Chinese society that stifled economic growth—the landlords, the bureaucracy, the warlords, and even the emerging merchant class that was subordinate to foreign commerce and capital. Each of these layers depended upon the continuance of the Western-dominated status quo. Despite its great size and immense history, China was in this way not fundamentally different from many other “underdeveloped” nations with so-called comprador elites. Having fallen behind the pace of capitalist development in the West (and Japan), China's leading social strata became at the same time lieutenants to foreign capital and, thereby, an obstacle to China's own capitalist development.
5. For this reason, the Chinese Revolution in the 20th century took a radical direction. Inspired by the Russian Revolution of 1917, a strong communist movement grew in China. Bloody conflict with the nationalists of Chiang Kai-shek's Kuomintang in the 1920s and 1930s weakened the communist influence among workers in the cities but strengthened it in the countryside under the leadership of Mao Zedong. After the defeat of Japan in World War II, and despite American military support, the Kuomintang regime fell apart as the Chinese Civil War intensified in 1947-1949, with Chiang's forces disintegrating before Mao's peasant armies, the remnants regrouping in Taiwan. The Kuomintang had enjoyed eroding popular support. Wherever it held sway in China, it instituted no reforms but functioned as a kleptocracy, alienating broad layers of the population in the process. In contrast, the communists' promise of land reform, and peasant opposition to the landlords, secured the victory for Mao.

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The CCP eliminated foreign concessions, destroyed landlords and warlords, and undertook a vast program of nationalization. In these and other ways, the Chinese revolution went much farther than the process of decolonization that took place in the other Asian giant, India, whose independence movement was neither able to eliminate the ancient caste system nor even unify the Indian subcontinent.

However, unlike the Russian Communist Party of Lenin and Trotsky, which had been heavily based on Russia's small but powerful industrial working class, Mao's party found its original social constituency in the peasantry. This factor colored Mao's catastrophic economic planning in the Great Leap Forward (1958-1962), in which the CCP attempted to promote small-scale industrial production across the Chinese countryside. The devastating failure contributed to political factionalism within the CCP, and to the growing power of a moderate section of the bureaucracy that advocated concentrated, Soviet-style development. Mao understood that centralized production would weaken his own social backing in the peasantry, ultimately leading him to pivot against this faction, led by Liu Shaoqi and Deng Xiaoping, with another calamitous initiative, the Cultural Revolution (1966-1976). Denounced as "capitalist roaders," Liu died in prison while Deng was sent to work in a tractor plant.

II. The "Capitalist Roaders" in Power: The Deng Era

1. Coming out of the wreckage of the Cultural Revolution, Mao shifted once more. The deepening of the "Sino-Soviet" rift with the Soviet Union and tensions with Moscow's allies in India and Vietnam pushed Mao toward a *quid pro quo* with Washington, signaled by U.S. President Richard Nixon's visit to China in 1972. The influence of the wing of the CCP bureaucracy that had crusaded against the "capitalist roaders" during the Cultural Revolution was curtailed, and a conservative pro-modernization faction led by Deng was brought forward. In 1978, two years after Mao's death, Deng consolidated his power in China. Maoism had produced a pronounced form of the bureaucratic national autarky promoted by Stalinism, in which China lacked access to division of labor and international markets—even those of the Soviet bloc—which in turn accentuated Chinese economic backwardness. Deng's elevation signaled that the dominant faction of the CCP bureaucracy understood this situation to be untenable.
2. Deng put China on the path towards modernization, economic liberalization, opening to foreign investment, and ultimately the restoration of capitalism. Deng's *Boluan Fanzheng* reform rehabilitated millions of scientists, educators, and intellectuals who had been driven from their posts in the Cultural Revolution. This was followed by a spate of reforms known in the West as "Reform and Opening-up of China." The CCP

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launched its “Four Modernizations” program in 1978, targeting agriculture, industry, science and technology, and national defense.

Agricultural reform moved against collective property and price controls, and reintroduced the profit motive into production by shifting the burden for generating agricultural yields to individual farm renters and owners, as part of the “Household Responsibility System.” Yields subsequently increased, prices fell, farms became more efficient, and production diversified toward cash crops. The agricultural reform’s central underlying aim was to shift a growing share of China’s massive rural population from agricultural to wage labor engaged in industrial production. This has been achieved with astonishing effect. Since 1979, the Chinese urban population has increased by over 650 million people, the result of the largest rural-to-urban migration in world history.

