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Editorial
At the Edge of the Empire

The Palace that Splits the Sky

Thick, slate-colored smog presses through a towering maze of identical apartment blocks, a half-living ocean ebbing below: people hunched over carts and scooters, faces covered by dingy surgical masks, often little more than silhouettes backlit by the haze-dulled throb of glowing ads broadcast on wall-size screens. The smog is like a skin of concrete melded through the image, broken here and there by masked faces or the fleeting

blue glitter of cellphones held aloft like fragile torches. This picture—or something equally gargantuan and brutal—is the spectral shape that China today takes in the public imagination. It's familiar because it emerges almost automatically upon mention, in the same way that the mist-wrapped karstic cliffs and tranquil waterways of *shanshui* painting might have arisen in the minds of previous generations. And yet it seems somehow ominous, as if there were a monstrous, barely-visible giant obscured somewhere in that suffocating smog, looming over the mass of anonymous lives shuffling below.

The smog-choked city is one half of a pair, its counterpart the glittering skylines that symbolize the "Chinese Miracle." Together, they define not only a certain national character, but a planetary crisis and the many specters that are returning to haunt the world in an era of unprecedented luxury and unthinkable collapse. In a way, though, the image is also consistent with classical themes. During the Buddhist-inflected Tang Dynasty, also considered the golden age of Chinese Poetry, a similar pairing existed, symbolizing both the gargantuan power of the dynasty and the building crisis at its heart. Rather than black smog and glimmering cities, however, poets illustrated a civilizational battle between "red dust" (*hongchen,* 红尘) and cold, idyllic mountains, rendered in blue or green. The urban, mortal and barbaric were denoted by reds and yellows, in images that simultaneously invoked the dust kicked up by street traffic on unpaved roads in bustling cities and the swirling sandstorms of the desert frontiers, both notable features of a dynasty that saw unprecedented urbanization (producing some of the largest cities in the world at the time) and rapid imperial expansion westward along the silk roads cut through the Central Asian desert. At the same time, the breadth of the term *hongchen* grew. It could be used to describe small, fleeting moments of lust or the expanse of imperial luxury at the height of the dynasty. At its

most expansive, the words took on a cosmological character, symbolizing the ephemeral world of mortals.

The opposing image was one of distant cold mountains and the recluse-officials who populated them. These were, after all, poems often written by wealthy "hermits" who were not really hermits, living in a "wilderness" that was hardly wilderness, the poetry itself both a pastime of the ruling class and a way of securing imperial recognition.[1] The invocation of rustic shacks hidden in thick forests of mountain pine was a way of emphasizing the poets' own clear-sightedness and moral purity—essential traits for aspiring advisors. Similarly, we can imagine today's journalists perched in some office in the glittering skyline of Shanghai, writing the latest story about how the smog is so vast it can reach across the ocean to brush the face of North America. But the very polarity of such diametric pairings often obscures the truth that lies beyond their two dimensions.

Only the most skilled poets were able to use these poles to triangulate that world beyond the purely symbolic—and often only after the vast tragedy had already begun to play itself out. Du Mu (杜牧), born to the Tang Dynasty's final century of decline, offers a somber example. His entire life was lived in the midst of an empire that had been crippled by the An Lushan rebellion, but which had not yet undergone its final collapse. The century was instead one of slow, persistent crisis—a world already ended, in which everyone seemed to know that things were over and that the glory of the empire could not be regained, but were unable to imagine any world to come. Instead, the entire culture was one with its eyes turned backward, reveling in a luxury that was even then slowly

1 For more on the exact nature of the eremitic tradition in Chinese literature, see the Introduction to our article, Red Dust, included in this issue.

rotting away, carried forward only by the inertia of the imperium settling to its death. Du Mu's "Passing by Huaqing Palace" captures the feeling in a triad of musical quatrains: [2]

I

From Chang'an looking back at the embroidered folds of the city
The mountaintop's many gates open one by one
A rider kicks up red dust and the concubine smiles
No one else knows he comes to bring her lychee

II

In Xinfeng, yellow dust rises through the green trees
Several riders have returned from their investigation in Yuyang
The song "Raiment of Rainbows and Feathers" plays on a thousand peaks
Until dancing feet shatter the central plain

III

Music and song have left every nation intoxicated with peace
The towering palace splits the light of the moon
Lushan dances to a reckless beat struck between the clouds
Wind passes down the layered peaks carrying the sound of laughter

Each quatrain requires some minor contextual translation. Overall, the poem is looking back at the dynasty on the eve of the rebellion, under the reign of the Xuanzong Emperor. This was an empire at

2 We know of no consistent, quality translation of this poem in English. The translation that follows is therefore our own (although it must be noted that we are not professionals in the translation of ancient Chinese poetry). It should be taken as a haphazard bricolage of direct translation and existing fragments, and is not designed as an attempt to capture the original (we think untranslatable) lyrical qualities of the quatrains, but instead to emphasize the bittersweet tone underlying the meaning of the piece.

the height of its decadence, enjoying a cultural renaissance, helmed by a thriving metropolis, with bustling trade across a vast geographic expanse. Despite the building crisis, society was lulled into placidity. Du Mu begins with a symbol of imperial decadence: Emperor Xuanzong's favorite concubine, Yang Yuhuan, had a taste for lychee, which could not be grown in the arid north. Xuanzong therefore mobilized massive resources to establish a relay-network of the fastest riders to gather lychee from the far south and transport it to Chang'an, the imperial capital, before it would spoil. The city itself is characterized as heaping (堆) and embroidered (绣), but the red dust kicked up by the rider takes on an ominous character, signaling something beyond just the bustling of a metropolis at the peak of its glory.

The next quatrain places emphasis on this suspicion, as another set of riders are described kicking up dust on their return from Yuyang, the domain of An Lushan and the location that would soon be the epicenter of the rebellion. These riders are, in fact, the imperial officials sent by Xuanzong to investigate An Lushan's loyalty. Bribed by An, the officials returned with reassurances that all was peaceful. Du Mu therefore pairs the return of the investigators with the playing of a popular song renowned for its heavenly sound across the heights of society. The song, meanwhile, is accompanied by an image of dancing, but now even more clearly ominous: it is a dancing that shatters (破) the central plain—a symbol of the dynasty itself and, notably, the site of the most violent battles of the rebellion. The disaster, however, is elided. The final quatrain jumps forward to a bittersweet series of images, recognizable only to those who have lived through the catastrophe: a false peace had settled on the dynasty as An Lushan dances for the emperor. The space of the poem is now defined by stark inequality, the moon split by the palace, the laugher of the oblivious ruling class drifting

down the city's peaks and palisades to the reader—and echoing forward in time to Du Mu himself, living in the ruins of that ended world.

The poem thereby exceeds the traditional coupling of red dust and lofty, cloud-touched mountains so common in the pre-rebellion golden age. Instead, Du Mu uses these polarities to triangulate the looming disaster sitting behind the dust and the clouds—even though its true breadth is so unimaginable from his own position (in a dynasty that had collapsed but not yet ended) that it can only be communicated through elision. Something of this persists in the contemporary proliferation of smog and skyline. The alternately ecstatic and apocalyptic tone of such images masks reality under an oversimplified polarity, even as this polarity seems to signify the crisis and inequality of our own era. On the one hand, these images serve as an Orientalist specter, similar to the cyberpunk Tokyo of previous decades but now reimagined in the context of apocalyptic climate change. On the other, the constant reproduction of near-identical pictures occludes the actually ending world with a spectacle of its own demise—not only is it easier to imagine the end of the world than the end of capitalism, but the never-ending flood of apocalyptic fantasies often obscures the deeply mundane mechanisms of the decline. And, like Du Mu's poem, the image contains a strange sort of infinite regress. The dust kicked up by the riders and the clouds enmeshing the dancing figure of An Lushan are both, in their own way, the specter of the coming rebellion. Similarly, the monstrous giant obscured in the smog is, in fact, the smog itself: a dimensionless, concrete void, consuming even the image and thereby hiding reality in plain sight.

The Spectral and the Material

We offer a simple hypothesis: that the very polarity of contemporary China can be used to triangulate, however distantly, a path that leads to a world beyond the black smog, red dust and cold, glittering cities of this one. This is because China and the many questions that it poses play a contradictory role for both the dominant ideology of "no alternative" capitalism and for the prospects of a communist opposition to the world as it presently exists. At the moment, all attempts to focus in on the "China Question" have tended to end in a sort of inconclusive mist. Neither self-professed Marxists nor mainstream commentators seem able to settle on any account of what, exactly, China even is. The result is an endless proliferation of often humorous oxymorons and role-reversals. *The Wall Street Journal* picks up the theoretical leftovers of Bukharin, Lenin and CLR James, declaring the Chinese economy a variant of "state capitalism."[3] Meanwhile, even otherwise insightful Marxists readily accept either the Chinese state's positive narrative of its own "win-win" hegemonic expansion, or the dire picture painted by US warhawks, who envision the rise of a new Cold War.[4] Such analyses rapidly invert and fold in on one another until they're reduced to indistinct shapes cloaked in a smog of platitudes and cherry-picked investment numbers.

3 Stanley Lubman, "China's State Capitalism: the Real World Implications," *The Wall Street Journal*, March 1, 2012. <https://blogs.wsj.com/chinarealtime/2012/03/01/chinas-state-capitalism-the-real-world-implications/>

4 We have responded to a number of such misconceptions in this issue of the journal, as well as elsewhere on our blog. One such example is our "Scenarios of the Coming Crisis," June 22, 2016, available at: <http://chuangcn.org/2016/06/scenarios-of-the-coming-crisis/>

But this also creates a sort of analytic opening: the China question, if approached outside the bounds of ideology or orthodoxy, with a rigorous Marxist method seeking to understand the basic laws of motion of the world as it exists, offers an unparalleled window into the future of that world, which we call the material community of capital.[5] In the centerpiece article of this issue, "red dust" is repurposed from its classical provenance to describe this material community, a fitting description for the mode of production in which all that is solid melts into air. But what melts into air doesn't truly disappear, instead amassing in crisis, in rust belts of mummified labor, in seething riots and toppled regimes. The ominous smog enclosing those cities is therefore a sort of living illustration of the transition itself, as if it were capital's phantasmic form pillaging its way across the surface of a hollowing earth. If the smog levels in Beijing are finally decreasing, this merely means that the shapeless monstrosity has descended elsewhere: now Hanoi, now Dhaka, now Dar es Salaam and Lagos. The image of the smog-choked city, then, marks the expansion of the material community and symbolizes the way that this expansion and the relations of production that drive it are obscured by the real abstractions that they themselves generate.[6]

5 The term "material community of capital" was used most consistently by Jacques Camatte, editor of the Left Communist journal *Invariance*. Originally a member of the International Communist Party and follower of Amadeo Bordiga, leader of the early Italian Communist Party, Camatte wrote extensively in the late 1960s and early 1970s on then-newly-discovered writings by Marx. Soon after, however, Camatte would break with Marxism, formulating a series of theoretical positions that would influence later anarcho-primitivists. For more on some of the debates that emerged from the European ultra-left, see *Endnotes*, Issue 1. For an overview of Camatte's work specifically, see: Chamsy el-Ojeili, "'Communism … is the affirmation of a new community': Notes on Jacques Camatte," *Capital & Class*, Volume 38, Issue 2, 2014. pp. 345 - 364

6 This sort of abstraction is "real" as opposed to "ideal" because it doesn't take place in the minds of the participants. It is generated by

The basic, defining feature of subsumption into the material community of capital is the subjection of production and all attendant features of life to the overarching demands of such real abstractions. Among the most important of these is the need for value to continually accumulate, conceptually rendered as the "common sense" that economic growth must be constantly increasing, and that any pause or decline in growth rates will cause an economic and social crisis of massive proportions. This is not simply a belief that people hold, nor is it a dynamic driven by the "greed" of consumers or capitalists. It is a real abstraction because an entire constellation of material forces produce real effects in line with its logic, regardless of the belief systems or moral purity of the people who staff such systems. The material community of capital is a "material" community precisely because of this inversion between subject and object. It is not a human community, but instead one in which the machine-logic of capital has taken on an autonomous character. The prime mover in this community is therefore not masses of people, not leaders, nor even cultural or religious institutions, but capital in process. Everything else is reduced to a merely material mediation for the spectral circuit of accumulation.

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their actions—it is absolutely not an issue of imagination—but it nonetheless produces a subsequent abstracting effect, such as the ability to equate non-commensurate commodities with a universal measure, money, that itself embodies socially necessary labor time abstracted through capitalist relations of production and the completion of the commodity circuit in exchange. All of this obviously generates derivative forms of "conceptual abstraction," which shape the perception of economic reality, but these are wholly dependent and by no means necessary for the real abstraction to continue operating. There are today a range of uses of the term "real abstraction." In its strictest sense, as originally argued by Alfred Sohn-Rethel, it applies only to the exchange process. But it is also reasonable to argue that exchangability acts as the foundation for a whole series of subsidiary real abstractions ultimately rooted in this process. It is at this secondary level that real abstraction acts as a material substrate conditioning the logic of ideology.

Territories

Within the inverted logic of this system, the smog seems to quite literally build the city. Its movement across the surface of the earth determines the new sites of industrial power, those masses of people huddled beneath it appearing now as little more than appendages of capital. But despite its reality, the spectral shape of capital is still an abstraction—and it is abstracted from the activity of human beings. While that ocean of humanity beneath the smog might appear to be an extension of it, then, the specter of capital actually latches onto people like a parasite, and labor acts not as its natural limb but instead as an ill-fitting prosthetic. The drive of capital is to domesticate humanity to its rule, but the very irrationality of the economy ensures that this domestication will always be incomplete: humanity will always be simultaneously essential and superfluous to the logic of accumulation. In this issue we attempt to map out the shifting, spectral fog of the expanding material community of capital and the masses of people seething within it.

With this focus, we open with "Red Dust," the second in our three part economic history of China, focusing on the details of how the socialist developmental regime crumbled, and why the territories, populations and industrial structures that composed it were so readily transferred into the global capitalist system. In this piece, we narrate not only the domestic crises that led to China being engulfed in the red dust of capital, but also the global crises in the capitalist system that made such an opening possible. One cannot be understood without the other, and neither can be properly rendered without a comprehensive awareness of the basic laws of motion of capitalism and the

ways in which they reshape territories to suit the accumulation of value.

This territorial dimension is a central theme throughout. How do we understand the role of borders, nations and the states that attend them when capital has grown to encompass the world? There is no longer an "outside" to the system and therefore no true "periphery," yet the hierarchies imposed by capital's circumnavigation of the globe have not only deepened, but also folded in on themselves. Previously unthinkable regimes of austerity, formerly reserved for the debt colonies of the global south, are today imposed on Greece, Spain and the poorest parts of the United States. There is no longer any border separating the material community of capital from something else, and yet borders proliferate within it at an unprecedented rate, accompanied by new, ever-more-intricate forms of exclusion. Now unopposed, the material community's essential laws of motion become undeniable: capital must pose limits to itself, constantly differentiating, overcoming and falling back into the cycles of crisis, war and terror on which it thrives.

We therefore return here to that older concept of red dust as signaling the frontier of an expanding imperium and hinting, maybe, at its collapse. One the one hand, our economic history examines the last great expansion of the material community's border, after which the capitalist system truly did encompass the vast majority of the population of the world. On the other, we offer two windows into China's contemporary borderlands, each written by friends of the project: one, "Eternal Enemies" by J Frank Parnell, offers the a detailed history of anti-Chinese sentiment in neighboring Vietnam. The evolving perceptions of China are traced from ancient origins, through the wars and revolutions of the twentieth century, to conclude with the present era's swirl of conflicts in Vietnamese industrial districts and across the South China Sea, aided by online conspiracy

theories. The other, "Spirit Breaking," by Adam Hunerven, provides one of the most attentive illustrations of Uyghur life in Xinjiang, detailing the brutal practices of the state in what can only be described as a regime of apartheid, occupation and settlement in Chinese Central Asia. The emphasis here is on narrating the ways in which the state has extended its reach into everyday life, attempting to reshape the essence of local ways of life and to "break the spirit" of the population. The pairing of these two pieces offers an interesting contrast, one illustrating perceptions of the Chinese state in a nation separate from China, but with a substantial shared cultural lineage, and the other portraying the systematic suppression of life within the borders of China justified in terms of national continuity and targeting a population with a distinctly non-Sinitic cultural tradition.

Finally, we swim into the black smog itself in an attempt to feel out the shape of capitalism and crisis in the core of China today. In this issue, we offer one original article in addition to our economic history, one original interview and one translation. Our article "Picking Quarrels" details the changing character of struggles in China, drawing from the best data available in order to provide an updated picture of class conflict in the country in more recent years. At the same time, the article also focuses on the dangerous process of data collection itself, telling the story of Lu Yuyu and Li Tingyu, who were imprisoned for archiving and analyzing the very data that we draw from. In this way, we hope to balance large-scale structural analysis with an account of the personalized struggle that lies behind the numbers.

As in all issues, we also attempt to provide some additional first-person perspectives on these events in the form of interviews and translations. The interview we include here, "A State Adequate to the Task," is particularly expansive, and provides essential background information that illuminates both our

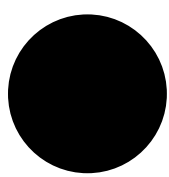
economic history and our breakdown of contemporary class conflict within China. The interview is conducted with Lao Xie, a Chinese theorist with a detailed understanding of Marxism, an interest in the immediate class conflicts occurring in China (and the world generally), and the ability to shed the uniform of dead revolutions in favor of a clear-eyed analysis of the present. We talk with Lao Xie about his perceptions of the contemporary class structure of the country, the project of state-building undertaken by Xi's administration, the spectrum of oppositional politics currently active and the prospects of the Chinese proletariat.

