The Realities of China Today

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INTEREST IN THE post-1978 Chinese market reform experience remains high and for an obvious reason: China is widely considered to be one of the most successful developing countries in modern times. The Chinese economy has recorded record rates of growth over an extended time period, in concert with a massive industrial transformation. Adding to the interest is the Chinese government's claim that this success demonstrates both the workability and superiority of "market socialism."

There are those on the left who share this celebratory view of the Chinese experience, believing that it stands as an effective rebuttal to the neoliberal mantra that still dominates economic thinking. Therefore, they encourage other countries to learn from China's gradual, state controlled process of marketization, privatization, and deregulation of economic activity. A small but significant number share the Chinese government's view that China has indeed pioneered a new type of socialism.

Many on the left also believe that China may soon be capable of anchoring an alternative international economic system, thereby offering other countries the opportunity to reduce their dependence on the current U.S. dominated system and pursue their own independent development strategies.*

Unfortunately, as argued below, there is no justification for this positive perspective on the Chinese experience. First, regardless of what Chinese leaders say, China is not pioneering a new form of market socialism - rather the reforms have led to the restoration of capitalism. As a result, Chinese internal dynamics are clearly hostile to the creation of any anti-capitalist alternative. Second, the reforms have produced an increasingly exploitative growth process, one that is generating considerable wealth for a small minority at unacceptably high cost for the great majority of Chinese working people.

Finally, China's growth process is now structurally enmeshed in, and dependent upon, the operation of a broader process of regional and international restructuring, one controlled by transnational capital. As a result, China is not only incapable of serving as an anchor for an alternative global economy, its accumulation dynamics actually contribute to the strengthening of existing international structures of power and the global imbalances and tensions they generate.

The stakes are high in this engagement over the nature and significance of the Chinese experience. For example, left support for the Chinese reform experience encourages, consciously or unconsciously, the mistaken belief that socialism can be built through the use of markets and a closer integration with global capitalist accumulation dynamics. At a minimum, this leads to confusion about the nature of socialism, and of capitalism as well.

This is more than a theoretical concern: one finds in many countries -- including Cuba, Venezuela, South Africa and Brazil -- advocates for socialism who argue that their respective governments should implement Chinese style market reform policies.

Chinese workers, in growing number, are beginning to challenge Chinese state policies, not just in response to the exploitation they experience but also because of their renewed interest in socialism itself. It is therefore vital that we develop an accurate understanding of the Chinese experience, both to provide support for those seeking socialist renewal in China and to ensure that efforts at social transformation in other countries are not compromised by false understandings of the dangers of markets and capitalist imperatives.

China's Structural Transformation

In 1978, two years after the death of Mao Zedong, the leadership of the Chinese Communist Party, led by Deng Xiaoping, decided to radically increase the economy's reliance on market forces. The leadership claimed that such a step was necessary to overcome the country's growing economic problems which were alleged to be caused by Mao's overly centralized system of state planning and production.

Political and economic changes were definitely desired by the majority of Chinese. Deng and his followers, however, greatly overstated the severity of existing problems and, more importantly, ignored popular calls for an exploration of other, non-market reform responses.

Once begun, the market reform process quickly became uncontrollable.(1) Each stage generated new tensions and contradictions that could only be resolved (given the leadership's opposition to worker-community centered alternatives) through a further expansion of market power. The "slippery slope" of market reforms thus led to an eventual privileging of market dynamics over planning, private ownership over public ownership, and foreign enterprises and markets over domestic ones.

Economic transactions are now overwhelmingly shaped by market prices. The share of retail sales made according to market determined prices rose from 3% in 1978 to 96.1% in 2003. For producer goods, the share rose from zero to 87.3% over the same period.(2)

The growing industrial dominance of the private sector is also clear. In 1978, state owned enterprises accounted for all value added in China's industrial sector (defined as mining, utilities, and manufacturing). By 2003, the private sector share was larger than the state sector share: 52.3% to 41.9%.(3) But even this diminished state share overstates the actual "economic weight" of state production.

Recognizing that many state enterprises are now jointly owned by private interests - either through joint venture or stock ownership - the Organization of Economic Cooperation and

Development (OECD) classifies state firms as either directly or indirectly controlled, depending on whether the state share of paid-in capital is greater than 50% of the total. In 2003, directly controlled state enterprises accounted for only 22.9% of industrial value added - less than a quarter of the total.