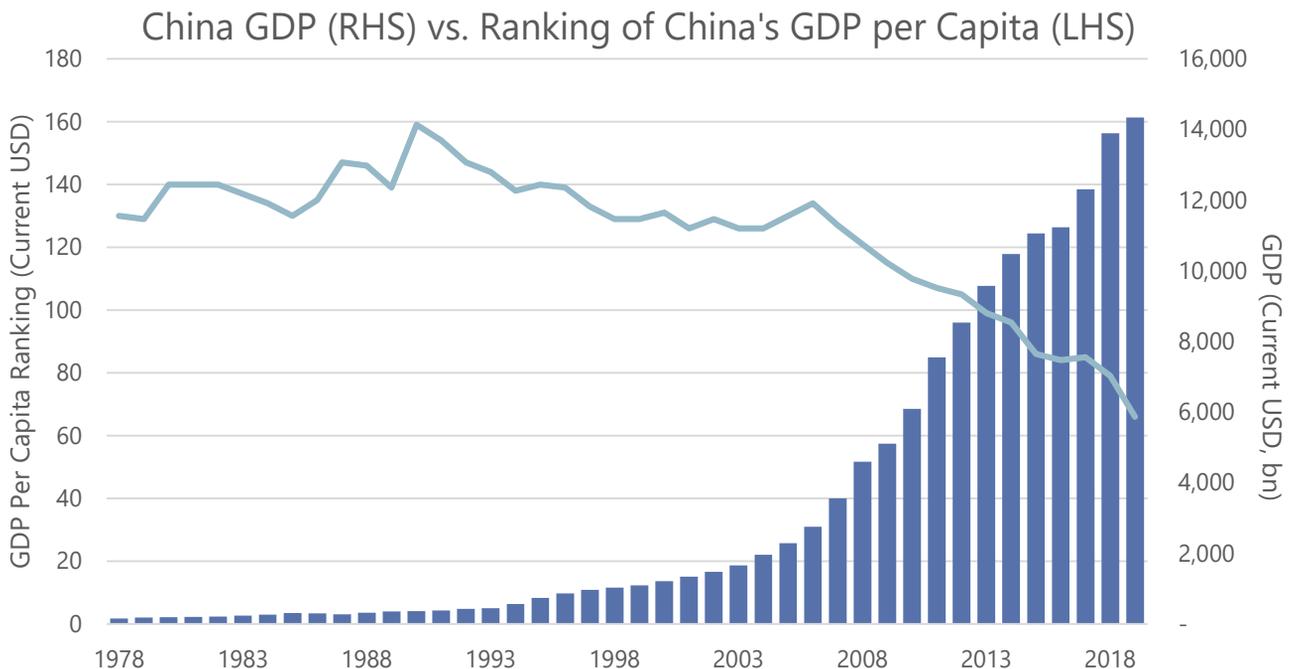
The regime also lifted price controls for industrial concerns, allowing the profit principle to push aside state planning in commodity production and pricing—including the pricing of wages—and called for the formation of profit-driven private firms. The Deng reforms invited foreign investment and launched Special Economic Zones in which state regulations and worker protections were scaled back. The country’s attractiveness to foreign investors was clear: China promised to be a cheap labor platform with reliable infrastructure. Beginning with a few cities in the early 1980s, the Special Economic Zones spread to dozens of cities and even entire regions.

Tariffs and trade barriers were scaled back, a process facilitated by a very gradual liberalization of the renminbi (yuan) starting in 1979. In the Mao era, the People’s Bank of China managed a massively overvalued renminbi as part of its autarkic import-substitution policy—i.e., its intended effect was to import foreign machinery at preferential terms. The PBC slowly pushed the renminbi toward convertibility and internationalization, beginning with specially designated swap sites and proceeding to the point that the International Monetary Fund recognized it, in late 2015, as a major world currency with special drawing rights.

Meanwhile, the early 1980s saw state-owned enterprises undergo a process of corporatization, whereby firms were transformed into joint-stock corporations with the state retaining full or majority shareholder status, though not earning dividends. In parallel, thousands of other state-owned firms were liquidated or fully privatized, the latter picking up steam in the late 1990s and early 2000s, to the extent that by 2005, the private sector accounted for the majority of China’s GDP. The reforms particularly targeted “the iron rice bowl,” the social policy that limited firms’ capacity to fire workers. Reforms along these lines culminated in the late 1990s with the dismantling of worker protection against layoffs.