Our final translation, "The Awakening of Lin Xiaocao" offers a different perspective, giving a first-person view of this decade's largest sequence of struggles, and also portraying the inherent limits of "workers' movement" politics in China today. In its capacity as a strike narrative, the account is unparalleled in its detail, and has exerted some degree of influence via its transmission across organizing circles in China's factory districts. It therefore represents both an on-the-ground account and an example of the type of analysis promoted by the country's labor activists. We include our own preface to this piece, relating its content to our own analysis of the event described, and the broader questions examined within the preceding article and interview.

Taken together, these three final pieces provide a window into a second sort of frontier: the possible border between this world and whatever comes next. Like Du Mu, we exist in an era of expansive, drawn-out catastrophe, born long after the crisis began but not yet certain of its ultimate outcome. And like the poet, our work attempts to put into flesh our own suspicions of the empire's coming end. But we also recognize that the edge of the empire can, at the moment, be glimpsed best through elision. In our writing, then, we attempt not so

much to make hard—and inevitably faulty—predictions about the immediate future, but instead to capture the tone of the present and sketch out the structural limits that this moment imposes on the cascade of history. Because any firm date placed on a vast cascade of social and environmental collapse is merely an academic attempt to compress decades of attrition into a single year. The truth is that we don't yet hear the sounds of coming war, just a vague echo of its potential buried in the reckless rhythm of the music drifting down from the palace, and in the riotous dancing of an era intoxicated into peace. But we also see the cracks opening beneath those dancing feet, as the earth begins to shatter.

Red Dust



The Capitalist Transition in China

Introduction
Hermitage

Reclusion

When the nomadic armies swept down from the north to conquer the splintering Western Jin dynasty, the upper classes fled across the Yellow River into the southern hinterland of their collapsing empire. In the South, they re-established the imperial court at Jiankang (within present-day Nanjing), decreeing the ascent of a new dynastic capital. But the new empire of the so-called Eastern Jin existed more in edict than reality. Power was extremely decentralized, defined by a constant tension between factions of the refugee northerners who had settled in different regions, each with its own largely autonomous military and economic base. These factions themselves were dependent on tenuous alliances with the culturally distinct southern gentry and various indigenous groups, all slowly wrought through intermarriage and military conquest. In the midst of such balkanization, the desire to

regain the lost northern homeland only loosely unified a paranoid court, hardly able to muster the central power required to collect taxes, much less field a new army capable of fighting the militarized "barbarian" kingdoms that had arisen in the north. This short-lived dynasty was, in retrospect, merely one of the lower stages in the multi-century imperial decline following the collapse of the Han and preceding the rise of the Tang.[1]

But it was also in this context of imperial decline and decentralization that the "hermit" of the East Asian eremitic tradition took on its archetypal form. Though the cultural practice of reclusion has a long history stretching back well before the imperial era,[2] it was under the Eastern Jin that empire and eremitism would become inseparably symbiotic. With little to do at the crippled court in Jiankang, most of the refugee elites retreated to their large estates in the humid southern forests. Attended by servants, slaves and concubines, they created relatively self-sufficient rural compounds, complete with trails and parkland cultivated for aesthetic effect. Freed from the drudgery of imperial administration, they spent their time gathering with friends on beautifully carved pavilions above their parks and plantations, feasting, drinking wine and writing poems on the beauty of a simple life in communion with nature. Poets like Xie Lingyun, the wealthy son of two prominent Eastern Jin families, were thus able to portray themselves as hermits in the style of the ancient sages, even as their (often willing) exile from court was spent within luxurious estates built on brutal hierarchies of bonded labor. The relationship between hermit and empire was never

1 For more on this period, see: Mark E. Lewis, *China Between Empires: The Northern and Southern Dynasties*. Belknap Press, 2011.

2 See: Aat Vervoorn, *Men of the Cliffs and Caves: The Development of the Chinese Eremitic Tradition to the End of the Han Dynasty*, Hong Kong, The Chinese University Press, 1990.

one of true opposition, then. Xie himself saw these estates as miniature empires unto themselves, modeled on the fallen Han dynasty.[3] Meanwhile, almost all the major rural poets of the period were in reality constantly cycling between court life and rustic exile, with reclusion becoming an increasingly regular stage in imperial administration.

By the time of lasting reunification under the Tang, eremitism had become a pervasive practice in which would-be officials competed against one another in their virtuous seclusion, hoping to secure a position at court. Famous poet-scholar-officials such as Li Bai crowded into hermitages in places like Zhongnan Mountain, frequently toured by imperial recruiters. The recentralization of political power thus saw a more rigorous fusion of the eremitic and the imperial, in which even hermits exiled from court were tasked with managing the smooth flow of tribute from the empire's periphery. Throughout the process, however, literati still took on the outward attributes of their Eastern Jin predecessors, praising the religious solitude of rural life and condemning the capital and its courtly intrigue. Even though he served as a trusted aid to the Emperor during the Tang, Li Bai could imagine himself in a "world beyond the red dust of living," a metaphor for both Buddhist religious detachment and rustic reclusion far from the bustle of urban streets.

Hermit Nation

The forging of China via the socialist developmental regime played on similar contradictions. Simultaneously the beachhead in a global socialist revolution and an autarkic nation sealed off from the capitalist economy (and later even from trade

3 See Xie Lingyun's *Fu on Returning to the Mountains*.

with its old Soviet allies), socialist China's seclusion was both contradictory and deceptive. As the developmental regime reached its later stages, language of "self-reliance" (自力更生) proliferated at every level. But alongside the drive for self-sufficiency, the ossification of production created numerous local pressures to break this autarky at both domestic and international scales. The economy had undergone a pervasive decentralization, with rural collectives and urban industrial enterprises transformed into their own eremitic cloisters—workers and peasants dependent on local production units for food, housing and basic consumer goods, rather than on direct provision by the central government or indirect provision through a national market. But in the same period black markets had begun to proliferate, much-needed producer goods were increasingly unavailable or obsolescent, and the Sino-Soviet split had ensured that almost the entirety of China's border had become a potential war front. These later, hermit-like decades of the socialist era were therefore also the gestation period for China's unprecedented opening to global trade.

The Reform Era is often portrayed as an unprecedented shift led by a nearly rogue party faction, ending in a "Chinese Miracle" that would see the nation catapulted to the forefront of global production. But the reality is that China's rapid subsumption into the material community of capital was prefigured by the structural conditions pervading and encircling the hermit nation, its autarkic developmental drive ultimately only as distant from the drives of global capital as the autarkic hermit estates of the medieval literati were from the courtly intrigue of their own capitals. Whereas "Sorghum & Steel," the first part of our economic history,[4] explored the internal character of the developmental regime and the forging of China as a nation,

4 See "Sorghum and Steel: The Socialist Developmental Regime and the Forging of China", *Chuang*, Issue 1: Dead Generations. 2016. <http://chuangcn.org/journal/one/sorghum-and-steel/>

this second part focuses on the global conditions that would ultimately drag the hermit socialism of the developmental regime out into the red dust of global capitalist production. Our basic thesis is that, as with the hermits of the Eastern Jin, reclusion and imperial expansion are not necessarily opposed terms. The rise of the reform faction within the Chinese Communist Party (CCP) appears sudden or unexpected only for those who take the hermit's own poetry at face value, forgetting that the recluse is often a stage in the life of certain imperial administrators.

We now turn to the story of China not just as a newly forged nation, but as one of many territories within a globe-strangling network of labor pools and supply chains. Our focus therefore shifts from the largely domestic topics covered in "Sorghum & Steel" to a simultaneously domestic and international perspective necessary to understand the parallel structures that composed China's gradual reforms. We will explore both the endogenous and exogenous pressures to open the economy that existed in the later stages of the socialist era as well as the uneven and incomplete character of the capitalist transition once it was underway. This story, while muddied by the evangelical liberalism of the later 20th century, is by no means as obscured and distorted as that of the developmental regime that preceded it. Much of the history of the reform era is already well documented in the mainstream academic literature. This installment will therefore focus on summarizing existing research and placing it within an adequate Marxist framework, emphasizing throughout the aspects of this history that are most useful to understanding capitalism as it exists in the world today.

Convergent Crises

The key topics will be covered below in a sequential fashion, loosely organized into thematic sections that follow the general chronology of capitalist transition. But the overarching theme here is the idea of convergent crises. We aim to tell the story of the numerous historical contingencies that undergirded the so-called "Chinese Miracle," which was neither miraculous nor entirely Chinese. This entails an understanding of the "miracle" as, in fact, a mundane emergent response to dual crises occurring on two scales—one within the Chinese developmental regime, and the other within the global capitalist economy. The endogenous crisis of the regime reached its peak in the 1970s. This was largely conditioned by the domestic limits to the developmental project already explored in "Sorghum & Steel,"[5] but was amplified by growing geopolitical exclusion and the looming possibility of war with the USSR. Over the same time period, global capitalist production was confronting its first major worldwide slowdown since the Great Depression. By the late 1970s, all attempts to manage the budding crisis via standard postwar stimulus measures had failed. As growth stalled, unemployment crept upward and inflation skyrocketed, the various structural reforms that would soon be undertaken in an attempt to restore profitability (later classed together as "neoliberalism") were looming on the horizon. But there was also awareness that these reforms, if applied only to the core capitalist territories, would suppress wages, eviscerate the social safety net, create dangerous amounts of debt and thereby stoke widespread unrest. The social movements and insurrections of the late 1960s had already hinted at the possibility of such destabilization—and in the context of the Cold War, destabilization carried the risk of igniting an unimaginably devastating global military conflict.

5 See especially ibid, Sections 3 and 4.

For capitalist accumulation to continue in its drive for compounding growth, the economy would have to leap to an entirely new scale, subsuming undeveloped territories and constructing new industrial complexes adequate to the ever-intensifying volume and velocity of production. It was hoped that this process would both succeed in reviving profitability (even if only temporarily) and help to temper unrest in the capitalist nations by matching declining social services and stagnating wages with a cheapening of consumer goods and an expansion of credit. This process had already centered itself in East Asia, anchored to postwar Japan's US-facilitated ascent. As the crisis grew, capital began to tilt more and more toward the Pacific Rim. Cold War geopolitics combined with the new economic gravity of Japan to facilitate the rise of the East Asian Tigers, each driven by a unique combination of anticommunist dictatorship (or colonial apparatus, as in Hong Kong) and a flood of investment from the US and Japan.

This is the juncture at which China's domestic crisis converges with the Long Crisis of global capitalism. In the terms of mainstream economics, China's large, cheap labor force offered an essential "comparative advantage" in key stages of the light industrial production process. But this mainstream account only captures part of the overall dynamic. The opening of China was the beginning of a wide-ranging process of subsumption into the material community of capital, driven by the increasing need to export first goods and, later, capital, from developed economies suffering overproduction. Following the early expansions of capitalist production elsewhere in East Asia, China was able to offer large territories for investment and a literate, cheap labor force unprecedented in its size, health and basic education. The labor supply added to the global capitalist system by this process was roughly equal in size to that of all the

world's industrial nations combined.[6] Moreover, this workforce had been produced by the socialist developmental regime, so its initial costs were external to capitalist production and the costs of its reproduction were easily externalized to internal peripheries still dominated by subsistence production—at least for the first couple generations. The sheer mass of the Chinese population thus revived the old hope of the West, dating back at least to the Ming dynasty, of a seemingly limitless market capable of both driving capitalist production and sopping up its ever-growing excess.

In an attempt to cleave down to the heart of such dynamics, there is always a risk of attributing more agency to presidents, chairmen and assorted billionaires than is deserved. The reality is that decisions made at the helms of states or corporations are always made in response to material limits confronted by complex political and economic systems. The ruling class is a designator for a non-homogenous array of individuals who hold decision-making positions within these citadels of political-economic power, for whom the continuation of the status quo is of the utmost priority. But these individuals sit in highly structured positions, beholden to the built-in demands of shareholders (for higher profit) and political constituencies (for minimal levels of stability and prosperity—not so much the requirement that things get better but simply that they don't get too bad too fast). There is thus no real malicious intent behind such decisions, nor is there the ability for such holders of power to truly transform or break free from the system itself. They are chained to it just as we all are, though they find themselves chained to its top.

6 Koo, Richard, *The Holy Grail of Macroeconomics: Lessons from Japan's Great Recession*, Wiley & Sons, 2009. P.185

The entire process is, therefore, one of contingent adaptations, rather than ruling class conspiracy. Its product is not that of a hidden, scheming council of elites, but simply the result of the continual experimentation through which different factions of the ruling class attempted to resolve the budding crisis and failed, their efforts then replaced by new, untested possibilities put forward by new leaders generating new outcomes that had to be dealt with in turn. The process is one of continual transformation in response to the local manifestations of the global decline in profitability. "Neoliberalism" is therefore not a fully conscious, casually malicious political program, as some authors would have it,[7] but simply a term attributed to a loose consensus that formed around numerous local solutions to the crisis that seemed to overcome short-term limits at the time. The prominence of an increasingly militarized state in this period is itself a symptom of the fundamental incoherence of this consensus, since the management of the ever-building, ever-deferred yet ever-present crisis grows more and more monumental. We have today finally reached the point at which this consensus is collapsing in the face of declining global trade and rising tides of populist nationalism, even while the massive military apparatus that accreted atop global supply chains remains, driven by its own inertia. But the development of this now-collapsing consensus remains the historical backdrop to the subsumption of China within global circuits of accumulation.

In the period we explore below, geopolitics played a key role in the joining of the mutual crises. This was, in fact, one of the few moments in Chinese history when the decisions of

7 This is the implicit or explicit assumption of most progressives today, and forms the cornerstone of many academic accounts of the period. For the most commonly cited, see: David Harvey, *A Brief History of Neoliberalism*, New York: Verso, 2005.

individual leaders (albeit responding to local demands) truly reoriented the course of future decades. And if there was a single moment at which this convergence of crises became a concrete possibility, it was probably the 1969 Zhenbao Island Incident. As the peak of a wide-ranging Sino-Soviet border conflict that saw twenty-five divisions of the Soviet Army (including some two hundred thousand soldiers) deployed to the Chinese border, the events on Zhenbao Island brought China and the USSR to the brink of all-out nuclear war. Though war was averted, this was the point at which Sino-Soviet ties were definitively severed, concluding a half-century of precarious diplomacy between the two largest members of the socialist bloc. In the context of the Cold War, this incident also signaled China's earliest overtures toward opening ties with the United States.

Contrary to those who mark the beginning of the Reform Era in 1976, with the death of Mao Zedong, or 1978, with the ascent of Deng Xiaoping, we therefore argue that the period of capitalist transition actually begins in 1969, at the end of the "short" Cultural Revolution, when the Zhenbao Island Incident results in an irrevocable severing of relations with the USSR and initiates informal contact with the United States, to be followed by formal contact in 1971. Though ultimately completed under the leadership of Deng and initially spearheaded by Zhou Enlai, the essential geopolitical moves in this period had a broad enough base among top party leadership to move forward, all with the approval of Mao. Initially part of a larger political strategy aimed at acquiring advanced capital goods in order to reverse the economic stagnation of the developmental regime—a minimal "opening" in the name of preserving the status quo—these partial measures took on a life of their own, creating supply dependencies (primarily in agricultural capital goods) that encouraged further liberalization. Though

this political strategy would soon evolve into full-scale market reform, it was therefore rooted in socialist era attempts to overcome the limits of the developmental regime.

Stone by Stone

As the region warped under the eastward tilt of capital, China began to re-orient itself toward the coast. Though its market reforms came in short (2-4 year) cycles of experimentation and retrenchment, it is also possible to roughly divide the period into three decade-long stages. These were by no means part of any intentional, long-term strategy. But each stage, once completed, put into place new structural features that made future reforms more probable. The first stage, from 1969 to 1978, was defined by politics. Domestically, it was a period of increasing ossification. After the crushing of the "short" Cultural Revolution in 1969, production, distribution and society were increasingly managed directly by the state via the military. The number of cadres skyrocketed in these years and the economy took on a directly military character, defined by the "Third Front" strategy, which sought to relocate industry to China's more secure mountainous interior. This decade would see the last "big push" industrial drives of the socialist developmental regime. At the same time, it would also see the first attempts to import full plant and equipment from capitalist countries, a process only made possible by the larger geopolitical shifts mentioned above. With one foot still well within the developmental regime, this stage was marked by strategic political opening and minimal economic reform. Aside from a few key imports, interaction with the global capitalist economy was essentially non-existent.

The second stage was defined by reform of the domestic economy. This period can be dated roughly from Deng

Xiaoping's ascension in 1978 to the Tiananmen crackdown in 1989. Domestic reforms were defined by the implementation of the household responsibility system in agriculture, the restoration of rural markets and the rise of Township-and-Village Enterprises (TVEs) as the fastest-growing sector of industry. Domestic growth still far exceeded interaction with international markets. China retained multiple layers of insulation from the global market, limiting the most direct contact to a handful of Special Economic Zones (SEZs), the most important of which was Shenzhen, since it acted as the interface between the mainland and Hong Kong. Throughout this period, China had no domestic stock exchange, ownership of domestic firms was often unclear, and foreign ownership was limited to the SEZs—and even there it was often restricted. Hong Kong was the dominant source of direct investment throughout this period, accounting for more than half of all Foreign Direct Investment (FDI) into mainland China in every year but one between 1979 and 1991, followed at a distant second by Japan.[8] Aside from direct investment, a portion of Hong Kong's share consisted of indirect investment from Taiwan and the overseas Chinese population, routed through Hong Kong's financial system to avoid political restrictions. The second stage of the reform process was thus driven not only by Asian capital, but specifically by capital drawn from the broader Sinosphere, often coordinated by family networks that stretched beyond the border.[9] These were also, therefore, the years in which the top of the capitalist class hierarchy took shape in China, as these capital networks began to fuse with the bureaucratic class that had solidified at the top of the developmental regime.