The declining strategic importance of the state sector becomes even clearer if we narrow our focus to manufacturing. The OECD has divided China's manufacturing sector into two groups. The first includes the five industries that continue to be dominated by state production: petroleum processing and coking, smelting and pressing of ferrous metals, smelting and pressing of non-ferrous metals, tobacco processing, and transport equipment.

The second and larger group (which accounts for over 75% of manufacturing value added) is dominated by private enterprise. This group is made up of 23 different manufacturing industries, including food processing, textiles, garments, chemicals, medical and pharmaceuticals, plastics, ordinary machinery, special purpose machinery, electrical equipment, and electronic and telecom equipment. As the OECD explains:

In 1998 the private sector produced the higher share of value added in only 5 out of these 23 . . . manufacturing industries. By 2003, this was true for all 23 of these industries. Moreover, in half of them, private firms produced more than three-quarters of output. Overall in these 23 industries, the private sector employs two-thirds of the labor force, produces two-thirds of these industries' value added and accounts for over 90 percent of their exports.(4)

State-owned enterprises do remain important and the Chinese state still exercises control over critical sectors of the economy, but these areas of strength are now largely limited to finance and activities supported by state ownership of natural resources. Thus, in 2006, three state oil companies accounted for half of the earnings of the 160 largest "state owned monopolies and oligopolies." In fact, "Up to 80 percent of the year-on-year increase in profits realized in 2006 by all Chinese enterprises were attributable to . . . monopoly financial groups or monopoly firms in the areas of oil and petrochemicals, electricity, coal and metals."(5)

Foreign capital also enjoys a greatly strengthened role in the Chinese economy. The share of foreign manufacturers in China's total manufacturing sales grew from 2.3% in 1990 to 31.3% in 2000.(6) Perhaps more revealing, a 2006 government report concluded that foreign capital holds a majority of assets in 21 out of 28 of the country's leading industrial sectors.(7)

One consequence of this development is that China's economic growth has become increasingly dependent on foreign produced exports. Foreign firms dominate China's export activity: their share of China's total exports grew from two percent in 1985 to 58% in 2005 (and stands at 88% for high tech exports.(8)

Moreover, these exports are increasingly being produced by 100% foreign owned firms. A case in point: the share of computer related exports produced by 100% foreign-owned firms increased from 51 to 75% over the period 1993-2003.(9) As a result of these trends, the ratio of exports to GDP has climbed from 16% in 1990 to over 40% in 2006.

In sum, while state planners and enterprises continue to play an important role in China's economy, state power has been used to shape an accumulation process that is now dominated by private (profit-seeking) firms, led by foreign transnational corporations, whose production is largely aimed at markets in other (mostly advanced capitalist) countries.

Regardless of how one might evaluate the performance of the Chinese economy, it is hard to imagine how this development can be viewed as laying the foundation for an alternative to capitalism, at either national or international levels. Rather it points to the conclusion that capitalism itself has been restored in China.

Social Consequences of Market Reform

Many on the left are no longer interested in the debate over whether China is socialist. Rather, they are concerned with whether China's growth and transformation has led to "successful" economic development. For a majority, the answer is an unequivocal "yes." This answer appears largely based on a consideration of a limited but important set of indicators: rates of growth of foreign investment, exports, and GDP.

If we broaden our notion of development, however, to include measures of working-class well-being, the answer tragically changes. The reality is that China's market reform policies have created a growth process underpinned by increasingly harsh working and living conditions for the great majority of Chinese.

Perhaps most surprising is the fact that the country's rapid growth has failed to generate adequate employment opportunities. According to the International Labor Organization (ILO), total urban (regular) manufacturing employment actually declined over the period 1990-2002, from 53.9 million to 37.3 million.(10) And while there was a small increase in total urban employment, almost all the growth was in irregular employment, meaning casual-wage or self-employment - typically in construction, cleaning and maintenance of premises, retail trade, street vending, repair services or domestic services.

More specifically, while total urban employment over this 13-year period grew by 81.7 million, 80 million of that growth was in irregular employment. As a result, irregular workers now comprise the largest single urban employment category - much as in Africa and Latin America where such an outcome is blamed on stagnant capital accumulation. In addition, the ILO reports declining labor force participation rates and double digit unemployment rates for urban residents.