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- China's economy has grown at a staggering rate since 1978, with an annualized GDP growth rate of roughly 10%. Nominal GDP raced past major G-economies, eclipsing Italy in 2000, France in 2005, the United Kingdom in 2006, and Germany in 2007. China became the world's second largest economy in 2010 when it surpassed Japan. The percentage of the population living under the poverty line fell from 88% in 1981 to 0.7% in 2015. GDP per capita has increased nearly 40-fold, topping \$10,000 for the first time in 2020. However, China still ranks only 59th on the list of countries by GDP per capita, between Costa Rica and Malaysia.



Source: World Bank

- The gains of the recent period were most dramatically displayed—at least relative to the U.S. and Europe—in China's response to the COVID-19 pandemic. As the disease emerged in Wuhan—a city of 11 million people—the Chinese government adhered to the guidelines of epidemiologists, virologists, and public health experts. It organized a complete shutdown of Wuhan and an effective regime of testing and contact tracing and quickly built new facilities to handle the initial epidemic while reconfiguring its industrial production to meet the immediate requirements of the medical supply chain. Meanwhile, from the onset of the pandemic, government at all levels of America's federal system brought contradictory and disorganized responses, disregarding the advice of scientists, waiting too long to take action and allowing for a return to "normalcy" without seeing the initial measures through.

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The results are jarring. China was able to successfully control the pandemic, allowing for the re-opening of its economy, which alone among the major global economies registered positive growth in 2020, at a rate of 2.3%. In contrast, a poorly managed response in the U.S. has led to a 3.5% contraction in 2020, and by the end of Q1 2021, the U.S. had lost over 580,000 lives directly to the pandemic.

However, despite its objective achievements, the capitalist opening of the Chinese economy has introduced two intertwined risks that threaten the stability of the CCP government. First, it has made it more vulnerable to global financial pressures. Second, the opening was accompanied by an increased social discontent, as peasants and workers protested the loss of key economic and social gains and safeguards. We shall study these twin risks in the next two sections, before outlining the political ramifications.

III. Debt and Financial Instability

1. The integration of the Chinese economy in global financial markets makes China acutely sensitive to world developments in ways that were previously inconceivable. These headwinds must be navigated as China's great advantage, its seemingly limitless supply of cheap labor, is eroding. Indeed, according to recent estimates, China's low birth rate over the past decades has brought the country to a demographic watershed: the working-age population is now declining.

While Chinese GDP growth soared to 18% for the first quarter of 2021 over 2020, a substantial share of the surge in demand for Chinese exports is driven by the one quarter lag of the recovery in the rest of the world. This COVID-related surge in demand for Chinese manufactured goods will likely dissipate, bringing China back to a longer-term structural dilemma. On one hand, while it remains Asia's dominant manufacturer, China faces low value added supply chain competition from Vietnam, where wages are roughly half those in China, as well as from India, Thailand, the Philippines, and Indonesia. On the other hand, China's attempts to follow Japan, South Korea, and Taiwan by moving up the supply chain to higher value added products—which entails increased domestic consumption—is opposed at every turn by the United States and its allies and poses its own domestic political risks.

2. For decades, Chinese economic growth was driven by manufacturing. This is no longer the case, with the manufacturing share of Chinese GDP declining to 27.7% from 32.5% between 2006 and 2019. In parallel, economic growth has increasingly

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relied on the expansion of credit, particularly since the global financial crisis. According to the Bank of International Settlements ("B.I.S."), total non-financial sector credit (core debt) in China stood at \$36.6 trillion in 2019. Within the credit system's \$4.1 trillion corporate bond market, domestic real estate and construction are considered a destabilizing component. China's clearest (and advertised ad nauseam) vulnerability is the massive scale of non-productive investments that have seen a dramatic rise in zombie companies, particularly those linked to the state sector, that can only survive by perpetually rolling over their mountain of debt. As a share of GDP, B.I.S. data showed that non-financial corporate debt in China stood at 149% at the end of 2019.