8 Wei, Shang-Jin, "Foreign Direct Investment in China: Sources and Consequences" in *Financial Deregulation and Integration in East Asia*, University of Chicago Press, 1996, p.81

9 See: Lin, George C.S., *Red Capitalism in South China: Growth and Development of the Pearl River Delta*, UBC Press, 1997.

The third stage of reform dates from around 1990 through the early 2000s. This period was defined by its international character, and can be understood as the decade within which the capitalist transition was completed, in terms of both market integration and class formation, despite a shrinking remainder of rural subsistence production.[10] The crushing of the 1989 Tiananmen protests was followed by the selective re-incorporation of rebellious students into the party and the ruling class that it now oversaw. It was in this decade that the rulers of the socialist developmental regime began to act as the major body of a decisively capitalist class pursuing interests in accord with the primary directive of capital: compounding accumulation. This is despite (and in fact aided by) the direct fusion of this ruling class with the state. This period also saw the full integration of Chinese production into global capitalism. The '90s opened with a burst of investment in the years following the repression of the Tiananmen unrest, driven by Japan, Taiwan and South Korea, alongside the continuing importance of Hong Kong. Stock exchanges were formally founded in Shenzhen and Shanghai in 1990.[11] Though direct investment by Europe and the US remained a minority share, the products made by Chinese firms became increasingly export-oriented, and these exports' final destinations were now often in the West. Many of the coastal TVEs were retooled to serve these new supply chains, driving a massive wave of

10 Though still large in the early 2000s, this remainder was, by around 2008, either directly incorporated into or fundamentally re-shaped by the market. The wave of rural relocation (undertaken in the language of "rural poverty elimination") currently being undertaken by Xi Jinping's regime is cleaning up the last dregs of these small spheres of local subsistence by relocating entire villages into new housing, where subsistence production is being replaced by both market access and dependence on the state.

11 The Shenzhen Exchange had been founded informally in 1987, but was not formally recognized until 1990.

suburban and exurban industrialization that resulted in the sprawling Chinese megacity.

This period—and the reform era more generally—was capped by the gutting of the old socialist industrial belt in the Northeast via factory closures and mass layoffs. With the reform of agriculture in the previous decade followed by the smashing of the "iron rice bowl" beginning in 1997, the privileged position of the grain-consuming class of urban industrial workers was gradually eliminated, and the class structure of the socialist developmental regime was decisively shattered. The state did soften the blow by temporarily mandating the production of cheap grain in the countryside, pushing part of the cost of urban reforms onto the rural population. But this was a tactical measure undertaken to blunt the risk of urban unrest. Meanwhile, many of the TVEs that had arisen in poorer rural areas in the 1980s also went bankrupt, were privatized or simply shut down by the state as part of the broader wave of factory closures. The TVEs thereby acted as a key transitional phase in the reform of industry, with their privatization stimulating the growth of the market economy in certain areas and their closure in others producing an even larger pool of surplus rural labor, from which the coastal manufacturing hubs would draw. The gutting of the rustbelt was accompanied by a massive restructuring of state-owned industries, defined by the consolidation of enterprises and planning bureaus into several large "conglomerates" (集团), designed in part by Western financial interests and capitalized by IPOs offered on global exchanges. These remaining state-owned enterprises, alongside their private counterparts, would thereby increasingly operate according to capitalist imperatives, and the Chinese workforce would be defined by the combination of a new migrant proletariat staffing the privately owned industries of the Sunbelt and a freshly proletarianized workforce employed by these internationally

financed conglomerates, directly overseen by the bureaucrat-bourgeoisie within the party.

We can loosely mark the end of this final stage of reform in 2001, which saw China's accession to the WTO just as manufacturing employment reached its all-time trough (at 11% of the labor force) due to industrial restructuring, after which a new wave of export-oriented growth in the sunbelt would drive it back up on a new, fully capitalist foundation. But periodization is always marked by the uneven character of development. In claiming that the transition to capitalism was completed by the early years of the new millennium, we are not arguing that capitalist social relations fully permeated all parts of the country. In rural areas and small to mid-size interior cities, the complete transition would not be fully evident until 2008 or later. The year 2001 is itself somewhat arbitrary, chosen more as a particularly representative moment in a series of years that defined the completed transition. Geographically, this process was centered in the major coastal cities, but it was not limited to them. Nonetheless, this is the point at which these cities became the definitive center of the Chinese economy. The transition was completed in these years because the destruction of the iron rice bowl and the massive growth in rural outmigration completed the formation of a proletarian class. This, in turn, completed the gestation of a capitalist society within China, and with a completed class structure, the internal dynamics of capitalism could now truly take on a life of their own. These years therefore act as a sort of gravitational threshold. Domestically, all parts of the country had passed the summit, and the pull of the coastal cities would irresistibly drag even the most stubborn corners of the hinterland into dependence on the market. Internationally, the attempt to merely orbit the capitalist world had now reached a terminal point, and a rapid period of re-entry was imminent.

We have divided this story into four parts, alternating between international and domestic conditions spanning these three decades. These parts are each given a very rough span of years in order to orient the reader, but will often jump forward or backward in time in order to better illuminate some of the general trends. Overall, however, the story will move chronologically. In Part I, we cover historical precedents in the greater region (beginning in the nineteenth century), the long eastward tilt of capital and the crises that drove this shift, ending with the rise of Japan and affiliated economies in the 1970s. In Part II, we turn to the domestic situation, reviewing the domestic crisis of the developmental regime in the 1960s, then covering the early decade of ossification, reform and the confluence of geopolitical conflicts. We then move forward through the next stage of more volatile reforms, when the market was beginning to take shape in the 1980s. In Part III we return to the international situation at the end of the 1970s, examining the rise of a "bamboo network" of capitalists capable of counterbalancing the regional hegemony of Japan and ending with a series of economic crises that helped launch the mainland into a central position within global manufacturing chains, ending in the years following the Asian Financial Crisis of 1997-1998. Then, in Part IV, we complete the story by returning to the domestic situation in these final two decades of the transition, examining the cycles of boom and bust that ultimately led to the emptying of the countryside, mass migration to new coastal production hubs, the gutting of socialist-era industry and the formation of a new, capitalist class system by the early 2000s.

The Material Community

Today, the era of the eremitic socialist nation has long been over. All the hermits have returned to the red dust of the

city, their communitarian utopias pieced apart and fed into the material community of capital. But this also means that the present composition of the global capitalist economy has been fundamentally shaped by its absorption of the socialist developmental regime. In order to understand the immediate future of capitalist production, then, it is essential to understand this process of transition. Of particular importance here are the elements of the socialist era that were subsequently exapted by the capitalist economy. The notion of "exaptation," drawn from evolutionary biology,[12] refers to the process whereby functions within a species originally adapted for one purpose (feathers used in heat regulation) are subsequently co-opted for qualitatively different functions later in the evolutionary lineage (feathers used in flight). Similarly, many features of the socialist developmental regime would later be co-opted to serve integral functions within the capitalist economy. The success of these exapted features helps to explain the remarkable growth rates of the Chinese transition period while also offering a hint at how capitalist production itself is evolving in response to continuing crisis.

In describing domestic crises and the reforms that followed, we therefore place these processes of exaptation at the center of our narrative. The exapted features that would become most important to Chinese capitalism were largely associated with the way in which the class structure of the socialist era was recomposed into a capitalist class system. At the bottom, this entailed the co-optation of the *hukou* (household registration) system in order to create a proletarian population of rural migrant laborers to staff the booming industries of the coastal

12 The term was coined by the paleontologists Stephen Jay Gould and Elisabeth Virba to replace the overly-teleological language of "pre-adaptation." It subsequently became an important element of Gould's broader theory of an evolutionary process marked by "punctuated equilibrium," laid out in his *Structure of Evolutionary Theory*.

sunbelt. Likewise in the countryside, the collective ownership of land, maintained under the household responsibility system until land use rights became fully tradable around 2008, allowed the state to institute agricultural market reforms more easily. At the top, it entailed the co-optation of the socialist-era party system, a process marked by the fusion of political and technical elites into a single ruling class closely alloyed with the CCP, completed with the influx of entrepreneurs into the party since the 1990s.

Alongside these changes, another key exaptation was taking place within the industrial system. As state-owned enterprises (SOEs) were restructured, firms in key industries such as steel, mining and energy production were never fully privatized. Instead, socialist-era state ownership was exapted and the new conglomerates in these sectors were retooled and recapitalized to be internationally competitive while also retaining their ultimate political allegiance to the party, now a managerial body for a capitalist ruling class. Though the socialist-era urban working class was gradually retired or proletarianized and many smaller or unproductive firms were simply closed, SOEs would ultimately play an essential role in the later period of transition. Today, these firms are integral to the international expansion of the Chinese economy. At the same time, they are sites at which many crises are concentrated, as growing debt, overproduction and ecological collapse are externalized from the private economy and concentrated into sectors that can be more directly managed by the state.

The story we tell below, then, is one in which many features of China's rural hermit socialism would ultimately become fundamental components of its cosmopolitan capitalism. The description of the socialist era developed in "Sorghum & Steel" is insufficient on its own because the period in question was not insulated from history. Not only did the hermit return

from the forest, but, in retrospect, it becomes apparent that the recluse was never as isolated from the polity as it seemed. Within the material community of capital, there can be no true hermit kingdom. All is encircled by capitalist accumulation—the red dust of living death—and all who attempt to flee are returned to it, in the end. Future communist prospects, then, will find no hope in reclusion. The only emancipatory politics is one that grows within and against the red dust of the material community of capital. In this second part of our economic history, we continue to seek a better understanding of that community as it is presently composed, in the hope that such knowledge might ultimately prove useful to its destruction.

1
Pacific Rim

International Conditions

Overview: Encirclement

In order to fully understand the convergent crises that resulted in China's incorporation into the material community of capital, it is essential to get a clear picture of both the larger trends in global capitalism and the theoretical details of how we understand such a transition to have taken place. In this first part, we emphasize the breadth of history, reviewing capitalism's overall development in East Asia. At the same time, we introduce some of the key concepts that will be essential to our narrative, especially as they relate to the inherent crisis dynamics built into capital's basic laws of motion.

The basic picture is that of an early potential for capitalist transition on mainland East Asia under the Qing being rapidly outcompeted by a similar transition underway in Japan, which had become the main regional competitor by the late nineteenth century. The result was a region split between commercial enclaves dominated by European capital and a rapidly industrializing nexus of colonies run by Imperial Japan. The First World War only accelerated this trend, leading ultimately to the great battle over the Pacific between the Japanese Empire and the rising US hegemon. Though ending in defeat for Japan, the beginning of the Cold War ensured that the Japanese industrial project in the region would continue under the tutelage of the US military. Combined with changing conditions in the West, the foundation was laid for another period of rapid international expansion. This took the material form of a Pacific Rim territorial-industrial complex, dominated by the rise of new logistics technologies, the most important of which was a ring of container ports and their adjacent industrial hubs.

Since the emphasis in this section is on long-term trends within the capitalist world, the profit rate and its relation to crisis play a central theoretical role. We take no strict positions here on the many debates concerning the profit rate: how best to measure it, the strength of its tendency to fall, or the exact relationship between micro-economic dynamics among firms and the macro-scale trends in the rate of profit. Instead, we emphasize the basics. Already apparent in the data is that the profit rate has tended to fall over time, and in oscillating waves. Its decline in the productive sector has been particularly pronounced, and this has repeatedly induced crisis. There have been a few counteracting tendencies, the most important being firms' efforts to restore their profit margins by expanding their markets and finding new sources of labor that can temporarily

be super-exploited—what is generally referred to as a "spatial fix."

This spatial fix results in the creation of new territorial-industrial complexes. Since the abstract logic of capital unfolds in the real world, it necessarily distributes itself in space. Driven by the falling rate of profit, distinct blocs of fixed capital take shape. At the larger scale, this takes a national form, as new economic competitors, unburdened by obsolete facilities and equipment, are able to use the most state-of-the-art techniques to challenge the old guard within respective industries. This old guard then finds its profit margin drawn down by obsolete plant and machinery, resulting in local crises that often manifest as trade wars between blocs, even as they drive further global expansion. But the same occurs at a more local scale: within countries, new territorial-industrial complexes reshape the region's economic geography in line with capital's demands. The process often includes mass migration to key hubs, nodes and corridors. When such complexes grow obsolete, however, they rapidly turn to rustbelts, and their fundamentally inhuman nature is made evident.

Rather than the win-win benefits of comparative advantage, it was actually crisis, war and colonization, driven by zero-sum competition, that lay behind the rise of Japan in the region, followed by the "Tiger Economies" of Hong Kong, Singapore, Taiwan and South Korea. Below, we trace out the details in this history, clarifying how the ascent of the Pacific Rim relates to falling profitability and the slow geographic movement of capital eastward, composing new territorial complexes along its edges and leaving hollowed rustbelts in its wake. It was this process of encirclement and crisis that would create the opening through which China's ossifying developmental regime would be able to pass into the material community of capital.

The Failed Transition

China began a stalled and uneven transition to capitalism in the late Qing, marked by low levels of industrialization and pervasive political instability. This first period of incomplete transition ultimately instigated a political collapse accompanied by civil war and a rising revolutionary movement that would go on to found the socialist developmental regime, temporarily halting the region's subsumption into global capitalism. Despite its failure, this first transition transformed migration patterns, trade routes and industrial geography in irreversible ways, exerting an inertial force that often exceeded the revolutionary regime's attempts to contain it. This period (dating roughly from the late Qing through the Republican Era and Japanese Occupation) left the region with a deeply divided industrial structure, contributing to many of the periodic crises that plagued the later developmental regime.[1] In a way, this inertia outlasted the developmental regime itself. When the second transition to capitalism began in the 1970s, the country would see the revival of many of the same industrial clusters, trade routes and migrant networks that had defined the first period a century prior.

This initial period of transition was shaped by accidents of history as well as much older patterns of commerce in the region. The southern coastline had long played an important role in regional trade and, after the decline of the Silk Road (with the fall of the Tang Dynasty in 907 CE), coastal trade had grown

1 Again, see "Sorghum & Steel," in particular the sections on the Shanghai Strike Wave documented in Part 2: <http://chuangcn.org/journal/one/sorghum-and-steel/2-development/>

to dominate pre-capitalist commerce.[2] But there also existed strong countervailing tendencies in each dynasty that helped to mute the power exerted by the forces of commercialization. One of the most persistent threats was the transformation of these semi-illicit trade networks into independent pirate navies. By the time of the Qing (1644-1912), this threat took on the character of an anti-Manchu rebellion, led by the Ming loyalist Zheng Chenggong (known as Koxinga in the West), who had fled to the sea as the Qing armies invaded Fujian. Zheng overturned Dutch rule in Formosa (Taiwan) and turned the island into a base for his rebel navy. In response, the Qing not only banned all coastal navigation (rendering illegal a bulk of the region's international trade), but also depopulated the coastline, deporting the population inland and razing the deserted villages in an attempt to cut off Zheng's supply lines.[3]

Once Zheng's rebellion was put down (in 1663 with the conquest of Taiwan), the coastline was gradually repopulated and maritime navigation resumed. This began to re-open the mainland market more directly to the nascent trade networks of the Europeans, which would soon begin to take on a distinctly capitalist character.[4] At the height of the dynasty, the

2 There was a brief but substantial revival of overland trade in the Yuan, and to a lesser extent in later dynasties. But the maritime commercial networks solidified during the Southern Song continued to play an important role throughout the Ming and Qing, despite numerous attempts to curtail the power of the merchants, pirates and semi-independent polities that composed these trade routes.

3 This is a simplified summary of a complex and interesting history. For the best source in English on the rise of this maritime space and the role of the Zheng family within it, see: Hang Xing, *Conflict and Commerce in Maritime East Asia: The Zheng Family and the Shaping of the Modern World, c.1620-1720*, Cambridge University Press 2016.

4 The Zheng family had long played a monopolizing intermediary role in much of this trade, and arguably formed an alternate political-commercial core that could have acted as the foundation for a local capitalist transition, had they retained their base in Taiwan and found some sort of

mainland not only ran a healthy trade balance with the West, exporting tea, porcelain, silk and various manufactures, but also sat at the center of regional trade, with even isolationist Japan dependent on imports of raw materials from the Qing.[5] But the state had become circumspect about trade, fearing the growing power of merchants, the possibility of renewed rebellion, and the increasing capacities of the Europeans. The court therefore imposed rigorous monopolies on key goods and began to restrict foreign trade to an ever decreasing number of official customs ports. This trend reached its apex with the Canton system, from 1757 to 1842, when all foreign trade was funneled through a single port and its attached stores and warehouses (the "Thirteen Factories") in Canton (Guangzhou). The system was only abolished through unabashed European incursion, as growing colonial empires sought more direct access to the mainland market. These incursions, the most dramatic being the two Opium Wars (1838-1842 and 1856-1860), ended in the establishment of unequal treaties between the Qing and the European powers. As part of these treaties, trade was opened again, concentrated in a series of "treaty ports" along the coastline.[6]

Larger and larger military defeats, accompanied by internal rebellions, would see the Qing crumble over the course of a century. Large waves of refugees pulsed out of the mainland in these years, feeding early capitalist industry's demand for labor, particularly in the Americas. At the same time, the domestic labor supply (as well as raw materials and land for agriculture) became increasingly attractive to European

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peace with the Qing. For more detail, see Hang 2016.