The reform process has taken an especially heavy toll on state workers. According to Chinese government figures, state-owned enterprises laid off 30 million workers over the period 1998-2004. As of June 2005, 21.8 million of them were struggling to survive on the government's "minimum living allowance" - the basic welfare grant given to all poor urban residents. In June 2005, this allowance was approximately $19 a month.(11)

Of course there has been job growth in the private sector, especially at firms producing for export. But most of the new jobs are low paid with poor working conditions. "Even after doubling between 2002-2005, the average manufacturing wage in China was only 60 US cents an hour, compared with $2.46 an hour in Mexico."(12)

A recent report on labor practices in China by Verite Inc., a U.S. company that advises transnational corporations on responsible business practices, found that "systemic problems in payment practices in Chinese export factories consistently rob workers of at least 15% of their pay."(13) Workplace safety is an even greater problem. According to official Chinese government sources, about 200 million workers labor under "hazardous" conditions. "Every year there are more than 700,000 serious work-related injuries nation-wide, claiming 130,000 lives."(14)

One critical but often overlooked explanation for China's manufacturing competitiveness is that approximately 70% of manufacturing work is done by migrants. Over the last 25 years, some 150-200 million Chinese have moved from the countryside to urban areas in search of employment.

Although the great majority of these migrant workers have moved legally, they suffer enormous discrimination. For example, because they remain classified as rural residents under the Chinese registration system, not only must they pay steep fees to register as temporary urban residents, they also have no rights to the public services available to urban born residents (including free or subsidized education, health care, housing and pensions). The same is true for their children, even if they are born in an urban area.

As a consequence migrant workers are easily exploitable. They typically work 11 hours a day, 26 days a month. Most receive no special overtime pay and commonly earn one-quarter to one-half of what urban residents receive.(15)

The overall effectiveness of Chinese labor policies (which are primarily designed to boost export competitiveness) is well illustrated by recent trends in wages and consumption. Chinese wages as a share of GDP have fallen from approximately 53% of Gross Domestic Product in 1992 to less than 40% in 2006. Private consumption as a percent of GDP has also declined, falling from approximately 47% to 36% over the same period. By comparison, private consumption as a share of GDP is over 50% in Britain, Australia, Italy, Germany, India, Japan, France, and South Korea; it is over 70% in the United States.(16)

As the Economist states, "the decline in the ratio of consumption to GDP . . . is largely explained by a sharp drop in the share of national income going to households (in the form of wages, government transfers and investment income), while the shares of profits and government revenues have risen." In fact, according to the Economist, "Many countries have seen a fall in the share of labor income in recent years, but nowhere has the drop been as huge as in China."(17)

A vicious cycle is at work here: the lower the share of income going to workers, the more economic forces reinforce the export orientation of the Chinese economy, which encourages the implementation of new policies to suppress worker standards of living.

To be sure, China's growth and industrial transformation has also generated great wealth - leading to an explosion of inequality and the formation (or solidification) of new class relations. An Asian Development Bank study of 22 East Asian developing countries concluded that China had become the region's second most unequal country, trailing only Nepal. This is not surprising considering that over a roughly ten-year period (from the early 1990s to the early 2000s) China recorded the region's second highest increase in inequality, again trailing only Nepal.(18)

While the results of the Asian Development Bank study are significant, they do not adequately convey the real concentration of wealth that has accompanied and motivated China's market reform program. According to the Boston Consulting Group, China had 250,000 U.S. dollar millionaire households (excluding the value of primary residence) in 2005, the sixth greatest national total in the world. Although this group made up only 0.4% of China's total households, it held 70% of the country's wealth.(19)

According to a yearly listing of China's richest people, the number of U.S. dollar billionaires has grown from one in 1999 to 106 in 2007 (more than any other country except the United States).(20) China's nouveau riche have not been shy about spending their money: "LVMH Moët Hennessy Louis Vuitton, the world's largest luxury goods maker, plans to open two to three stores a year in China, where sales are rising 50% annually. Financièr Richemont, the world's second-biggest, expects to quadruple sales in China within five years by selling more Cartier jewelry and Piaget watches."(21)

There are clear signs that the Communist Party is becoming concerned that widening income (and consumption) inequalities are adding fuel to growing popular anger over deteriorating employment, health, housing, environmental and retirement conditions. And with good reason: the number of large scale "public order disturbances" has grown from 58,000 in 2003, to 74,000 in 2004, 87,000 in 2005, and an estimated 94,000 in 2006.(22) Particularly worrisome to the leadership is the increasingly effective and militant strike activity at foreign-owned export factories (despite the fact that strikes remain illegal in China).