3. Beijing is aware that the expansion of corporate debt (at a faster pace than economic growth, thus deteriorating debt-to-GDP ratios) poses a threat to economic stability, but repeated attempts have failed to resolve the underlying structural issues that plague Chinese banks, real estate firms, and state-owned enterprises ("S.O.E."). In 2020, Chinese banks rid themselves of 3 trillion yuan in bad loans, but non-performing loans nonetheless still rose by 281.6 billion, undermining profits in China's 320 trillion yuan banking system. But banks have little choice except to keep lending and absorbing bad loans to push the economy forward. And while the central government tries to hem the problem in, the pressure to boost growth leads regional authorities to shift worthless S.O.E. assets onto the books of affiliated investment firms, allowing them to improve their debt ratio and generate new investment for building projects—and thereby, in circular fashion, generate real estate and construction activity, and more debt. In 2019, the majority of Chinese developers appraised by S&P Global relied for more than 30% of their sales revenue on unconsolidated joint ventures—which are not required to report their debt levels—a doubling of the number from 2017.
4. One expert, Professor Victor Shih, has envisioned four ways in which China could experience a financial crisis: an epidemic of household bankruptcies, a panic emerging out of the shadow banking industry, capital flight, and an abrupt rupture in international lending. Of these scenarios, Shih believes that a combination of rapid withdrawal of foreign credit and capital flight is the most likely. He writes:

Prior to 2013, severe capital flight was considered only remotely possible in China. However, between the middle of 2014 and the beginning of 2017, China's foreign exchange reserves lost nearly 1 trillion USD. The question is no longer whether massive capital flight is possible; it clearly is possible. The main question now is whether the Chinese government can prevent capital flight of the same scale in the near future. Given the enormous trade flows that go through China and China's large monetary base, China remains highly vulnerable to another bout of capital flight.

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5. The exposure of the banking (and shadow banking) system to these nonperforming loans has created an acute sensitivity to rate changes and/or currency fluctuations, narrowing the range of potential policy options. Having invited foreign capital in, the CCP finds itself in a far weaker position to control turbulence emerging in global financial markets. The largest conduit of these pressures will come from China's number one trading partner and its leading recipient of loans—the United States.

IV. Social Inequality: "To Get Rich is Glorious"

1. The events surrounding the Tiananmen Square protests of May and June 1989 demonstrated the dangers of the regime's embrace of capitalism. While the western media focused on the students and middle-class elements in the demonstrations, Tiananmen Square was in reality just the focal point of a nationwide protest movement that involved millions of workers, who had begun to raise social, and more explosively, political demands.

The brutal crackdown at Tiananmen Square and throughout the country announced the CCP's intention to continue to suppress both democratic rights and social protests such as labor strikes. Under these conditions, a faction of the bureaucracy that favored a slower pace of economic reform took the upper hand against Deng for a brief period. The collapse of the Stalinist regimes of Eastern Europe and the Soviet Union, however, clearly demonstrated that the political survival of the CCP bureaucracy was at stake, leading it to re-double its efforts to embrace market reforms, as symbolized by Deng's 1992 "Southern Tour" of the Chinese cities that had gone farthest in promoting capitalism. Human rights organizations sharply criticized the regime's brutality at Tiananmen. However, following Deng's Southern Tour, western capital continued to flow in, comforted by the CCP's message: worker militancy shall be crushed, order will prevail, and China remains open for business. Between 1992 and 2010, the Chinese economy grew eleven-fold.

2. China's economic expansion has come with immense social costs, most evident in the growth of extreme social inequality. With a Gini coefficient of 0.465 in 2019, China has a level of inequality comparable to that of the United States. According to Forbes, in 2020, China was home to the second-most dollar billionaires in the world after the U.S., with 389 billionaires in all. China is the leading consumer of western luxury goods with 33% of the global market, despite having roughly half that share of global GDP. But, as Chinese Prime Minister Li Keqiang recently admitted, some 600 million Chinese survive on \$145 or less per month. Poverty is concentrated in rural areas, where a little less than 40% of the Chinese population still resides, and among the roughly 290 million rural migrants in the cities. Under these conditions, social problems abound. To

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cite one example, according to the Chinese Ministry of Education, there are some 15.5 million “left-behind children” whose migrant parents cannot place them in the city schools where they work.