5 Rhoads Murphey, *East Asia: A New History*, Pearson Longman, 2007. p.151

6 Robert Nield, *The China Coast: Trade and the First Treaty Ports*, Joint Publishing (HK) Co, 2010. pp.10-11

colonists and neighboring polities. Factory districts would be established in most of the major coastal cities, with Shanghai and Guangzhou playing particularly important roles. As they were slowly incorporated into the new global trade networks of industrial capitalism, such cities gained *de facto* autonomy from the Qing state, becoming important sites of modernization under subsequent warlord and Republican rule. Meanwhile, sections of Shandong were essentially ceded to the Germans, who financed a number of new industrial enterprises nationwide. The region's early capitalist infrastructure was therefore largely in foreign hands, and the coastal cities are best understood as highly internationalized colonies, linked to domestic production networks that were dominated by European and Japanese capital: alongside the lucrative opium trade, "by 1907, 84 per cent of shipping, 34 per cent of cotton spinning and 100 per cent of iron production were in foreign hands. Westerners controlled even vital strategic assets, owning no less than 93 per cent of the railways."[7] Even the handful of large, domestically-owned industrial conglomerates, such as the Hanyeping Coal and Iron Company, were entirely dependent on imported machinery and capital provided by German and Japanese financers.[8]

By the interwar period, Shanghai had become a regional center for both commercial capital and the mainland's early labor movement, with Guangzhou (known as "Red Canton") following close behind. But without the binding force of a strong domestic polity, these early sites of the capitalist transition were dominated by foreign capital or a particularly parasitic class of domestic capitalists acting as intermediaries and subcontractors for European and Japanese firms. The

7 ibid, p.15

8 Elizabeth Perry, *Anyuan: Mining China's Revolutionary Tradition*, University of California Press, 2012. p.20

failure of the capitalist transition on the mainland was, then, not simply the result of the Qing's suppression of commercial pressures, but also a product of the dictates of capitalist economic expansion in Europe, which drove the Age of Imperialism and thereby gave birth to the particularly violent regimes of plunder and exploitation established across the Pacific. It was the barefaced brutality of these regimes that, in turn, stoked the flames of the anti-imperialist rebellion that would ultimately halt the capitalist transition on the mainland. Nonetheless, the heritage left by this first, failed transition would help to shape the character and geography of the second transition that followed the socialist era.

Constructing East Asia

In Japan, by contrast, European pressure had resulted not in political collapse but instead in the Meiji Restoration (1868-1912), which began a full-scale transition to capitalism, including massive industrialization and widespread reform of the political and social system.[9] The success of Japan's reforms was made evident with the country's quick victory in the first Sino-Japanese War, in 1894-1895. Fought over the Korean Peninsula (at the time a tributary state of the Qing), the war pitted the modernized Japanese military against the dynasty that had long been the strongest regional power in Asia, with most predicting a rapid loss for the Japanese. But the Qing's most advanced military force, the Beiyang Army,

9 There is a substantial literature debating the exact nature of the Meiji Restoration and its relationship to global capitalism. This debate has involved Marxist scholars worldwide, but was particularly vital for post-war Japanese Marxism, where views on the nature of feudalism and early industrialization in Japan formed the basic dividing lines between different schools of thought. For a summary of this debate within Japanese Marxism, see: Makoto Itoh, *The World Economic Crisis and Japanese Capitalism*, Macmillan, 1990. pp.150-155

proved no match against the invaders, who not only took the Korean peninsula but also the neighboring Liaodong peninsula, launching invasions deep into the Qing homeland of Manchuria. At the end of the war, the Qing was forced to both cede influence over Korea and to sign the island of Taiwan over to the Japanese despite intense local opposition. Japan invaded the island in 1895, fighting a war of occupation against guerrilla resistance forces for the next several years and quelling a series of rebellions in the early 20th century.

Victory in the Korean peninsula and incursions into Manchuria were seen by neighboring imperialist forces in Russia and Germany (which held territory in Shandong) as a threat to their own prospects in the region. At the time, Japan responded with appeasement, ceding the Liaodong peninsula, allowing the formation of a nominally independent Korean Empire and helping the Western Powers crush the Boxer Rebellion in 1900. But tensions in the region soon led to the outbreak of the Russo-Japanese War (1904-1905), resulting in another unexpected victory for the Japanese, this time over a major imperialist power. The peace treaty signed with the Russians was, however, still geared toward caution and appeasement. No substantial territory was ceded and Russia was not forced to pay serious reparations. This result instigated widespread nationalist protests within Japan, signaling not only continuing popular opposition to Western colonialism in the region but also the fusion of this anti-colonialism with Japan's own imperial project.

Though Japan did not lay a direct colonial claim to Korea or Manchuria in the peace treaty, Korea was named as a "protectorate" and the Kwantung Army, a semi-autonomous Japanese military, formed to oversee the region. The Kwantung Army would soon become an effective occupying force, often intervening in local affairs without direct

oversight. Meanwhile, reforms were gradually introduced into the Korean protectorate, each ceding more political and economic power to the Japanese until, in 1910, the territory was formally annexed by the Empire. A similar series of events took place in Manchuria, with increasing economic influence followed by more and more direct military interventions against local warlords, resulting in the invasion of 1931 and the establishment of the Japanese puppet-state Manchukuo.

In Japan, this was all accompanied by rapidly growing domestic support for militarism, reaching its apex in the idea of a "Greater East Asian Co-Prosperity Sphere" helmed by Japan, led by the "Yamato race," and organized in a strict ethnic hierarchy. Though the basic logic of this imperial strategy had its cultural underpinnings in both racial pseudoscience and an indigenous form of racial-civilizational discourse common to East Asia, Japanese imperialism cannot be reduced to its cultural components, nor can its roots be found in the authoritarian underpinnings of leftover "feudal" class fragments.[10] The Japanese Empire was not a continuation of the tributary imperial states that had long dominated the region, but was instead a distinctly modern product of the Meiji Restoration's transition to capitalism, similar in character to the imperialist empires of the capitalist West. Within several decades, capitalist development in Japan had simultaneously resulted in saturation of the domestic market, the growth of a strong managerial-military state, and the dominance of the economy by four major "*zaibatsu*" monopoly corporations. All of these features facilitated the push for military and economic expansion along traditionally imperialist lines. As in Germany and Italy, then, Japanese militarism and imperial expansion was

10 This was a position taken by some postwar Japanese Marxists, first popularized by prominent Western scholars of the region such as E.H. Norman, in his *Japan's Emergence as a Modern State* (1940).

a product of capitalist crisis and the weakening of the political hegemony held by the British Empire.

Within the new regional hierarchy, Japanese capital (increasingly alloyed with the military state) was the driving force, facilitating territorial conquest, the construction of massive infrastructure projects and the financing of coordinated industrialization drives. The earliest colonies of Taiwan, Korea and Manchuria became the preferred sites for much of this investment, with peripheral countries in Southeast Asia and parts of China treated as subordinate puppet states for the opening of new markets and the supply of essential industrial resources (such as oil in Indonesia) or agricultural goods (as in the Philippines). The massive decline in global trade that accompanied the Great Depression further incentivized imperial expansion, as growing protectionism cut Japan off from alternative sources for primary goods.[11] In the midst of this general decline, trade actually increased within the new "yen bloc" formed by Japan, its colonies and the various puppet-states and weaker countries within the "Co-Prosperity Sphere."[12] While exports to Japan had composed 20 percent of total exports in Taiwan in 1895, by the late 1930s the number had grown to some 88 percent.[13] Interregional trade was organized in a spoke-and-wheel pattern, with Japan at its center and its colonies

11 For a comparison of this decline to recent trends in global trade, see: Kevin O'Rourke, "Government policies and the collapse in trade during the Great Depression," *Center for Economic and Policy Research*, 27 November 2009. <http://voxeu.org/article/government-policies-and-collapse-trade-during-great-depression>

12 For more on the economic character of the Japanese Empire, see: Ramon H. Myers and Mark R. Peattie, eds., *The Japanese Colonial Empire, 1895-1945*, Princeton University Press, 1984; and Chih-ming Ka, *Japanese Colonialism in Taiwan: Land Tenure, Development and Dependency*, Westview, 1995.

13 Mark Selden, "Nation, Region and the Global in East Asia: Conflict and Cooperation," *Asia Pacific Journal*, Volume 8, Issue 41, Number 1, 11 October 2010. <http://apjjf.org/-Mark-Selden/3422/article.html>

and subordinate trade partners encouraged to specialize their production in accord with Japanese interests, discouraged from trading directly with other countries within the region and rewarded with varying degrees of Japanese infrastructural development.

This hierarchy was ordered by perceived racial characteristics as much as simple geography, with cultural proximity to Japan reconceived as a measure of ethnic purity. The divisions within the trade bloc thereby encoded pseudoscientific theories of race and national origin into material differences between territories that had, up until that point, been relatively alike in terms of their productive output, levels of education and susceptibility to disaster, invasion and colonization, despite cultural differences. By conceptualizing "East Asia" as an organically hierarchical racial-cultural continuum, united both by the historical adoption of the Chinese writing system and a particular Neo-Confucian idea of antiquity, the Japanese imperial project thereby constructed a recognizable region out of new circuits of capital.[14] Though ultimately unsuccessful in regard to its own imperial ambition, this early Japanese expansionism succeeded in creating an Eastern center of gravity for global capitalism, defined by unequal trade relationships between the island archipelagos and littoral economies bordering the Pacific. In the Cold War order that followed, this center of gravity would be reinforced as a

14 Various pre-capitalist and proto-capitalist conceptions of the region existed prior to this, based largely on trade routes within the South China Sea and the tributary relationships centered on various mainland dynasties. But many major sites of earlier regional integration (Manila, Malacca, Hanoi) found themselves outside the inner orbit of capitalist East Asia within both the Japanese imperial project and the Cold War order that followed it. For more on the evolution of the region as such, see: Mark Selden, "East Asian Regionalism and its Enemies in Three Epochs: Political Economy and Geopolitics, 16th to 21st Centuries," *The Asia-Pacific Journal*, Volume 7, Issue 9, Number 4, 25 February, 2009. <http://apjjf.org/-Mark-Selden/3061/article.html>

bulwark against the spread of communism. Capitalist East Asia would thereby slowly encircle China's postwar developmental regime, the pull of this new hub of accumulation helping to facilitate China's own ultimate transition to capitalism.

Total Wars

The rise of the far right in Japan was a product of distinctly capitalist dynamics, its character defined by a general crisis in profitability. The Japanese economy had undergone an unprecedented boom in the late 1910s, meeting demand in the West and expanding in the space left by the waning influence of the war-stricken European empires. Between 1914 and 1919, Real GNP grew at an average rate of 6.2 percent, although inflation increased apace. But this early boom was followed by an early crash, as growth began to stagnate in the 1920s followed by a plummet in the Showa Financial Crisis of 1927.[15] There have been several different methods used to measure the Japanese profit rate[16] in this period, but all show a rapid decline

15 Masato Shizume, "The Japanese Economy during the Interwar Period: Instability in the Financial System and the Impact of the World Depression," *Bank of Japan Review, Institute for Monetary and Economic Studies*, May 2009. <https://www.boj.or.jp/en/research/wps_rev/rev_2009/data/rev09e02.pdf>

16 The profit rate is the most basic method used by Marxist economists to measure profitability within industries or national economies, with declines in the profit rate associated with periods of economic crisis and growing profit rates associated with periods of productive expansion. It is often measured in conjunction with the "rate of accumulation," usually captured by the year-on-year growth rate of fixed capital. There is an extensive debate about the best methods to measure the profit rate and the validity of the claim that there is a long-term tendency for it to decline. Though ideally measured in value-terms, most measurements use correlated figures drawn from mainstream economic statistics. The basic equation is simply some measurement of net profit (as a stand-in for net surplus value) divided by net capital stock (as a stand-in for fixed constant capital, circulating constant capital and wages).

moving into the 1920s, followed by either further decline[17] or stagnation.[18] The ratio of investment to GNP also drops over the same years, from a peak in the early 1920s to a period of stagnation over the later decade, followed by a plummet in the Showa Depression of 1930, caused by the global economic collapse.[19]

But since Japan had begun to face the reality of the crisis slightly earlier than other countries, it also established key financial reforms in the later 1920s that allowed for a more rapid recovery following the Showa Depression. Banks had been consolidated and the state had already begun the process of stimulus spending. The Showa Depression, caused by both the global economic collapse and Japan's ill-timed return to the gold standard, was severe but brief. As early as the winter of 1931, Japan had begun what would later be known as the Takahashi Economic Policy, a period of Keynesian spending and controlled monetary depreciation helmed by Finance Minister Takahashi Korekiyo. Fiscal stimulus was paired with a decoupling from the gold standard (first the departure from

17 The decline is evident in measurements using a definition of profit including corporate profit, non-corporate profit, net interest and rent (effectively net domestic product minus wage costs) over capital stock as measured by the net stock of private non-residential fixed capital, all smoothed by a 10-year moving average. See Figure 2 of Minqi Li, Feng Xiao and Andong Zhu, "Long Waves, Institutional Changes, and Historical Trends: A Study of the Long-Term Movement of the Profit Rate in the Capitalist World-Economy," *Journal of World-Systems Research,* Volume XIII, Number 1, 2007, pp.33-54.

18 Stagnation is more evident in measures that use a slightly broader definition of the capital stock (as well as those smoothing with 5-year averages), such as: Esteban Ezequiel Maito, "The historical transience of capital: the downward trend in the rate of profit since XIX century," *MPRA*, 2014. <https://mpra.ub.uni-muenchen.de/55894/1/MPRA_paper_55894.pdf>

19 Figure 2.2 in Arthur J. Alexander, "Japan's Economy in the 20th Century," Japan Economic Institute Report, No. 3, 21 January, 2000, <http://www.jei.org/AJAclass/JEcon20thC.pdf>

the gold standard, then the stabilization of depreciation by pegging the exchange rate to the pound sterling), allowing for increased competitiveness due to a depreciated yen—and also making possible the construction of a yen block in East Asia. Between 1932 and 1936, when the Takahashi Policy was in full effect, GNP growth returned to 6.1 percent, nearly as high as the boom years and paired with much more moderate inflation.[20] The ratio of investment to GNP recovered over the course of the 1930s, returning to its pre-crisis peak by the end of the decade.[21]

But while the Keynesian stimulus was able to pull the economy out of the worst of the depression by increasing investment, expanding the state and stabilizing the yen while retaining its competitiveness, its effects on the rate of profit were more marginal, stimulating only a slight recovery.[22] This, alongside firms' continuing dependence on state spending, signals that the Japanese economy of the 1930s had not truly escaped the crisis. Instead, the decline in profitability had been met with an expansionary program similar to that soon undertaken by Germany and Italy, and later by the United States. Declining profitability could only be offset by expansion of the state, buoying the private sector domestically while also facilitating (and in fact making more and more necessary) the growth of the military and the push for colonial expansion. Thus Takahashi's Keynesian era helped to incubate the hyper-militarism of the late Empire. When he sought to reign in government spending in 1935, fearing runaway inflation, he raised the ire of this newly-strengthened military and was soon assassinated in an attempted coup by members of the Kōdō-ha ("Imperial Way") faction led by young officers within the army. Though it

20 Shizume 2009, Chart 1

21 Alexander 2000, Figure 2.2

22 Visible in both Maito 2014, and Li et. al. 2007

ultimately failed in its goals, the coup did result in the transfer of more power to the military and the end of attempts to cut state spending. This began the era of Japan's wartime command economy, which saw continued high GNP growth, but now paired with ever-increasing inflation.[23]

The large *zaibatsu* monopolies retained their power throughout the Depression, and a number of new *zaibatsu* arose through the new colonies. Economic inequality skyrocketed, and the Imperial military was soon seen as an uncorrupt corrective to the decadence of the large financiers. Japan's political atmosphere thereby skewed even further to the right. The Kōdō-ha faction within the military, though ousted after 1936, had advocated an openly fascist vision for Japanese development in which democracy would be thoroughly dismantled, corrupt bureaucrats and greedy *zaibatsu* capitalists would be purged and the state would be run directly by the Emperor. Their politics were founded on a mythic vision of returning to the organic hierarchies of pre-capitalist Japan and they were therefore vigorously anti-communist, advocating an immediate pre-emptive invasion of the Soviet Union.[24] The looser coalition that was formed to oppose the Kōdō-ha was called the Tōsei-ha ("Control Faction"), which called for a cautious policy in regards to the Soviet Union and more coordination with the *zaibatsu*, but which was itself nonetheless dominated by an essentially fascist politics. After the purge of the Kōdō-ha in 1936, military administration was transferred to the Tōsei-ha.

Most of the intellectual leaders within the now-unchallenged faction were strong supporters of the total war theory of central economic and military planning, modeled on Germany,

23 Shizume 2009

24 Richard Sims, *Japanese Political History Since the Meiji Restoration 1868–2000*, Palgrave Macmillan, 2001.

and all factions advocated continuing imperial expansion within China and elsewhere.[25] These theorists had long allied themselves with a group of reform bureaucrats headed by Kishi Nobusuke, economic manager of Manchukuo and a follower of fascist theorist Ikki Kita. It was through this alliance between reform bureaucrats and total war militarists that the economic blueprint for Japanese regional imperialism (the "Greater East Asia Co-Prosperity Sphere") would be born. Experiments in industrial development and management within the Sphere ranged from the heavily state-controlled command economy of Manchuria (favored by the militarists) to the more *zaibatsu*-friendly investment regimes at home and in some of the peripheral colonies (favored by the reformers), but all were guided by the firm belief in a totalitarian state driving colonial expansion.[26]

Each of the development programs undertaken by the Japanese state had a lasting influence on the region as a whole. In "Sorghum & Steel," we explored how the large, military command-economy firms of Manchuria shaped the early industrial structure of the Chinese developmental regime. But it was the reform bureaucrats, led by Kishi and informed by the total war theories of the Tōsei-ha, who would play a central role in the construction of capitalist East Asia after the war. Following a brief period of postwar economic decline under

25 The influence from Germany was both theoretical and practical, with Germans composing a large portion of the Meiji-era foreign advisors (*oyatoi gaikokujin*) hired by the Japanese government in order to facilitate transfer of high-level technical knowledge. Meanwhile, German theories of the state helped to structure early-modern Japanese political theory. See: Germaine A. Hoston, "Tenkō: Marxism & the National Question in Prewar Japan ," *Polity*, Volume 16, Number 1, Autumn 1983, pp.96-118.