As repression has failed to stem the rising tide of protest, the Party has also begun to initiate a number of reform efforts. These are designed to ameliorate the worst excesses generated by China's growth strategy without radically changing its orientation. For example, the central government approved a new Labor Contract Law which came into force on January 1, 2008.(23) Both the European and U.S. Chambers of Commerce bitterly opposed this effort and intervened heavily during the drafting stage in a successful effort to reduce its scope.

The approved law requires, among other things, that all employers provide their workers with a written contract (something that a majority of workers either do not have or have never seen) that specifies the terms of employment and includes pension and insurance benefits. The new law also requires that companies pay a premium for overtime and weekend work.

While the new law has generated a sharp increase in arbitration cases (most of which involve non-payment of wages and overtime premiums), its impact on employment conditions appears limited (even in the areas it was intended to address).(24) Many companies are circumventing the law by reducing their employment of "regular" workers (some did so before the law went into effect), relying instead on workers provided by labor dispatch companies or increasing their use of subcontracting relationships.

Some companies now pay workers their contracted salaries and respect vacation and overtime standards, but then undermine worker gains by increasing what the same workers must pay for company-provided dormitories and canteen meals. Some foreign-owned companies are threatening to shift production to a different location within or even outside of China if workers press their demands too aggressively.

In addition, the many-layered official dispute resolution process remains slow and costly, making it difficult for workers to force unwilling companies to comply with the higher standards contained in the new law. Finally, and most importantly, the new law still allows local governments, and thus employers, to differentiate between urban born and migrant workers; the latter continue to be denied unemployment and other employment-based social security benefits.

A major reason that many in the leadership of the Communist Party remain unwilling to support fundamental changes in China's current growth strategy, despite its devastating effects on working people, is that they have been among its biggest beneficiaries. Their ability to shape the reform process has enabled them to use state assets for personal gain, place family and friends in lucrative positions of authority in both the state and private sector, and ensure that the rapidly growing capitalist class remains dependent on the Party's good will.

This, in turn, has led to a fusion of party-state-capitalist elites around a shared commitment to continue the advance of a capitalist political economy with "Chinese characteristics."

The results of this development are easy to see. Many of the children of leading party officials (known as the "princelings") were appointed to key positions in "China's most strategic and profitable industries: banking, transportation, power generation, natural resources, media, and weapons. Once in management positions, they get loans from government-controlled banks, acquire foreign partners, and list their companies on Hong Kong or New York stock exchanges to raise more capital. Each step of the way the princelings enrich themselves - not only as major shareholders of the companies, but also from the kickbacks they get by awarding contracts to foreign firms." Not surprisingly, more than 90% of China's richest 20,000 people are reported to be "related to senior government or Communist Party officials."(25)

China's elite has been willing to share the fruits of the country's production with international capital - although struggles over distributional issues are growing sharper as international capital strengthens its position within China - because international capital's participation has been critical to the establishment and continued growth of China's new political economy. China's elite, however, appears determined to ensure that they will be the primary national claimant.

Thus, at the same time that the "Chinese Communist Party has opened up an unprecedented number of sectors for foreign-equity participation . . . the authorities have . . . tightened control over other aspects of the economy. This has resulted in the truncation, if not atrophy, of thousands of [small and medium sized] private firms. These are in danger of being edged out by powerful monopolies and oligopolies that are controlled either by the party-and-state apparatus or by senior cadres and their offspring."(26)

In sum, it appears that those driving China's economic strategy have been remarkably successful in using the reforms to shape an accumulation process responsive to their interests. And consistent with the underlying capitalist nature of this process, their gains have come at ever greater cost to the majority of Chinese working people.

As a result, Chinese leaders must now contend with an explosion of strikes and demonstrations. It remains to be seen whether such actions will threaten future foreign investment and export production, two of the most important pillars upholding China's growth strategy. Regardless of what happens, it is difficult to see on what basis progressives would want to celebrate and promote China's reform experience.

Market Reforms and Transnational Accumulation

Many on the left believe that the combination of China's size and pattern of growth along with the (self-proclaimed) socialist (or at least anti-imperialist) orientation of the leadership of the Chinese Communist Party mean that China will soon be capable of anchoring a new, more progressive international economic order.

This belief tends to be buttressed by the following reasoning: China has maintained (and can be expected to sustain) high rates of growth for decades. Because this growth is highly import dependent, it supports the export production and thus economic growth of China's trading partners (especially in East Asia but also in Latin America and Africa).