3. The transformation of the Chinese peasantry into an urban proletariat has created a potentially powerful social force. There are over 112 million factory workers in China, part of a workforce of some 775 million. Chinese workers work long hours for low pay in often unsanitary conditions, with legal means of redress that are sharply circumscribed. Yet, despite China’s attempt to impose strict censorship over all forms of opposition, the Hong Kong-based China Labor Bulletin counted roughly 12,000 collective actions by Chinese workers between 2011 and 2020—and this may represent only a small share of the actual number of labor actions that took place.
4. The extraordinary growth of the Chinese industry has created severe and mutually reinforcing environmental problems that also threaten political and social stability. Coal plants continue to supply most of China’s power. Chinese cities are notorious for their low air quality, though in the last few years government efforts have somewhat alleviated the problem. One author, writing in 2015, estimated that life expectancy in northern China was reduced by 5.5 years due to air pollution. In 2016, it was reported that 80% of rural China’s groundwater was severely polluted, as are China’s waterways and its Pacific coastal waters. The abundance of heavy metals in the environment—a result of their industrial use—has created major health problems, with a 2016 estimate that one-third of all Chinese children suffered from lead poisoning. All of these problems have contributed to the formation of what one study calls “a wave of large environmental protests” since the 2000s.
5. The economic reforms that began in the late 1970s required a shift away from China’s rhetorical allegiance to socialism—though what had prevailed in China had never really been socialism, much less communism, as Marx had never envisioned that isolated and backward countries would become individual national-socialist states. Under Deng, Chinese socialism began to take on distinctly capitalist traits, to become, as he put it, “Socialism with Chinese characteristics.” In 1992, Deng’s successor Jiang Zemin coined the oxymoronic phrase “socialist market economy.” CCP theorists have attempted to square this ideological circle by arguing that the capitalist society produced in China is a preliminary stage in the development of socialism. Other official slogans have come closer to describing the new China, such as the Special Economic Zone mantra, “Time is money, efficiency is life,” and Deng’s maxim, “To get rich is glorious.”

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6. But getting rich in China must inevitably proceed through its one-party political system—a system that is still based, rhetorically at least, on communism. As the numbers of Chinese billionaires and multi-millionaires multiply, there must emerge a corresponding demand that their private property be not only recognized, but legally protected (this same demand had, in an earlier epoch, spurred the development of the legal principles surrounding due process in Europe and North America, in parallel with the rise of a new economic class, the bourgeoisie). The Chinese government is thus attempting to manage the explosive contradictions inherent in the demands of its powerful new capitalist class while maintaining social and political stability over a potent working class. Its recent moves against Jack Ma, owner of Alibaba and formerly China's richest man, were meant to demonstrate that not even the most powerful individuals can defy the regime and be left unscathed.
7. While the debacle of the last American election should caution against banal comparisons between "democracies" and "dictatorships," it is undeniable that the CCP exercises immense influence over every branch of industry and finance. Therefore, the sort of factionalism among rival interests that, in a parliamentary system, emerges through several political parties, must be sorted out in China within the CCP, which becomes a pressure cooker for all the innumerable conflicts within the vast state apparatus—one that rules over the most populous and third-largest country on the planet. The political implication of these conflicts is examined in the next section.

V. Xi and the Rise of Bonapartism

1. These objective transformations, which reflect rising financial risks in parallel with increasingly explosive social contradictions, explain the ascent of Xi Jinping, and his consolidation of power over the past decade. The need for the elevation of a "strong man" above these conflicts, who can balance antagonistic social forces in an increasingly unequal society, is the real basis of Xi Jinping's rule.

Xi was elevated to his position as paramount leader in 2012 precisely because he could not be identified with rival bureaucratic cliques—in other words, because of his weakness (as a compromise candidate between the Shanghai group led by Jiang Zemin, and the Youth League group of Hu Jintao). He immediately proceeded with his "Tigers and Flies" campaign, using anti-corruption as a sop to popular anger over inequality by making examples of corrupt politicians and capitalists, chastening in the process the bureaucratic factions—and of course, consolidating his own power.

Xi assumed all the top posts in the state himself in 2012 and 2013: General Secretary

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of the Chinese Communist Party (CCP), Chairman of the Central Military Commission (CMC), and President of the People's Republic of China (PRC). In 2018, Xi effectively made himself president for life by changing the constitution to repeal the presidency's two-term limit. He now holds "more power than any Chinese leader before him except perhaps Mao," according to one analysis.²

- Xi has redeployed the Maoist concept of "Core Leader," and like Mao, has made sacrosanct an ideology named after himself, called "Xi Jinping Thought." Xi's difficult balancing act is suggested by the cornerstones of his "thought"—what he calls the "Four Comprehensives": 1) Building a "moderately prosperous society"; 2) Deepening reform; 3) Governing the nation according to law; and 4) Tightening party discipline.