26 Janis Mimura, 'Japan's New Order and Greater East Asia Co-Prosperity Sphere: Planning for Empire,' *The Asia-Pacific Journal,* Volume 9, Issue 49 Number 3, December 5, 2011. <http://apjjf.org/2011/9/49/Janis-Mimura/3657/article.html>

the US occupation, Japan's economy began to revive with the Korean War, as US policy decisively shifted in favor of strong economic development in the region as a bulwark against communism. In order to secure this economic growth, the US restored power to many of the same figures who had led the country under the Empire, including Kishi, by then a notorious war criminal.[27] Released from prison, Kishi went on to found the Liberal Democratic Party with the support of the US. He was elected as Prime Minister in 1957, and his administration subsequently received secret campaign funds from the CIA with the endorsement of President Eisenhower.[28] As the first Japanese leader to visit the countries of Southeast Asia after the war, Kishi began to promote a plan for regional development that drew directly from his older vision for the Co-Prosperity Sphere. With US backing, he and his technocrats could now pursue their old economic policies under the auspices of a new anti-communist military bloc fighting a different kind of total war.[29]

27 Despite the Co-Prosperity Sphere's language of cooperation between Japanese, Chinese and Manchu, Kishi himself was a strong proponent of the Yamato Race theory, regarding the Chinese as essentially inferior and fit for little more than sex work and manual labor. As the manager of colonial Manchukuo, he signed a decree legalizing the use of slave labor in 1937, and millions of Chinese slaves were ultimately funneled into the colony's gargantuan industrial districts over the course of the war. Kishi continued the practice upon his return to Tokyo, sending half a million Korean slaves to work in Japan itself, many of whom died.

28 Michael Schaller, "America's Favorite War Criminal: Kishi Nobusuke and the Transformation of U.S.-Japan Relations," *Japan Policy Research Institute*, Working Paper Number 11, July 1995. <http://www.jpri.org/publications/workingpapers/wp11.html>

29 It should be noted that the influence of Kishi is still apparent in Japan to this day, where the Liberal Democratic Party has maintained control of the state almost continuously since 1955. Not only is the party currently in power, but since 2012 it has even been helmed by Kishi's grandson, Shinzō Abe.

The Export of Capital to the East

The United States itself had long had a colonial interest in the region, evident in its annexation of the Hawaiian Islands and the brutal occupation of the Philippines, both beginning in the late 1890s. This interest was driven by some of the same economic pressures as Japan's own colonial project, as an economy stagnating under the pressure of the top-heavy Gilded Age monopolies sought cheap sources of natural resources and new markets. Half a century later, with Japan defeated and China now within the socialist bloc, the US secured its power across the remainder of the region. But its interests had undergone a fundamental shift. Partially, this was due to the new conditions imposed by the Cold War, with state-backed economic development programs seen as an integral piece of a larger strategy to contain the socialist bloc. But it was also a matter of a changed technical composition of production. The war had revived heavy industry in the US from its depression-era stagnation. At the same time, it had led to a massive upsurge in research and development, and created both the transmission mechanisms to introduce new inventions to the civilian economy and the economic stability required to begin implementing a backlog of new technologies that had accrued in preceding decades of speculation and crisis. These included advances in aeronautics, petrochemicals, fertilizers, power generation and automobiles.[30] Meanwhile, wartime logistics networks began to be systematically transferred to civilian use, building the trade networks that would soon undergird the Pacific Rim economy.[31]

30 Richard Walker and Michael Storper, *The Capitalist Imperative: Territory, Technology and Industrial Growth*, Wiley-Blackwell, 1991.

31 Deborah Cowen, *The Deadly Life of Logistics: Mapping Violence in Global Trade*, University of Minnesota Press, 2014.

As more US firms moved farther up the production chain, the producers' goods industries that had been stimulated by the wartime boom sought new markets for the export of capital goods, rather than the consumer goods that had dominated US trade with imperial territories like the Philippines. But while consumer goods exports required little more than the opening of foreign markets, the export of capital goods (particularly for heavy industries) required that the importing economies be undertaking large-scale, structural development drives. The US therefore found both political and economic interest in facilitating the rise of dictators to oversee capitalist developmental states in the Asia-Pacific for much the same reason that it cultivated the Marshall Plan and subsequent welfare states in Europe. Reconstruction efforts brought rapid economic development, which created large markets for US metals, machinery, automobile and aeronautics industries suffering from overproduction in the postwar economy. Centuries of violent colonization had already created the scaffolding for a truly global capitalist system, and the hard work of imperial influence could now be largely managed through a combination of market influence and military policing.

In East and Southeast Asia, the new international order of production had a clear hierarchy, helmed by the US, but essentially making use of the same trade relationships and industrial hubs built by the Japanese Empire, minus the territories that had seceded into the socialist bloc. This involved the uneven distribution of development funds to preferred locations, creating differential comparative advantages between countries that ultimately encouraged local specializations in accord with the trade needs of countries higher up the economic hierarchy. Given its more developed industrial structure and the vigorous anti-communism of its political establishment, Japan itself was the first preferred site

for redevelopment and thereby became a leader in the new regional hierarchy, providing both financing and the political model that would soon be used by other developmental states in the region.

Meanwhile, the outcome of the war had allowed Japan to reinvent its industrial base. The loss of its colonies and the abolition of the military proved to be serendipitous in this regard, keeping the country out of the expensive post-colonial military interventions undertaken by France, Britain and the US while allowing it to nonetheless benefit from the new technologies and trade relationships that emerged from such wars. The development of maritime technologies was particularly fortuitous for the island nation, allowing for the construction of new industrial complexes along the Pacific coastline. The loss of the colonies—in particular Manchuria—also meant that a large quantity of Japanese-financed fixed capital was lost or destroyed and these sunk costs therefore written off. In the long term, this meant that Japanese firms were no longer responsible for the expensive maintenance costs on these increasingly obsolete factories, and there was no expectation of future profitability from the lost industries. This had the paradoxical effect of making the Japanese economy far more amenable to technological change and new capital construction, whereas countries like the US became increasingly burdened by masses of obsolete fixed capital built up earlier in the century.

The "total war" model of industrial development had also left behind a large mass of workers and soldiers, mostly literate and many with some degree of technical training. Out of a population of 72 million in 1948, with 34.8 million employed, there were 7.6 million demobilized soldiers, 4 million demobilized workers who had been employed in military production and 1.5 million nationals who had returned from

abroad—13.1 million surplus workers in total, composing some 18 percent of the total population. This was paired with a period of agrarian reform that began to raise agricultural productivity, feeding even more displaced ruralites into urban industry over the following decades. But rather than causing an immediate upsurge in absolute unemployment, the tendency was instead for a growth of informal work and the widespread reliance on small-scale communal networks for subsistence. In 1950, the self-employed, peasants and family workers composed some 60.6 percent of the Japanese workforce, with formal wage-workers making up the remainder.[32] There was thus a massive latent surplus population that could be tapped as a source of cheap labor, and over the course of the following decades it would provide the basis for rapid growth in Japanese industry. Between 1951 and 1973, "Japanese GDP grew continuously and rapidly by 9.2 per cent per annum on average, making it seven times as big as a result."[33] It was this process that began discussions of a "Japanese Miracle," often with little attention to the structural features that had underpinned such "miraculous" growth.

In reality, the rapid growth of the Japanese economy was facilitated not only by favorable domestic conditions but also by continuous stimulus from the US-led monetary and military regimes. The costs of energy resources and other primary products plummeted with the postwar exploitation of Middle Eastern oil fields and the opening of war-strangled trade routes. At the same time, the Cold War led the US to vastly reduce reparations payments and offer recovery grants instead. But the key turning point was the Korean War. With Japan as the closest source of industrial goods for the frontline, the US

32 Makoto Itoh, *The World Economic Crisis and Japanese Capitalism*, Macmillan, 1990. p.145

33 Ibid. p.140

began a special procurement program that lasted from 1950 to 1953, flooding Japanese industry with demand at guaranteed prices. In 1952-53, the special procurement goods composed some 60-70 percent of total Japanese exports, doubling the size of major Japanese industries in just a few years. This experience proved Japan's capacity as both the regional economic leader and a politically sound partner in the global effort to contain the socialist bloc. The US occupation of the islands formally ended with the Treaty of San Francisco and the military relationship between the two countries was formalized with the US-Japan Security Pact, both signed in 1951 after Chinese intervention in the Korean War had resulted in the retreat of UN forces down the peninsula[34]

After the Korean War, the economic blocs of the early twentieth century slowly gave way, with the volume of world trade increasing at 7.6 percent a year on average between 1955 and 1970. In Japan, this provided a market for exports, the profits from which went to pay for essential imports, including both raw materials and the numerous state-of-the-art capital goods made available by the US. Meanwhile, the Bretton Woods monetary system had pegged the dollar to the yen at a fixed exchange rate, encouraging domestic industrial growth in the 1950s and then making Japanese manufacturing extremely competitive in the world market beginning in the 1960s, after capital goods imports had begun to increase the productivity of Japanese manufacturing.[35] The result was that the profit rate of Japanese industry skyrocketed in this period,[36] with a particularly pronounced peak reached in manufacturing in the late 1960s.[37]

34 Ibid. pp.141-142

35 Ibid. p.142

36 Li et. al. 2007, Figure 2 and Maito 2014, Figure 3.

37 Robert Brenner, *The Boom and the Bubble: The US in the World Econ-*

The domestic market grew alongside international demand for Japanese goods. This caused a consumption boom among Japanese workers (particularly the better-paid workers in core industries, whose lifetime employment guarantees were the result of labor militancy in the late 1940s), including the widespread adoption of automobiles and home appliances. At the same time global markets were gradually flooded with Japanese manufactures, beginning with textiles and basic industrial goods, then machinery and electronics. Between 1957 and 1973 the Japanese share of all exports of manufactured goods in the world market increased from 5.5 percent to 11.5 percent, and domestic private investment in fixed capital (here plant and equipment) increased at an annual average of 22 percent between 1956 and 1973, financed by both a stock of industrial profits and rapidly rising shares of personal savings funneled through banks offering zero or negative real rates of interest on deposits. Continuous public spending on industrial infrastructure was therefore paired with financial over-lending to industrial firms to create the conditions for a truly remarkable expansion of fixed capital. This was the period in which the ratio of investment to GNP in Japan would reach its all-time peak. Both gross domestic fixed capital formation and specifically non-residential investment had hovered around 12 percent of GNP in 1950. By the time the ratio peaked between 1970 and 1975, gross fixed capital formation was just under 35 percent of GNP, while non-residential investment sat just under 25 percent—the decoupling of the two signaling the very beginnings of the rise of the real estate bubble that would later contribute to the catastrophic collapse of the first of Asia's "miracle" economies.[38]

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omy, Verso, 2002. Figure 1.1.

38 Numbers from Alexander 2000, Fig. 2.2. These figures are slightly more conservative estimates, with the World Bank calculating the

Stagnation

Theorists have given many names to the long period of stagnant growth that overtook the core economies after the end of the postwar boom.[39] Some, such as the Japanese Marxist Makoto Itoh, characterize it as a new "Great Depression."[40] Others designate it a "Long Depression" marked by sluggish growth rather than spectacular collapse, comparable to the first "Great Depression" in 1873.[41] Many have simply referred to it in descriptive terms as a period of "persistent stagnation,"[42] or a "long downturn."[43] Regardless of the name, both GDP growth and profit rates in many of the core economies had begun to decline as early as the 1960s,[44] with the US manufacturing profit rate reaching a postwar peak in the middle of that decade.[45] In Japan, both the national and manufacturing profit

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peak in gross fixed capital formation closer to 40%, using GDP rather than domestic investment and GNP. For reference, this compares to a nearly stagnant, slightly declining US ratio of roughly 20% from 1960 to the present.

39 And the universal nature of this boom itself is even called into question by many scholars. See, for instance: Michael J. Webber and David L. Rigby, *The Golden Age Illusion: Rethinking Postwar Capitalism*, The Guilford Press, 1996.

40 Itoh 1990

41 Michael Roberts, *The Long Depression: Marxism and the Global Crisis of Capitalism*, Haymarket Books, 2016.

42 Brenner 2002

43 Robert Brenner, "What is Good for Goldman Sachs is Good for America: The Origins of the Current Crisis," 2009. <http://escholarship.org/uc/item/0sg0782h#page-1>

44 Maito 2014, Figures 2-5.

45 Brenner 2002, Figure 1.1

rates reached their peak sometime between the mid-1960s[46] and 1970.[47]

The slowdown didn't hit all economies at once, though, nor did it affect them equally. The postwar boom itself had been uneven, leaving high-GDP nations burdened early on with expensive, increasingly obsolete stocks of fixed capital that discouraged the incentive for new domestic investment, even while they were not yet so unprofitable as to be viably cleared through large-scale layoffs and factory closures. The result was that much of the long boom was in fact sustained by growth in the later-developing economies, encompassing reconstruction efforts in Europe and the postwar growth of Japan. When these growth spurts began to hit their initial limits, the stagnation that had already begun in the largest core economies could no longer be offset by growth in international trade. After this point, both the pre-war core economies and the later-developing economies of the postwar period (now also effectively core countries) not only saw persistent stagnation in growth and falling profit rates but also found themselves competing for a shrinking share of global accumulation. This resulted in rising unemployment, public fiscal crises and the unusual phenomenon of stagflation, all worsened by an oil crisis and ever-more-expensive military expenditures.

At the global level, international industrial competition took the form of a rapid sequence of back-and-forth recessionary cycles. With growth slowed, the share of total value that could be captured by different national economies shrank, and these cycles would therefore increasingly take on the character of zero-sum "trade wars" or "currency wars" between the US and its competitors. Each phase in the cycle was therefore spurred

46 Maito 2014, Figure 3

47 Li et. al. 2007, Figure 2, Brenner 2002, Figure 1.1

by key geopolitical changes in international currency and tariff systems. At the same time, the overall character of the competition was determined by the opening of new industrial hubs for labor-intensive production, each of which provided a short-term spatial fix for the problem of low profitability while also creating new potential competitors in the long-term. Two years were particularly important: 1971, which saw the beginning of the departure of the US from the gold standard and the Bretton Woods system of pegged exchange rates, and 1985, in which the Plaza Accord was signed, increasing the value of the Japanese yen and German mark and devaluing the dollar. It's important to remember, however, that policy decisions do not and cannot fundamentally create or ameliorate crises within capitalism. They can only push it in various directions or, at best, delay it somewhat (and thereby make the crash worse when it does happen). Geopolitics is the attendant of the material community, not its master. Such decisions did not by any means create the general crisis, then, but they did mark important shifts in which countries would experience its worst effects.

The end of the Bretton Woods system made exchange rates more volatile and initially decreased in the competitiveness of US manufacturing, which stimulated export-led growth elsewhere throughout the 1970s. This shifted the trade balance of the US and both inflation and unemployment grew rapidly, the latter reaching above 9 percent in 1982 and '83. Japan, meanwhile, confronted the initial phase of the crisis with massive government spending and the expansion of exports. The US budget deficit in the late 1970s and early 1980s was thereby largely financed by the Japanese surplus, and the growth in both public and private debt in the US provided the market for Japanese goods. The result was "the extraordinary spectacle of Japanese financiers providing the credit required by the US government to finance its budget deficits in order

to subsidize the continuing growth of Japanese exports."[48] In the US, manufacturing exports collapsed between 1980 and 1985, growing at just 1 percent per year. Imports grew at 15 percent per year over the same period, with imports from Japan increasing from 12.5 percent of the total in 1980 to 22.2 percent by 1986.[49] But despite this stimulus to Japanese exports, the manufacturing profit rate never recovered to its pre-crisis peak, instead reaching a lower peak in the early- to mid-1980s before plummeting again in the later part of the decade after the signing of the Plaza Accord.[50] Meanwhile, the general profit rate simply did not recover, instead stagnating until its next precipitous decline in 1990.[51]

For the US, manufacturing's fortunes were briefly revived by the 1985 Plaza Accord, which increased the value of the Japanese yen and German mark and devalued the dollar. US manufacturing became temporarily more competitive in the global market, but the new system wreaked havoc elsewhere. In the midst of general stagnation, global manufacturing trade was becoming more and more of a zero-sum game in which gains in one country occurred at the expense of others.[52] Japan's average annual change in GDP was halved from 10.2 percent in 1960-1969 to 5.2 percent in the '70s and 4.6 percent in the '80s. The unemployment rate in Germany grew from an average of 0.8 percent in the 1960s to 2.05 percent in the '70s, 5.8 percent in the '80s and above 8 percent in the 1990s, following the

48 Brenner 2002, p.54

49 Ibid, p.56

50 Ibid, Figure 1.1

51 Li et. al. 2007, Figure 2, Maito 2014, Figure 3 and Dave Zachariah, "Determinants of the average profit rate and the trajectory of capitalist economies," *Bulletin of Political Economy*, Volume 3, Number 1, 2009, Figures 4 and 18.