Moreover, China's export success has enabled the country to build up its own huge foreign exchange holdings, which the government is increasingly using to help its Latin American and African trading partners finance needed (infrastructure) modernization.

This vision of China as a powerful and positive agent for international change is attractive but flawed. In most cases, it is the result of using a nation-state lens to understand Chinese accumulation dynamics. The reality is that China's economic transformation is not occurring in a vacuum or solely in response to Chinese initiatives.

Rather, East Asia's economies, including that of China, are being linked and collectively reshaped by broader transnational capitalist dynamics, in particular by the establishment and intensification of cross-border production networks organized by transnational corporations. As a result, China's own accumulation dynamics are increasingly being tied to dominant patterns of investment and trade, thereby reinforcing rather than offering an alternative to them.

Most immediately, the expansion of cross-border production networks has led to a significant increase in the trade dependency of all East Asian economies. One indicator of this trend: the region's export/GDP ratio grew from 24% in 1980 to 55% in 2005. By comparison, the world average in 2005 was only 28.5%.(27) Further, a growing share of this activity is now under the control of transnational corporations; for example, they account for 73% of Malaysia's and 86% of Singapore's exports of manufactures.(28)

More significantly, as a consequence of the operation of these networks, a rising share of East Asia's trade in manufactures is now in parts and components. This is illustrated by the changing trade composition of leading Southeast Asian countries (Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam).

The share of parts and components in the group's total exports of manufactures grew from 27.5% in 1992-3 to 40.3% in 2004-5.(29) The import share of parts and components also grew substantially over the same period, from 32.6% to 48.5%. Trends are similar for Taiwan and Korea. For example, the export share of parts and components for Taiwan grew from 21.2% to 43.5%.

In addition, almost all the parts and components being traded by East Asian countries come from the same three industrial categories (with identical national rankings of importance): electronics machinery, office machines and automatic data processing, and telecommunications and sound recording. Moreover, these parts and components are increasingly being traded from one developing East Asian country to another; the intra-regional share of parts and components trade rose from 37.8% in 1992-3 to 55.6% in 2004-5.

In short, East Asian export production (itself a growing share of total national production) is increasingly narrowing not only to parts and components, but also to a select few operations in a select few industries in response to the needs of transnational corporate-controlled production networks.

China was not only pulled into this process of regional restructuring, it has become central to its functioning. In the words of the Asian Development Bank, "the increasing importance of intra-regional trade is attributed mainly to the parts and components trade, with the PRC functioning as an assembly hub for final products in Asian production networks."(30)

China's unique position as the final production platform in this transnational structured regional production system is highlighted by the fact that it is the only country in the region that runs a regional trade deficit in parts and components.

As a consequence of this restructuring, East Asia's overall export activity has shifted away from the United States and the European Union and towards East Asia, and in particular China. On the other hand, China has shifted its export emphasis away from East Asia and towards the United States and the European Union.

Between 1992-3 and 2004-5, the East Asian share of China's final goods exports declined from 49.5% to 26.5%, while the OECD share (excluding Japan and Korea) increased from 29.3% to 50.1%.(31) In fact, China is now the region's largest exporter to the United States and the

European Union in absolute and relative terms. Thus, the mirror image of China's surplus in trade with the United States and the European Union is its deficit in trade with East Asia.

As a result of this regional restructuring, China has become the first or second most important export market for almost all East Asian nations. This development has, as noted above, encouraged the belief that China's import dependent production will enable East Asian countries (and those in Latin America and Africa that also export to China) to "uncouple" from the U.S.-dominated international economic order.

However, since this trade activity largely involves an intra-regional trade of parts and components culminating in China-based production with final sales largely directed to the United States and the European Union, East Asia's overall dependence on developed capitalist markets has actually grown stronger rather than weaker. According to various estimates cited by the Asian Development Bank, it appears that the percentage of Asian exports consumed within Asia ranges from a high of 22% to a low of only 11%.(32)

This regional perspective enables us to see more clearly the problematic nature of Chinese growth dynamics (for working people both inside and outside China). The most obvious problem is that China's continued growth (and thus the region's production) is now dependent on the ability of the United States to run ever greater trade deficits. Since it is doubtful that the U.S. economy can continue to sustain such large and growing deficits, it is difficult to see how China (and by extension the East Asian countries that provide China with parts and components) can avoid painful adjustments involving lower rates of growth and a further worsening of majority employment and living conditions.