Leadership Body	Title	Tenure Since	Precedent
Central Committee of the Chinese Communist Party	General Secretary	Nov. 2012	Yes
Central Military Commission of the CCP	Chair	Nov. 2012	Yes
Central Leading Group for Taiwan Affairs	Head	Nov. 2012	Yes
Presidency of the People's Republic of China	President	Mar. 2013	Yes
Central Military Commission of the PRC	Chair	Mar. 2013	Yes
Central Leading Group for Foreign Affairs, National Security	Head	Mar. 2013	Yes
Central Leading Group for Financial and Economic Work	Head	Mar. 2013	Yes
PRC National Security Committee	Chair	Nov. 2013	New
Central Leading Group for Comprehensively Deepening Reforms	Chair	Nov. 2013	New
Central Leading Group for Network Security and Information Technology	Head	Feb. 2014	New
Leading Group for Deepening Reform of National Defense and Military	Head	Feb. 2014	New
PLA Joint Operations Command Center	Commander-in-Chief	Apr. 2016	New

Source: LI, Cheng. 2016. "Chinese Politics in the Xi Jinping Era: Reassessing Collective Leadership" and expanded upon records from China Vitae Research Library.

- Xi's rule should not be seen as a platform for permanent stability, but as a bid for order made necessary by the host of difficulties confronted by Chinese capitalism. Xi is not suspended in thin air above China. His power, rooted in the military and police, teeters above the antagonistic class forces. The best description of this unstable equilibrium was given by Leon Trotsky, in his depiction of what he called a "Bonapartist" regime:

By Bonapartism we mean a regime in which the economically dominant class, having

² GARRICK, JOHN, and YAN CHANG BENNETT. "Xi Jinping Thought: Realisation of the Chinese Dream of National Rejuvenation?" *China Perspectives*, no. 1-2 (113) (2018): 99-106

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the qualities necessary for democratic methods of government, finds itself compelled to tolerate — in order to preserve its possessions — the uncontrolled command of a military and police apparatus over it, of a crowned "savior." This kind of situation is created in periods when the class contradictions have become particularly acute; the aim of Bonapartism is to prevent explosions.

4. The main pillar of Xi's power from the beginning of his ascendancy to the consolidation of his power has been the military. The PLA backed the move to make Xi president for life, providing him a "tight grip on the gun against potential political backlash and popular dissent."

The PLA is intimately connected with key elements of Chinese industry and finance and with the Communist Party and is thus positioned to play arbiter between and among the various ruling factions. Crucially, the PLA is the backstop police force against social opposition, as its intervention in the Tiananmen events demonstrated. Furthermore, under conditions in which the rise of China is opposed militarily by the U.S.-led global order, the Chinese military is destined to absorb an increasing share of national wealth—and exercise greater influence in the affairs of state and society. The Chinese military faces not only a powerful opponent in the United States, but "flashpoints" along much of its 22,000 kilometer-border—and off of its 14,000-kilometer coastline with an array of opposing powers: Japan, Vietnam, the Philippines, Australia, India, and especially Taiwan, which, since its victory in Chinese Civil War, Beijing has regarded as a renegade province. Within this context, reliance on the military will only grow.

VI. Conclusion

For the Chinese Communist Party, the dilemma that once confronted the Ming and Qing dynasties, as well as Mao's China, has been reversed. These regimes were undermined by failing to open to the West. Today, the opposite phenomenon holds sway. Despite the growth of the Chinese economy, the more the CCP opens China to the world, the more acute the internal class contradictions become, and the more vulnerable the country is to global pressures.

These elements are embedded in the U.S.-China relationship. At once central to the global economy and increasingly volatile, this relationship is emerging as the most dangerous focal point for a major war. The link between these two economies and war is not accidental. China's massive industrial development has been geared towards

³ "China's Military Backs Proposed Constitutional Amendments." <https://thediplomat.com/2018/03/chinas-military-backs-proposed-constitutional-amendments/>

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western markets seeking its cheap consumer goods, particularly the U.S., cheap goods which buffeted American workers from the effects of the wage stagnation we described in our second installment. Generating an enormous balance of payment surpluses, China became one of the central purchasers of American debt, in turn allowing the U.S. government to accrue major deficits at low interest rates.

But these processes cannot be maintained indefinitely. Over the past 25 years, China's economic development has turned it increasingly into an economic competitor of the U.S. They have also eroded China's cheap labor advantage. Meanwhile, as the relative global weight of the American economy diminishes, weakening the ability of the U.S. to project "soft power" through multilateral institutions, successive American presidents have increasingly relied on the one area in which Washington is unrivaled: its military might. It is this topic—the growing threat of war between the U.S. and China—that we address in our next installment.

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