52 ibid, p.95

broader trend in Europe.[53] In Japan, the unemployment rate was kept lower by statistical underreporting, the rapid growth of the tertiary sector, and significant outlays by both the state and large firms to retain workers who would have otherwise been laid off.[54] In contrast, the US saw unemployment halved from over 9 percent in 1982/83 to as low as 5 percent in the later 1980s and 4 percent in the later 1990s.[55]

While the Plaza Accord by no means caused the crisis in Japan, it did show that the country had never quite escaped the strain of overproduction that had first led to the collapse of the profit rate in the early 1970s. The limits to accumulation were met with an influx of new, state-led investment, poured into an already over-invested productive regime. Existing markets had become saturated, so export-driven growth became the only way to briefly recover profitability within manufacturing. Outside manufacturing, however, the only outlet for surplus capital was an increase in speculation led by the proliferation of obscure financial techniques (*zaitech*) and Keynesian infrastructural projects. Meanwhile, in order to keep profits from dropping further, wages were suppressed. When the Plaza Accords devalued the US dollar in 1985, the price of the yen soared and Japan's export-oriented production was severely restrained. While the US underwent its own brief industrial recovery, Japanese firms were left with no choice but to direct more and more idle capital to *zaitech* speculation while also pouring money into global real estate markets and expanding production facilities overseas in order to exploit the cheaper currency rates elsewhere in Asia (many pegged to the dollar). Domestically, this resulted in an unprecedented boom in the

53 ibid, Table 1.10.

54 Itoh 1990, p.169

55 See the US Bureau of Labor Statistics' Historical Data on "Labor Force Statistics from the Current Population Survey."

stock market, an influx of foreign speculative capital into the yen and a massive bubble in asset prices. The outcome was a definitive collapse of the "miracle" economy into the crisis of the early 1990s, decisively shattering the hope held by many economists[56] that Japan was an ascendant hegemonic power somehow immune to the basic laws of capitalist production.[57]

The Flying Geese

While the growth of Japanese global economic power was facilitated by the US and defined by the international monetary system, the regional character of this expansion ultimately followed the older patterns originally laid by the imperial project. As mentioned above, the US-exonerated war criminal Kishi Nobosuke became Prime Minister in 1957, touring the region and establishing the groundwork for what would later become the Asia Development Bank with his own proposal (rejected at the time) for an Asia Development Fund modeled on the Co-Prosperity Sphere.[58] Meanwhile, Taiwan and South Korea had utilized Cold War financing alongside the industrial and financial infrastructure left by the Japanese to jump-start their own national industries. In both countries, variants of the Japanese developmental state were adopted, with South Korea's *chaebols* fusing national financing with family-run industrial conglomerates in a fashion reminiscent of the large, first-generation *zaibatsu*, while Taiwan's strategy of import-substitution enabled agrarian reform, protection of domestic

56 A short list includes Ezra Vogel's *Japan as Number One* (1979), Herman Kahn's *The Emerging Japanese Superstate* (1970), and P.B. Stone's *Japan Surges Ahead: The Story of an Economic Miracle* (1969). For a summary of these positions, see Itoh 1990, pp.137-139.

57 Itoh 1990, pp.168-179 and Brenner 2002, pp.96-111.

58 Schaller 1995

industry and the import of machinery in ways that recalled the developmental strategy of both postwar and Meiji era Japan.

Talk of the "Japanese miracle" was thereby soon extended to the four East Asian Tiger economies of South Korea, Taiwan, Hong Kong and Singapore. These countries were now envisioned as "flying geese," with Japan at the head the formation, transferring technology and financing down the chain in a win-win pattern of cascading comparative advantage: when one industry's labor costs rose too high, that industry was to be shifted wholesale to the less developed neighbor, complete with the most advanced industrial equipment and state-financed infrastructure.[59] Development was therefore linked to the product cycle, and could be conceived of as a gradual evolution of production that operated to the advantage of both countries. The import of capital goods into Japan from the US had begun the process, by the 1970s Japan had already initiated a similar export of capital to the Tiger economies, and by the 1990s it seemed that a similar phenomenon was taking place in Southeast Asia and even mainland China.

The flying geese model does not envision economic crisis playing a major role in this process, aside from a few brief recessions that come with major shifts in the product cycle. Nor does it attempt to account for the influence of the US throughout, either through direct financing (namely military spending) or less direct influence on trade (the Plaza Accord) and politics (the propping up of anti-communist dictatorships). In its conception of technology transfer, the model also tends to ignore both the built-in hierarchies of the resulting region and the local networks that enable such transfer in the first

59 The idea was first popularized in the west in Bruce Cumings, "The Origins and Development of the Northeast Asian Political Economy: Industrial Sector, Product Cycles and Political Consequences," *International Organization*, Number 38, Winter 1984.

place. None of this is coincidental. The flying geese model was in fact originally formulated by the Japanese economist Kaname Akamatsu in the 1930s in order to theorize world trade in a period marked by the growth of protectionism and Japanese imperial expansion.[60] Though not widely used at the time, the concept was clearly in accord with the propaganda of the Co-Prosperity Sphere, and Kaname himself held a series of high-ranking posts within the Imperial Army's Bureau of Investigation (responsible for statistics and general intelligence). After the war, he was tried for war crimes, found innocent, and went on to formally publish his theory in 1962 in the official journal of the Institute of Developing Economies, established by the Japanese Ministry of Economy, Trade and Industry.[61] The concept gained a widespread popularity within Japanese economics, where it was meshed with new theories of the product cycle and foreign direct investment.[62] As global trade grew in the midst of the long crisis, the theory was soon taken up by mainstream economics in the West, providing an ideological justification for the developmental framework adopted by US-backed global financial organizations such as the World Bank and IMF.

The basic pattern identified in the model is self-evident. Japan began an early, smaller round of direct investment in Taiwan in the late 1950s, mostly in the electronics and machinery

60 Mitchell Bernard and John Ravenhill, "Beyond Product Cycles and Flying Geese: Regionalization, Hierarchy and the Industrialization of East Asia," *World Politics*, Number 47, January 1995. pp.171-209

61 Kaname Akamatsu, "A historical pattern of economic growth in developing countries," *Journal of Developing Economies,* Volume 1, Number 1, March–August 1962. pp.3-25.

62 For the further development of the concept in Japan, see the work of Kaname's student Kojima Kiyoshi and the economist Yamazawa Ippei. It would later become a key feature of the "New Structural Economics" proposed by Taiwan-born Justin Yifu Lin, who defected to the PRC in 1979 and served as Head Economist at the World Bank between 2008 and 2012.

manufacturing industries that had boomed during the Korean War procurement program, only to lose their main market once the war was over.[63] The second round of "scrap-and-build industrial restructuring," now far more substantial in volume, took place between the mid-1960s and the oil shock of 1973. This round was initiated by the signing of the Japan-Korea normalization treaty in 1965, which both opened formal economic relations between the two countries and provided South Korea with a series of Japanese-funded grants and loans (roughly $800 million[64] in total), geared toward infrastructure construction and the creation of the Podang Iron and Steel Company (now POSCO, one of the biggest producers in the world).[65] Lighter, labor-intensive industries were moved from Japan to South Korea, Taiwan, Hong Kong and elsewhere, with the domestic economy shifting to a new base in heavy and chemical industries (again, greatly aided by technology transfers from the US and Europe). A third phase of restructuring followed the oil crisis and the general decline in manufacturing profitability, with heavy industries offshored to the new cores in South Korea and Taiwan and domestic production shifting to a new set of electronic, transport and precision machinery industries producing for export to markets in the US.[66]

The result of this third phase was not only export-oriented production in Japan leading to a trade surplus with the US, then, but also an unprecedented explosion in the size and scale

63 Bernard and Ravenhill 1995, p.179

64 The "$" sign refers to US dollars throughout.

65 Miki Y Ishikida, *Toward Peace:War Responsibility, Postwar Compensation, and Peace Movements and Education in Japan,* iUniverse Inc.. 2005. p. 21

66 Martin Hart-Landsberg and Paul Burkett, "Contradictions of Capitalist Industrialization in East Asia: A Critique of 'Flying Geese' Theories of Development," *Economic Geography*, Volume 74, Number 2, April 1998. p.92

of Japanese-originated direct investment. Faced with massive limits to accumulation at home, Japan increased the rate of its capital exports in an effort to secure more of the shrinking pool of global accumulation. The annual growth rate of Japanese foreign direct investment was 28.1 percent between 1970 and 1982, and by 1984 Japan held a share of 17.8 percent of the total world annual direct investment, even greater than the share of the US. The cumulative total value of its overseas investment between 1951 and 1986 was some $106 billion, with the largest share actually pouring into markets in North America (primarily bonds, securities, real estate, and high tech production), followed by investments in Asia and Latin America.[67] After the signing of the Plaza Accord, this trend was only intensified. Between 1986 and 1989, Japanese FDI grew more than 50 percent annually, with an annual outflow of around $48 billion.[68] Official Development Assistance (such as the grants awarded to S. Korea) also grew in the same period, rising from $1 billion in 1973 to $7.45 billion in 1987, roughly 70 percent of this going to other countries in Asia, a large portion in the form of loans, often originally intended as war reparations.[69]

But these trade transfers did not happen in a vacuum. Within Japan, they were a response to overproduction, demographic limits and the declining profit rates that followed. Each cycle of restructuring was preceded by a decline in the net profit rate of manufacturing (in 1960-1965, 1970-1975 and the late 1980s onwards),[70] and each trough was preceded by overproduction in the core industries and the reaching of key demographic limits. The textile industries, for instance, had been founded

67 Itoh 1990, pp. 225-228

68 Bernard and Ravenhill, p.181

69 Itoh 1990, pp. 225-228

70 Brenner 2002, Fig.1.1

on the rapid expansion of the female workforce. But by the mid-1960s, this labor surplus was reaching its limits and, combined with inflationary pressures, women's wages began to rise.[71] By the end of the 1960s, the remaining pools of cheap, under-employed rural labor had begun to shrink precipitously, and between 1970 and 1973 nominal wages in manufacturing rose some 63 percent: "For the first time in the entire history of over a century of Japanese capitalist development, capital accumulation became excessive in relation to the limited supply of labour-power."[72] With an extremely low immigration rate, Japan would from this point on begin to experience a rapidly diminishing demographic dividend,[73] ultimately resulting in today's severe demographic crisis.

The Shadow Play

Through decades of continual promotion in developmental policy and popular economics, the idea of the "flying geese" has today become common sense. Its origin in one of the twentieth century's most brutal colonial regimes is conveniently forgotten, and trade transfers according to comparative advantage are simply presumed to be the necessary spark for developmental programs in poor countries. But flying geese are best seen from a distance—the ideal vantage point a

71 Hart-Landsberg and Burkett 1998, p.92

72 Itoh 1990, p.164

73 The demographic dividend is essentially a measurement of the working-age population to the dependent population (the dependency ratio) as it relates to developmental shifts within an economy at large. As economic development proceeds the mortality rate declines but birth rates initially remain high, creating a population boom. As the boom generation enters the workforce they provide firms with a large pool of available labor, cheapened by competition with a large reserve army, and this in turn produces a boom in personal saving and consumer spending, providing capital for further investment and increased domestic demand.

world apart from the phenomenon itself, in the comfortable Westminster offices of *The Economist* or the echoing halls of the United Nations building in New York, built on a plot of land donated by the Rockefellers. At such distance, the distinct v-shape of East Asian development could not appear clearer, and the only worthwhile activity for observers has long been a game of petty speculation, a goose-race of sorts, in which investors placed bets in currency and real estate markets on which nations might be the next to ascend in formation. But if one looks closer, the flying geese grow thin and transparent. In fact, they appear not to be living creatures at all, but instead the paper-and-leather cutouts used in the region's traditional shadow puppetry (皮影戏). And like any good shadow play, the story they tell is a mythic one, projected onto a frail screen for a clapping audience.

Behind the screen, however, lie the paper geese, the puppeteer, and the fire of the torches. When a hole is poked through the paper, what appears to the audience is little more than a void in the otherwise sensible world of the play. It seems to make no sense to claim that the East Asian "miracles" are anything short of miraculous, or that their pattern is not providential. But peering through this void, one can begin to see the strings that connect the paper geese: *all the countries that were most favored in the process of capital transfer were also those that had played important roles in the former Japanese empire and continued to do so within the contemporary US military complex*. The v-shape of the formation was, in fact, a political hierarchy imposed on the Pacific Rim by military force, its shape and composition ultimately defined by the imperatives of the Cold War. And the strings connecting the puppets lead back to the hands of the puppeteer: After WWII, the US "controlled half the globe's manufacturing capacity, electrical power, and monetary reserves, owned two-thirds of its gold stocks, and produced two-thirds of its oil," and within only a few years of the war's end, it also "controlled

48 percent of world trade."[74] US interests in the region were aimed at preserving this economic and political hegemony, something openly acknowledged by George F. Kennan of the State Department, author of the strategy to contain the spread of socialism. Kennan argued that since the US had "about 50% of the world's wealth, but only about 6.3% of its population," the country's international policy needed to be guided by the imperative to "maintain this position of disparity."[75] It would be easy enough to stop here, pointing a finger at the conspiratorial machinations of geopolitics, as if the US itself had been unveiled as the grinning puppeteer behind it all. This is the sum of a purely "anti-imperialist" politics, which satisfies itself with any and all opposition to US power as a sufficient "anti-capitalism." Such analysis, however, stops at the mere hands of the puppeteer, without gazing on the body.

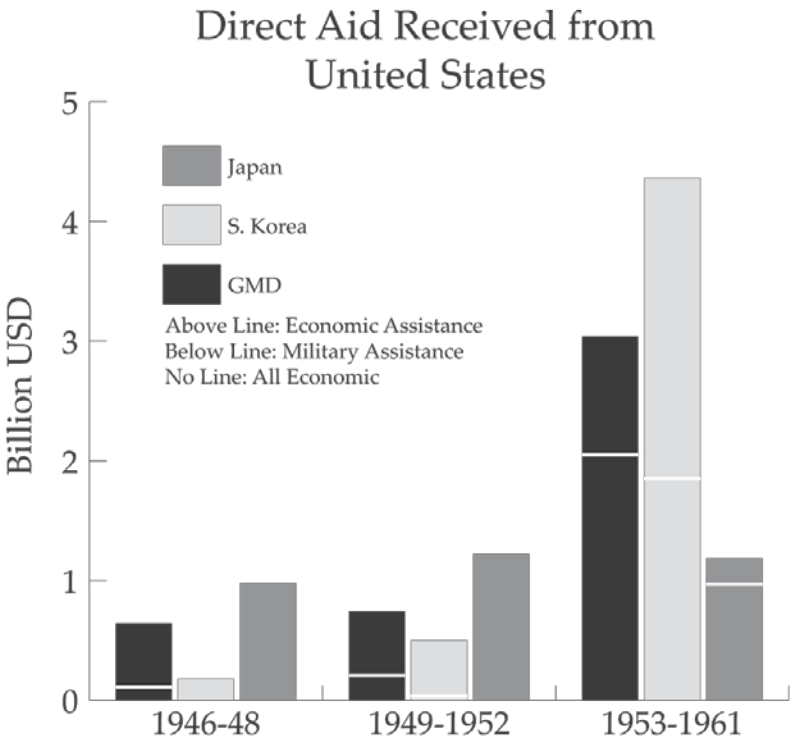
The truth is far more monstrous. Puncture the screen of mulberry paper and the play continues, even as a void opens at its edge. Peer into this void and the life of the story is reduced to artifice, its mythic romance now little more than politely veiled epics of blood and conquest. But even the sum of US power, measured in drone strikes or financial summits, is itself a mere mechanism. The geopolitical prowess of the imperial hegemon is, in the end, little more than the hand of the puppeteer, only slightly more lifelike than the puppets it guides. Gaze further into the darkness and the nightmarish body of the puppeteer takes flesh: rather than a grinning conspirator we find a headless body, its corpse-cold skin lit by the orange glow of torchlight, dead extremities animated by nothing more than the necromantic logic of capital. The geopolitics of the Cold War were structured, in the end, by economic imperatives. This also means that the development programs pursued in

74 Kiernan 2017, p.397

75 Qtd. in ibid, p.397

countries like Japan were a leaner (but no less direct) form of imperial influence, defined by the need for the world's largest economy to continue to accumulate wealth in the service of expanding the material community of capital, necessitated by the perceived challenge of the socialist bloc to that process. While it initially seems contradictory that these developmental programs would ultimately create a subset of formidable competitors for the imperial hegemon, this is merely to misunderstand the true nature of hegemony, confusing the hands for the head. Just like the British Empire before it, the US would nonetheless retain substantial economic and political power even as it laid the groundwork for challenges to its own dominion, far outliving reports of its supposed demise. But the puppeteer is headless. Every worldly hegemon is a sewn-together composite, moving in service to that greater, world-wrecking hegemony of capital.