Chinese growth dynamics remain problematic even if international trade imbalances can be sustained. For example, China's position as final assembly hub within numerous cross-border production chains has significantly weakened Chinese efforts at technological upgrading.

Surveying China's situation five years after the country's 2001 accession to the WTO, the Chinese economist Han Deqiang recalls that he had "argued the greatest damage [of membership] would be to China's capacity to control its industrial and technological development autonomously. I think it's safe to say these last five years have more than proven that true. In China, any industry that wants to develop its own technology or markets has encountered increasingly great barriers."(33)

More problematic still is the fact that in order to maintain the country's key regional position in the face of competition from other countries seeking to improve their own position within cross-border value chains, the Chinese state has had to ensure that wages are kept low and productivity high.

One consequence of China's success is that transnational corporations throughout East Asia (and elsewhere) have been shifting their production to China to take advantage of its more profitable production conditions. This has led to lower rates of investment and growth throughout the region and the implementation of new labor regimes designed to weaken labor protections. As a result, workers throughout East Asia (and elsewhere) have become pitted against each other in a contest to match the level of labor exploitation achieved in China.(34)

The problems for China's main Latin American and African trade partners are somewhat different but also serious. These countries supply China with primary commodities rather than manufactured parts and components. And China's large and growing need for these commodities has certainly boosted Latin American and African foreign exchange earnings and growth. These gains, however, come at significant long-term cost. Trade agreements with China, sometimes supported by Chinese financial assistance and foreign investment, reinforce existing structural imbalances by further strengthening the dominance of the primary commodity sector.(35)

At the same time, Latin American and African efforts to build up manufacturing (and diversify exports) tend to be undermined by China's own export offensive. For example, close to 95% of all Latin American high technology exports face competition from China-based exporters. These threatened high technology exports represent almost 12% of all Latin American exports.(36) Finally, of course, Latin American and African trade with China can also be expected to suffer if Chinese growth falters.

In sum, the market logic driving China's reform strategy promoted an economic transformation that allowed Chinese economic dynamics to become enmeshed in a broader process of transnational restructuring, one that accelerated the reforms in ways guaranteed to ensure the dominance of capitalist imperatives in China.

As a result, far from opening up new possibilities for working people, China's reform strategy has actually strengthened a transnational accumulation process that is generating serious national and international imbalances and tensions that will eventually require correction at considerable social cost.

Final Thoughts

Several conclusions emerge from the above examination of the Chinese experience. First, China's market reform process has led not to a new form of (market) socialism, but rather to the restoration of capitalism (although "with Chinese characteristics"). Concretely, the Chinese growth process has given rise to a new political economy that is hostile to the goals of socialism, the promotion of all-rounded human development, solidaristic relations, cooperative planning and production for community needs, and collective or social ownership of productive assets.

Thus, the Chinese experience stands as a clear warning: socialism cannot be built through the use of markets and a closer integration with global capitalist accumulation dynamics. In fact, the confusion within the left over the nature of the Chinese experience suggests that there has been a loss of clarity about what constitutes socialism and appropriate criteria for evaluating progress towards building it.

Second, China's economic experience reveals much about contemporary capitalism. China is considered a model developer; the country has achieved a sustained and rapid rate of growth, attracted massive inflows of productive capital, and is exporting ever more sophisticated manufactured goods. Yet these accomplishments have not translated into meaningful gains for growing numbers of Chinese workers.

In fact, workers in China face labor and working conditions increasingly similar to those in Latin America and Africa, regions where most countries are considered development failures. Therefore, it appears that the answer to worker problems in Africa, Latin America and elsewhere for that matter, is not to be found in supporting policies designed to achieve "successful" capitalist development, especially those designed to replicate the Chinese experience.

Third, China's growth trajectory has become tied to and dependent upon existing accumulation processes shaped by transnational capitalist dynamics. As a result, China cannot be counted on to assist in the creation of a radically new economic system.

This does not mean that trade with China is to be avoided. It also does not mean that Chinese elites and western (especially U.S.) elites see eye to eye on all geopolitical issues. Capitalist competition is real and differences between these elites can and often does create openings that are helpful for the third world, especially for those countries under threat from the United States.

At the same time, since Chinese elite interests are structurally shaped by capitalist imperatives, there are limits to the types of changes that Chinese leaders can be expected to support. Caution is also in order, given the expected consequences from the imbalances and tensions generated by the above described transnational dynamics.