Future developmental drives were therefore defined by their proximity to US political power, now facilitated by Japanese financing. In the same way that Japanese industry had been catapulted into the forefront of global production by the Korean War procurement program, industrial development in Taiwan and Hong Kong would be shaped by the military containment of the Chinese mainland. After the CCP won the civil war, the Guomindang (GMD) government fled to Taiwan, where it established a military dictatorship with US backing. With the Korean War and two crises in the Taiwan Strait over the course of the 1950s, Taiwan was an active front in the early years of the Cold War. The US not only began continuous patrols of the Taiwan Strait, but also poured funds into Taiwan to stabilize Chiang Kai-shek's dictatorship. This funding was already substantial in the immediate postwar years, but skyrocketed



Source: U.S. Agency for International Development (USAID). "U.S. overseas loans and grants: obligations and loan authorizations, July 1, 1945-September 30, 2005," pp, 120, 122, 126 and 128. <http://pdf.usaid.gov/pdf_docs/PNADH500.pdf>

Figure 1

during the Korean War, with military assistance composing a growing portion (see Figure 1).[76]

One paper goose followed another. Hong Kong, much smaller and still a British colony, nonetheless also received $27 million

76 GMD data covers boh mainland and Taiwan, see: *U.S. Agency for International Development (USAID)*. "U.S. overseas loans and grants: obligations and loan authorizations, July 1, 1945-September 30, 2005," p.122 and p.126 <http://pdf.usaid.gov/pdf_docs/PNADH500.pdf>

between 1953 and 1961 from USAID.[77] Similar funds for South Korea between 1953 and 1961 amounted to more than $4 billion.[78] Then, in 1963, the rise of Park Chung-hee's US-friendly dictatorship sparked a burst of industrial build-up not seen since Japanese colonization, itself mimicking Japanese procurement-driven industrialization, but now driven by military demand during the Second Indochina War. Fifty thousand South Korean soldiers were deployed into central Vietnam by 1967,[79] paid some twenty-two times the regular pay they would have received at home.[80] This not only helped to funnel wages back into the Korean economy but also established a basis for wartime procurement contracts on the part of Korean *chaebol* firms. Some of these contracts were for the simple procurement of goods, but many were also for infrastructural projects in Southeast Asia that supported the greater war effort. Hyundai was contracted to build a series of landing strips as well as the entire Pattani-Narathiwat highway in southern Thailand, for example, receiving both US funding and important training from the US Army Corps of Engineers. All of this allowed the firm to vastly expand the scope of its projects after the war was over, including a series of construction contracts in Guam and Saudi Arabia.[81]

77 Ibid, p.120. Far more important than direct aid in Hong Kong was the role of capitalists who had fled the mainland and established new production centers in the textile industry on the territory.

78 Ibid, p.128. See Figure 1 for a relative comparison.

79 Heonik Kwon, "Vietnam's South Korean Ghosts," *The New York Times*, 10 July 2017. <https://www.nytimes.com/2017/07/10/opinion/vietnam-war-south-korea.html>

80 Jim Glassman and Young-Jin Choi, "The *chaebol* and the US military-industrial complex: Cold War geopolitical economy and South Korean industrialization," *Environment and Planning A,* Volume 46, 2014. p.1166

81 ibid, pp.1170-1172

In sum, the offshore procurement contracts for Korean construction firms averaged just over $20 million per year (in 1966 dollars) between 1966 and 1969, peaking again at some $17 million per year (also in 1966 dollars) in 1979-1985, when Korean *chaebol* secured US-backed contracts in the Middle East.[82] From 1964 to 1969, combined military assistance and offshore procurement composed between 30 and 60 percent of gross capital formation in South Korea, far more than any other country in the region.[83] There was nothing organic about its rise, and the success of its industrialization program cannot be accounted for merely in terms of market demand. This is apparent if we compare the case of South Korea with the conditions of the Philippines in the same period. Both were at roughly equal developmental levels in the 1950s, and both had previously been conquered by the Japanese and yoked into the "Co-Prosperity Sphere." But they had not been equal players in the Japanese imperial scheme. Preference had been given to the earlier-conquered Korean colony, the lower position of the Philippines justified in the racial pseudo-science of the time. Then, after the war, the lower priority of the Philippines for US interests meant that the country never successfully instituted the wide-ranging land reform seen in Japan, South Korea and Taiwan. This created instability at the core of the newly-ascendant Marcos regime, certainly friendly to the US, but never considered to be as reliable an ally as Park, Chiang Kai-Shek or Kishi. Despite requests on the part of the regime for offshore procurement contracts similar to those received by Japan and South Korea, the Philippines refused to send combat troops for fear of the domestic response. Already wary of the new government's commitment to US interests and fearful of its ongoing internal revolts stemming from the failure to implement land reform, the Johnson administration

82 ibid, Figure 2

83 ibid, Figure 5

dismissed Marcos' petitions for industrial contracts.[84] The bulk of contracts awarded to Asian countries therefore went to South Korea, with a smaller set awarded to Thailand, which deployed eleven thousand troops over the course of the war.[85]

The sheer bulk of investment, combined with the technical training and field experience awarded to South Korean firms, was therefore an integral part of the country's rapid ascent. Its peak GDP growth rate (14.5 percent in 1969 and 14.82 percent in 1973) even surpassed Japan's during the height of its postwar boom.[86] The spike in its rate of profit also exceeded that of Japan, and displayed a clear correlation with wartime development, peaking first in the later 1960s, declining alongside the trend in offshore procurement contracts and then peaking again in the 1970s as the firms' wartime experience was put to use at home.[87] South Korea's status as the next "flying goose" in the formation was little more than a shadow play. The "Tiger Economies," like Japan before them, were little more than puppets elevated on the strings of political patronage and hefty procurement contracts. The formation of East Asia as a distinct economic region therefore had inherent political and economic hierarchies built into its structure from the beginning. But the ultimate shape of the region cannot be understood as merely serving US political interests. Instead, the restructuring of the entire Pacific Rim was simply one of the theatres in the general expansion of the material community of capital.

84 Ibid, p.1176

85 Kiernan 2017, p. 436

86 As measured by the OECD

87 Maito 2014, Figure 4

Logistics

The next wave of economic booms in the region, beginning with the East Asian Tigers and soon spreading to Thailand, Malaysia and Indonesia, were deeply dependent on both the continuing war in mainland Southeast Asia and the desperate attempts on the part of Western and Japanese firms to regain profitability in the midst of the long stagnation. As Japan's profit rate declined, continued accumulation could be ensured only by the export of capital to the handful of newly industrializing countries favored by US political interests. The end market for many of the goods being produced by Japanese firms overseas (and their numerous subcontractors) was in the US and Europe, where stagnant rates of growth and profit, paired with slow or stagnant wage growth, had been met with an increased dependence on credit, both private and public. While the cheapening of goods through increased productivity is a secular tendency in capitalist development, this credit boom, combined with stagnant wages, accelerated the process beyond what would result from advances in productivity alone. Increasingly mobile global firms were able to seek out new labor pools that could be super-exploited in brief industrial booms that caused rapid inflation and extreme waves of labor unrest. By definition, this period of super-exploitation had to be temporary, often drawing on a hidden store of labor produced by the remnants of non-market subsistence economies. Unrest increased as these hidden stores were depleted—often signaled by the subsumption of the countryside, paired with increases in the necessary wage in the cities. This period of instability frequently ended in a coup or the toppling of local dictatorships, concurrent with a decline in profitability, continued increase in wages, and a brief boom in GDP growth due to a frenzied period of speculation before a spectacular bust, leaving in its wake stagnant growth and vastly increased levels of inequality. Long before this, the labor-

intensive industries that had begun the process would have been moved elsewhere, initiating the cycle in new industrial hubs—often bigger, leaner and more brutal.[88]

But this entire process was made possible only by a series of new technological advances, most of which could trace their origin to the US military complex. The first of these was the rise of computerization and digital technology more generally. Though often discussed in the context of rising markets for consumer electronics, paired with the ascent of software giants in the US and Japan, the bulk of profitability gains actually came with the application of computerization to the industrial process itself. The brief recovery in profitability in US manufacturing, for instance, followed a massive closure of obsolete, redundant and expensive means of production during the years of the overvalued dollar and the record-high interest rates imposed by Federal Reserve Chairman Paul Volcker, particularly during the recession years of the early 1980s. By the time of the Plaza Accord, productivity had increased remarkably (at 3.5 percent per year between 1979 and 1985), driven not only by the closing of unproductive facilities but also the widespread shedding of labor in the new, increasingly computerized factories. After the Plaza Accord vastly increased the competitiveness of US production in the global market, investment slowly began to flow into manufacturing again and both productivity and profitability in the industry underwent a general revival (albeit brief and moderate by historical levels).[89] The non-manufacturing sectors were slower in implementing new, productivity-enhancing technologies, but by the mid-1990s even these industries' productivity had begun to average

88 Kevin Gray, *Labour and development in East Asia*, Routledge 2014.

89 Brenner 2002, pp.59-75

around 2.4 percent growth per year, just under the growth rates experienced in the postwar boom.[90]

But the brief revival of US industry was itself dependent on the ability of the manufacturing sector to become globally competitive. This, in turn, relied on a series of technological advances in shipping and logistics made possible by computerization and developed by the US military between WWII, the Korean War, and the wars in Indochina. Key among these was the trend toward containerization, with the invention and widespread adoption of the standardized shipping container "repeatedly dubbed the single most important technological innovation underpinning the globalization of trade."[91] The container—accompanied by new computer-assisted systems for the management of "just in time" (JIT) production and the coordination of large-scale ports and warehouses—decreased the costs of long-distance shipping and created a new geography of trade centered on a network of the world's biggest deep-draft seaports. In this context, the Pacific Rim network took on an entirely new importance in both Asia and the US, with intermodal ocean-to-rail-to-truck networks supplanting (though not entirely replacing) the short-run coastal and inland river and rail trade that had driven domestic growth on both sides of the Pacific in previous eras. Smaller ports up and down the coastlines were slowly starved of revenue, turning a number of minor coastal cities in the US and Canada into maritime rustbelts.

Today, nine of the top ten busiest container shipping ports are all in Pacific Rim countries, with six in mainland China. But the earliest major container ports were located in Japan's postwar

90 ibid, p.80

91 Deborah Cowen, *The Deadly Life of Logistics: Mapping Violence in Global Trade*, University of Minnesota Press 2014. p.31

Pacific coast industrial complexes and, later, in the port cities of the East Asian Tigers. Nippon Container Terminals opened a facility in the Port of Tokyo in 1967, making the port among the first to handle container shipping. By the1970s, the Port of Kobe (in the Osaka metropolitan complex) would become the busiest container port in the world, supplanted in the '80s and '90s by competition from the ports of Hong Kong, Singapore and Busan, and then after the millennium by a series of ports along the Chinese coastline. In North America, the largest ports thrived even as their smaller, non-containerized counterparts were slowly starved into nonexistence. By the early 1970s the ports of Long Beach and Los Angeles had begun to grow to particularly gigantic proportions, the port of Oakland had replaced the port of San Francisco, and shipping along the Columbia River in the Pacific Northwest was overshadowed by trade through ports in Longview, Tacoma and Seattle. The importance of this cannot be exaggerated: without this coastal rim of shipping infrastructure, China could never have even begun its transformation into a global manufacturing hub.

Though a necessity, the geography of this logistics complex was not accidental, and the centrality of the US military in this process is undeniable. Containerization (and the "logistics revolution" more broadly) began as an experiment in military procurement, the initial concepts created in WWII, the infrastructure established in the Korean War, and the early Pacific Rim supply chains developed in Vietnam.[92] The involvement of Japan and then Korea in US offshore procurement programs meant that these economies' early industrial booms not only benefited from an injection of capital, but were also built from the ground up in a fashion fitting the demands of global trade. Japanese firms used this to their advantage, fusing rapid, made-to-order production with

92 Cowen 2014, p.41

efficient distribution via their coastal industrial complexes in the first experiments with just-in-time production. These supply chains linked with US consumer markets through long-distance container shipping, with the port of Long Beach, for example, becoming the Western distribution center for Toyota as early as the 1970s.

While Korean *chaebols* like Hyundai grew rapidly by securing US military construction contracts, firms such as Hanjin supplied the US with land, sea and air transportation services. This gave Hanjin some of the earliest experience with intermodal container shipping and, later, the building of container ships, allowing the *chaebol* to boom into one of the world's largest container carriers until its bankruptcy in 2017. Meanwhile, Singapore and Hong Kong would use their large deep-water ports and well-established, cross-cultural business networks to speed through their own phases of industrialization. Both city-states offshored their own production facilities relatively quickly (to Malaysia and mainland China, respectively), developing into global capitals of administration, logistics and finance. Hong Kong in particular would soon play a key role in the transit of capital into mainland China and the export of goods from Shenzhen and other Special Economic Zones.

The logistics revolution itself, attending the rise of global trade, was very much a product of the long downturn in global profitability. The development of the Pacific Rim both facilitated the relocation of production to areas with untapped, super-exploitable pools of cheap labor and intensified capital's rate of turnover. Both features have helped to offset the tendency of the rate of profit to fall. Cheaper labor allows for more value to be accumulated directly through the production process, while faster turnover (from invested capital to commodity to realized profit, or M-C-M' in Marx's schema) allows firms to net more value in any given period of time by

accelerating the rate at which produced value is realized on the market. Combined with technological advances in production itself, these features slowed and even partially reversed the global decline in the rate of profit, at least for a time. Locally, they also facilitated the rapid rise in the growth rates and national profit rates for a few countries, mostly in the Pacific Rim. But without the massive destruction that preceded the postwar boom, the general recovery in the rate of profit would be short-lived, and the local growth spurts in the Pacific Rim countries would end in a cascade of crises across the region, beginning with the Japanese collapse in 1990.

1960s
–
1980s

II Borders

Domestic Conditions

Overview: Faultlines

These international crises would soon create an opening for the incorporation of China into global circuits of accumulation. But this would only be made possible after a series of deep faultlines that had cut across both the developmental regime and the socialist bloc more generally finally fissured, throwing China into alliance with the opposing camp in the course of the Cold War. In this section, we detail the nature of these building crises and explain how, exactly, a developmental regime that had stalled the transition to capitalism could ultimately become a vehicle for that very transition. We dig deeply into the evidence detailing these crises and the various makeshift

attempts to solve them, and at various points it may be easy to lose sight of the larger theoretical picture. But these bigger questions are actually the heart of the story.

Central to these theoretical concerns is the question of the transition from pre-existing societies into a capitalist mode of production. Below, we emphasize both the nature of the capitalist system (in order to properly frame what a transition into it entails), and the various mechanisms that undergird the process. Our framework draws specifically from Marx's understanding of capital's logic and various debates among subsequent scholars informed by Marx concerning the history of capitalism, especially the "Brenner Debate" about the agrarian roots of capital in England. More generally, in order to understand the nature of change in industrial systems (which is both punctuated and gradual) we draw several important tools from the attempt to theorize large-scale systemic change within evolutionary theory, specifically as developed by Stephen Jay Gould. This story is not meant, however, to be an academic account, but instead a readable narrative that emphasizes historical processes rather than theories about them. We therefore do not pose this narrative in the meta-historical language of disembodied academic voices debating one another. Though obviously informed by these discussions, the names and egos of all scholars are largely confined to footnotes, where they can be properly subordinated to the masses of people who actually make history, rather than those who merely speak of it.

The history of the transition is complex, but major trends can be identified in retrospect. Below, we review the details of the developmental regime's ossification and explain the early moves toward reform as makeshift responses to this deeper social and economic crisis. Central to this story is the problem of stagnant agricultural production and the slow growth

of rural industry after the Great Leap. Moves to modernize agriculture, implement new green revolution technologies and funnel surplus rural labor into light industrial activity began to link together in a self-reinforcing dynamic that tended toward increasing marketization and greater dependence on outside inputs, which would open the door to increasing economic ties with the capitalist world. This was all occurring, meanwhile, in the midst of deeper crises within the socialist bloc. As tensions between China and the Soviet Union grew, the developmental regime lost its most important source of imports and technical training just as it was brought to the brink of war on all fronts. This led to a period of isolation that exacerbated the autarchy and ossification of the late developmental regime, ultimately deepening the crisis and forcing the state to look elsewhere for key external inputs. It was in this context that the diplomatic rapprochement between China and the United States took place, pivoting the course of the Cold War and laying the groundwork for a possible (but at that point far from certain) entry of China into the capitalist economy.

Though the main events in this story are fairly straightforward, we take a different approach to its retelling. We emphasize, first and foremost, that policy decisions and the strategies of statesmen largely follow from more fundamental historical conditions, produced by systemic dynamics, including inertia, on the one hand, and the momentum of masses of people, on the other. Great leaders are not the authors of history, but merely annotate and offer minor edits. Just as we argued, then, that the socialist era was not "Mao's China," we maintain that the period of transition in no way belonged to Deng Xiaoping. The "Reform and Opening" (改革开放) was never a systematic strategy for marketization. In fact, it was never even a coherent strategy. Its narration as such has taken place only years later, as a congratulatory story meant to uphold the mandate of the state. In reality, it was a haphazard and makeshift process,

utterly contingent and often extremely uncontrolled. This also means that the transition could not have been the result of a "betrayal" undertaken by one faction within the party. Even if such a conspiracy were to have existed, the balkanization of production and the ossification of the state machinery would have ensured that it could never be carried out. Instead, all the major reforms tended to be after-the-fact official stamps given to much more local experiments.

Secondly, we maintain that China's developmental regime was not able to cohere as a true mode of production, nor was it a "state capitalist" or a "bureaucratic capitalist" country. The attempt to adorn capitalism with adjectives is simply a smokescreen obscuring a poor understanding of its fundamental dynamics. And the socialist developmental regime was not capitalist. Those who argue that the end result of the transition somehow proves the pre-existing capitalist essence of the socialist era make a bizarre logical presumption that would hardly be tolerated in any discipline outside theology: conflating the ultimate end of a process with its preceding forms, as if the germ of the human species were present at the dawn of life. Instead, we offer a theory of how a developmental regime that was not a mode of production slowly broke down, overtaken by the self-reinforcing dynamics of marketization that would ultimately cohere into a mode of production ruled by the law of value.