This critical perspective on the Chinese experience should not be taken as support for those analysts (many of whom write in the United States; some of whom are close to the U.S. labor movement) who view China as the primary cause of most economic problems. Their often repeated claim is that if only the Chinese government were forced to "abide" by the "free-market" rules of acceptable capitalist competition, all would be well in the world economy (and by extension for working people).

An implied assumption is that Chinese workers are enjoying real benefits from their country's "unfair" state interventions, and their employment and income gains are coming at the expense of workers in other countries, especially in the advanced capitalist countries (which are the main market for Chinese exports).

Tragically, this line of argumentation encourages workers outside of China to mistakenly believe that their enemy is China, rather than the system of capitalism that shapes their country's economic relationship to China and pits them against Chinese workers in a destructive competition. In fact, as we saw above, Chinese growth is increasingly dependent on the export activities of transnational corporations, many of which come from the advanced capitalist countries.

Moreover, despite - or in fact because of - their country's rapid growth, Chinese workers, like workers everywhere, are facing hard times. Decent jobs are scarce, social services are disappearing, inequality is growing, and competitive pressures demand ever greater sacrifices.

As noted above, growing numbers of people in China are openly and directly challenging their country's growth strategy. Even more noteworthy, these challenges are now fueling political discussions and debates (many of which are taking place on electronic chat rooms and bulletin boards) about the nature and significance of Mao era experiences and socialism.(37) To this point, farmer and worker participants appear focused on refuting the false claims of ruling elites that the Mao period was both a social and economic disaster by drawing on their own life experiences to illustrate the accomplishments of that period, in particular employment and social security and a sense of national purpose.

This process of political renewal is taking place under very difficult conditions due, most importantly, to the ongoing repression of grassroots organizing and activism by the Communist Party. Additional challenges include tensions between immigrant and urban born state workers over jobs and access to social services; confusion caused by Chinese Community Party claims to be building socialism; and the fact that the strongest resistance to Party policies comes from those who continue to uncritically praise Maoism, despite the fact that Mao generally opposed farmer and worker self-organization and direct participation in political and economic decision-making.

Despite their current limitations, these struggles, discussions and debates represent a promising development, one that we can learn from and hopefully contribute to by finding ways to share our own understandings of socialism and experiences in movement building with Chinese participants. It makes our own efforts to better understand the nature of the Chinese reform experience ever more important.

* While a majority of those on the left are now critical of China's market reform strategy, a significant number of defenders remain. People want to believe that there are workable alternatives to neoliberalism, and belief in the progressive nature of China's social transformation is no doubt encouraged by the fact that China continues to be demonized by the U.S. government; China makes loans to, invests in, and trades with Cuba and Venezuela; and the Chinese Communist Party still rules and publicly proclaims its commitment to socialism. More specifically, I have participated in international conferences and meetings where Cuban and Venezuelan economists have supported the Chinese market reform strategy and argued for adoption of similar policies in their own countries. Defenders of the Chinese growth process also continue to argue their position on numerous left internet discussion lists. The journal Critical Asian Studies had no trouble in organizing a roundtable in which several editors of the journal took issue with Paul Burkett and my critique of China's market reform experience as expressed in our book China and Socialism, Market Reform and Class Struggle (New York: Monthly Review Press, 2005). The criticisms and then our response were published in the journal (Critical Asian Studies, September 2005 and December 2005). In addition, well known scholars such as Giovanni Arrighi, David Schweickart, and Immanuel Wallerstein continue to publish articles and books in which China's rise as a non-capitalist/socialist power is celebrated. For a recent

example of such writings see Giovanni Arrighi, Adam Smith in Beijing: Lineages of the Twenty-First Century, London: Verso, 2007.

Notes

1. For a discussion of the reform process see Martin Hart-Landsberg and Paul Burkett, China and Socialism, Market Reforms and Class Struggle (New York: Monthly Review Press, 2005), especially Chapter 2.
2. OECD, OECD Economic Surveys: China, OECD Economic Surveys, 2005, 29.
3. Data in this and the following paragraph come from Ibid, 133.
4. Ibid, 82.
5. Willy Lam, "China's Elite Economic Double Standard," Asia Times Online, 17 August 2007.
6. UNCTAD, World Investment Report 2002: Transnational Corporations and Export Competitiveness, New York: United Nations, 2002, 17.
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