Finally, we neither claim that capitalism was a wholly domestic product, generated by the unleashed entrepreneurial energies of the peasantry, nor a wholly invasive system, forced upon China by an alliance between local bureaucrats and the international bourgeoisie. It's true that the law of value had begun its gestation in the Chinese countryside, and specifically within rural industry. In the cities, a proto-proletariat had already taken shape, and even the largest state-owned

enterprises had begun to market some of their products and, most importantly, to subcontract work to smaller urban and rural industrial firms largely operating within the market. But strong non-market forces also existed, shielding agriculture and protecting the privileges of the state industrial sector well into the new millennium. The development of this domestic law of value could only be completed by the simultaneous incursion of the global economy in the form of imported capital equipment, increasing the state deficit, and the newly opened zones for export. This export economy and the capital networks that drove it are the subject of the subsequent section.

The Geography of Capitalist Accumulation

The global conditions outlined above would soon converge with a domestic crisis in the Chinese developmental regime. Before detailing this domestic crisis, however, it will be helpful to outline the laws of motion that determine the geography of production under capitalism. The compounding accumulation of value is accompanied by spatial expansion. At an abstract level, the basic logic of capitalist production has, from its inception, had a global character: it has oriented itself as if it were a global system, even when its actual productive infrastructure was geographically delimited. But the subsumption of the Asian Pacific Rim, begun in Japan and completed by the transition in China, would for the first time see the majority of the world's population subject to the direct rule of capital.

Though often formulated in the abstract, with an emphasis on its ability to reshape and domesticate culture, society and the non-human world, the material community of capital is first and foremost defined by its ability to reshape territory to suit its needs. On one end, this entails the systematic destruction of non-market subsistence, and the perpetual maintenance of

various, seemingly extra-economic systems that prevent such subsistence from again becoming possible. Of these, property law is the most obvious, but equally important is the "historical and moral element" that enters into the determination of the value of labor-power, signaling the various ways that the material community restructures the fundamental components of human existence, thereby domesticating humanity in accord with the inhuman imperative of accumulation.

On the other end, however, the expansion of the material community also entails the construction of entirely new sorts of territories, such as the logistics complexes that defined the shift of capital across the Pacific Rim. The exact character of these territorial-industrial complexes has changed in each expansionary wave, but their defining feature is one of spatial inequality. Capitalist production is defined by the extreme geographical concentration of industry. Paired with the destruction and continual prevention of alternative forms of subsistence, this results in rapid urbanization, and cities themselves are severed from their historic limits of climate, geography and soil fertility. The archipelago of logistics infrastructure encircling the Pacific Rim was therefore a sort of vanguard of global capitalist production, pushed eastward by declining profitability in the world economy and by the geopolitical calculations of the United States, as the reigning hegemonic power tasked with addressing this crisis. As we detail above, the import of advanced capital goods from the US, Europe and, later, Japan triggered a series of economic booms in the region, facilitated by wartime expenditures in a series of anti-communist conflicts. While many of these wars were either lost (as in Indochina) or reached a stalemate (as in Korea), it was ultimately their economic side-effects that would breach the divide between the capitalist and socialist blocs.

The Countryside in the Socialist Developmental Regime

Returning now to the domestic situation, it will be helpful to start by reviewing the general conditions of the socialist developmental regime as we left it at the close of "Sorghum & Steel." This regime was not a mode of production because it never developed an internal logic capable of reproducing itself independently from continuous managerial oversight. This meant that it could not sustain itself at the social scale, resulting in a balkanization of society defined by the borders between autarkic production units. It also meant that the regime could not reliably ensure its reproduction over time, leading to rapid ossification. Nonetheless, in the course of this ossification the developmental regime did form its own local class structure, defined first by the extraction of grain from the countryside and, second, by proximity to the central organs of the state. This class structure was inherently contingent on the character of the developmental regime, and was therefore both chaotic and doomed to rapid obsolescence.

The rural-urban divide defined the developmental regime and was regulated by a high accumulation rate, in which consumption was kept low so that investments in heavy industry particular could be kept high. The increase in consumption was consistently kept below the GDP growth rate, so that industry's share of GDP rose from 25.9 percent of GDP during the First Five Year Plan (FYP), begun in 1953, to 43.2 percent by the end of the Fourth FYP in 1975.[1] Another way to look at this is that, although over 80 percent of the population worked in agriculture, that sector received less

1 Erik Brodsgaard & Rutten, K. *From Accelerated Accumulation to Socialist Market Economy in China,* Brill, 2017, p. 4.

than 10 percent of investment over three decades, from 1953 to 1985,[2] while 45 percent went to heavy industry over the same period.[3] Agriculture fed industry. As a percentage of GDP, industry had already surpassed agriculture by the late 1960s. This strategy would begin to shift with the reforms of the early 1980s, however, when the rate of consumption was allowed to rise, slowing the industrialization process.[4] In this sense, industrialization's relationship to agriculture was quite different in China than it was in the Soviet Union, which had a far higher per capita grain production in the 1920s and 1930s than China had in the 1950s.[5] Thus, while the Chinese state attempted to rapidly develop heavy industry, agricultural production remained a much more severe limit on industrialization. The state had to increase both its relative share of agricultural surplus as well as its overall agricultural output.

The land reform undertaken in the first years of the developmental regime removed the main rural consumer capable of competing with the state for agricultural surplus: the rural elite (including landlords, local officials, merchants and relatively well-off peasants). In late 1953, the state put in place a mechanism to extract this surplus. Called "unified purchasing and marketing" (统购统销), the system entailed complete state control over the grain market, squeezing out all private merchants. This was seen as the best of several imperfect

2 Sun Laixiang, *Aggregate Behaviour of Investment in China, 1953-96: An Analysis of Investment Hunger and Fluctuation*, Palgrave, 2001, pp. 209-210.

3 Ibid.

4 Nonetheless, investment-driven growth has been the norm both before and during the reform period, with investment in manufacturing as a share of GDP remaining extremely high compared to other countries.

5 Anthony Tang, "Agriculture in the Industrialization of Communist China and the Soviet Union," *Journal of Farm Economics* 49(5), 1967: pp. 1118-1134.

options at the time, necessary if the developmental regime were to remain independent from a postwar global market firmly in the hands of the United States. As Chen Yun, who sat on the drafting committee of the first FYP, explained the logic behind state control over grain at the time: "Are there shortcomings? Yes. It might dampen production enthusiasm, hound people to death [...] and cause insurrections in certain areas. But it would be worse if we do not implement it. That would mean going down the old road of old China importing grain."[6] After the implementation of the state monopoly, political debates between 1955 and 1980 shifted to the question of how to develop agricultural production in order to produce a larger surplus. Of particular importance was how to avoid the risk of reigniting a local transition to capitalism via the development of rural markets.

The Great Leap Forward (GLF) of 1958-1961 was one attempt to answer this question. Self-reliance and the mobilization of rural surplus labor (focusing particularly on slack season labor, but also inefficiently utilized reproductive labor) would make up for the lack of state investment in agricultural production through collective participation in agricultural capital construction. Meanwhile, this would allow for a high accumulation rate, without risking a revival of rural markets. Such a developmental policy relied on large-scale, rapid collectivization, egalitarianism, successful rural industrialization, and political motivation. On many of these accounts, the attempt was a clear failure. Conversely, a policy of agricultural modernization that relied on more substantial investment from the state, creating the conditions for scientific, mechanized, large-scale farming was another option. Yet this would initially slow the industrialization process, as state investment in agriculture would be much higher, constraining

6 Brown, p. 35.

the funds available for heavy industry. Ultimately, the pressure to rapidly industrialize within the context of an often hot Cold War pushed the leadership in this former direction, though not without disagreements.

Gender and Rural Industry in the Great Leap

Changes in rural industry over time provide an important lens for observing shifts in China's economy as a whole. In the late imperial economy, rural handicrafts such as textiles and papermaking generally functioned as an "organic link between growing and processing agricultural product."[7] Handicraft production coupled peasant households or lineage "patricorporations"[8] with local and regional networks of consumers via an expansive system of "market-towns." The nineteenth century onslaught of imperialist invasions, bringing the capitalist world market and a century of civil wars in tow, disrupted this system profoundly, but not terminally.

At the dawn of the developmental regime in 1949, the output value of rural "sideline production" (mainly traditional handicrafts) totaled 1.16 billion yuan in 1957 prices.[9] The land reform movement helped such industries recover somewhat and even grow on a household basis, with over ten million peasants working part time in commercial handicrafts as of 1954,

7 Barry Naughton, *The Chinese Economy: Transitions and Growth*, MIT Press, 2007, p. 272 and chapter 2. Also see Richard von Glahn, *The Economic History of China: From Antiquity to the Nineteenth Century*, Cambridge University Press, 2016, chapters 7 and 8.

8 Hill Gates, *China's Motor: A Thousand Years of Petty Capitalism*, Cornell University Press, 1996, p. 29.

9 William A. Byrd and Qingsong Lin, *China's Rural Industry: Structure, Development, and Reform*, Oxford University Press, 1990, p. 9.

yielding an almost-doubled output worth 2.2 billion yuan. The 1953 introduction of the unified purchasing and marketing system severed these sidelines' "organic link" between farming and the marketing of processed agricultural products, causing rural incomes to fall in areas that had specialized in handicraft production.[10] When the state established monopsony over agricultural products, rural processing businesses were inevitably cut off from their supplies. Grain, cotton, silk, peanuts, and soybeans—the staple supplies of nonagricultural businesses—were taken by the state immediately after the harvest. In fact, during the 1950s the countryside became deindustrialized.[11]

In 1955, the cooperative movement began organizing handicrafts into "sideline production teams" (副业生产队) under the agricultural co-ops. At first, the movement's emphasis on agriculture further damaged the situation of sideline industries, with virtually all manufacturing taken over by state enterprises, but by the end of 1957 rural industry had recovered to just above 1954's output value, equaling 4.3 percent of that year's agricultural output.[12] Then in 1958, the Great Leap Forward incorporated and reorganized both these village-based sideline production teams and over 30,000 town-based handicraft co-ops under "Commune and Brigade Enterprises" (CBEs). Those CBEs that survived into the 1980s would go on to become "Township and Village Enterprises" (TVEs). In a prime example of capitalist exaption of socialist institutions, the CBEs would pass from being a central component of the GLF's envisioned "transition to communism" to becoming the first private enterprises and a key vehicle of the transition to capitalism. But even prior to that watershed,

10 "Sorghum & Steel," p. 79.

11 Naughton 2007, p. 272.

12 Byrd and Lin 1990, p. 9.

CBEs would undergo several earlier changes reflecting shifts in national economic policy.

The creation of the CBEs marked the state's first systematic attempt to promote rural industry as such. If handicrafts had previously intertwined peasant familial economies with local and regional markets through the processing of agricultural goods, the CBEs fundamentally transformed rural industry by making it subservient to the changing dictates of state policy—policy that was responding in turn to changing international conditions. Initially, during the GLF, this centered on diverting "surplus" rural labor from agriculture to contribute directly to the national race to "surpass Britain and catch up with the US" in heavy industries such as steel. This was coupled with the goal of establishing a self-reliant alternative to the import of capital goods for agricultural modernization, now that tensions with the USSR were complicating the latter, more conventional strategy. This second goal would rise to the forefront after the first was abandoned along with the GLF as a whole in 1961.[13]

In practice the diversion of "surplus labor" into non-agricultural production meant transferring primarily young male peasants from the fields into the 7.5 million new factories set up in 1958 and, more commonly, into the hills where they built roads, brought new land under cultivation, laid railroad tracks, and dug mines and irrigation ditches.[14] And by the end of 1958, the

13 A third initial goal, also later abandoned along with the first, was to help make the new agrarian "people's communes" more self-sufficient as part of the "transition to communism" by increasing their ability to produce not only steel and grain for China's soldiers and urban workers, but also consumer goods for use in the countryside. Not surprisingly, this latter goal was mobilized more in rhetoric than in reality as something to be emphasized more after the first two goals of national development had been achieved, but this has not prevented later pro-market ideologues from citing its failure as a lesson against the foolhardiness of utopian politics.

14 Carl Riskin, *China's Political Economy: The Quest for Development*

newly established CBEs already employed 18 million people, yielding about three times as much output in 1958 as they had in 1954, and almost five times by the following year.[15] As a result, agricultural labor as a percentage of total rural labor dropped from between 90 and 93 percent in the early to mid-1950s to 71 percent in 1958.[16] This sudden transfer of primarily male rural labor into non-agricultural activities was made possible by pulling women out of the home to become the main source of agricultural labor, reversing the traditional gendered division that had prevailed for centuries, memorialized in the phrase "men till while the women weave" (男耕女织). At first, this reversal was facilitated by the socialization of some of the reproductive work that women would otherwise have done at home in addition to farming. The newly established, village-sized "production brigades" set up public dining halls, facilities to care for children and the elderly, and "other collective welfare measures to emancipate women from the drudgery of the kitchen, and presently men and women began to receive wages for their labor, supplemented by free supply of such items as rice, oil, salt, soya sauce, vinegar and vegetables," along with free clothing, medicine, child-delivery, and even haircuts.[17]

Such experiments did not really challenge the gendered division of labor as such, since this socialized reproductive labor was mainly performed by elderly women, but it did free up

Since 1949, Oxford University Press, 1987, pp. 125-126. For a detailed account of how this played out in one Sichuanese commune, see Stephen Endicott, *Red Earth: Revolution in a Chinese Village*, I. B. Tauris, 1988, chapter 6.

15 Byrd & Lin 1990, p. 10.

16 Dong, Qi and Murakami, Tomoaki and Nakashima, Yasuhiro, "The Recalculation of the Agricultural Labor Forces in China" (July 14, 2015). Available at SSRN: https://ssrn.com/abstract=2630513 or http://dx.doi.org/10.2139/ssrn.2630513, p. 11-12.

17 Endicott 1988, pp. 52 & 57.

younger women to spend more time doing farmwork for the collective. This brief arrangement collapsed when the famine hit and many institutions of the GLF were dismantled, including both these facilities for socialized reproductive work and most of the CBEs. Henceforth, young women were expected to shoulder the double burden of collective farmwork, for which they received fewer workpoints than men, and domestic work in the household, which now became unremunerated and invisible. Ironically, then, this experiment aimed partially (in rhetoric, at least) at decreasing the disparities between gender roles, between the city and the countryside and between industry and agriculture actually ended up imposing modern versions of those distinctions upon rural society for the first time. The original socialist goal of reducing and ultimately eliminating all gendered disparities and even the family itself was definitively abandoned: "Women's handicraft labor, which had brought in money for the household in earlier times, was now more invisible than ever," and this invisible, unpaid labor became "foundational to the state accumulation strategy."[18]

As famine ravaged the country for three years starting in 1959, central leaders identified not only public dining halls and backyard steel furnaces but also the turn toward non-agricultural activities in general as the essential causes of the disaster, rather than the state's continued seizure of grain and its export to the USSR even after the famine had become apparent. In 1960, the Eighth Central Committee began a series of calls to close most existing CBEs and prohibit the opening of new ones. Their number fell from 117,000 in 1960 to 11,000 in 1963,[19] and the percentage of the national

18 "Sorghum & Steel," p. 80, and Gail Hershatter, *The Gender of Memory Rural: Women and China's Collective Past*, University of California Press, 2011, pp. 138 and 265.

19 Chenggang Xu and Xiaobo Zhang, *The Evolution of Chinese Entrepreneurial Firms: Township-Village Enterprises Revisited*, International Food

workforce employed outside of agriculture dropped even lower than it had been in 1957.[20] As a percentage of total rural labor, agricultural work rose from 71 percent in 1958 to 97 in 1962, remaining between 96 and 97 percent until 1973.[21] This nearly decade-long reversal of rural industrialization obtained stable policy articulation in the Tenth Plenum's "Sixty Articles" ("Regulations on the Work of the Rural People's Communes") of 1961-1962, which stated, "The commune administrative committees shall generally not run new enterprises for years to come." Another Central Committee announcement two months later went further by prohibiting communes and brigades from establishing not only new enterprises but also any new sideline teams.[22] Despite this, CBEs would gradually recover throughout the decade, and by 1970 were ready to receive a sudden push—this time with an exclusive focus on agricultural modernization.

Fraught Efforts at Agricultural Recovery

By the early 1960s, the subsistence situation was grave, and the focus was on reviving agricultural production. Without raising state agricultural investment, however, the only way to increase agricultural production was to intensify labor inputs. While the more flexible, post-Leap organizational form of the commune and rising rural population brought increased labor inputs and higher per-acre yields, agricultural *labor productivity* rose only very slowly until the late 1970s,

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Policy Research Institute, 2009, p. 2.

20 Chris Bramall, *Chinese Economic Development*, Routledge, 2009, p. 269.

21 Dong, Murakami, and Nakashima 2015, pp. 11-12.

22 Chris Bramall, *The Industrialization of Rural China,* Oxford University Press, 2007, p. 9.

when state investment in agriculture finally began to increase significantly. In the 1960s and 1970s, in other words, agricultural modernization was again postponed as a future goal, too costly during a time of rising tensions with the Soviet Union, when rapid industrialization—and therefore a focus on industrial investment—was seen as a strategic necessity. Throughout this period, various methods of encouraging greater rural labor investments were attempted via both local experimentation and central state policy. Each form was at best only temporarily successful, as discussed in "Sorghum and Steel." This process began with the state attempting to rebuild the basic rural institutional structure that had broken down in the Great Leap Forward.

In 1961 and 1962, a new commune structure was adopted. With accounting at the commune level during the Leap, it was difficult for anyone to see how their own work affected their consumption. Communes held tens of thousands of people comprising many villages. The post-Leap structure, by contrast, reduced the importance of the commune in organizing production. The lower levels of the production brigade (the size of a village and containing up to a couple thousand people) and the production team (usually containing between 25 and 40 households) became the center of decision-making about production. Under this new system, communes would act as a "union" of brigades, needing agreements from the lower levels to undertake large projects. Brigades would be responsible for collective profits and losses and would now act as the basic "owner" of rural land. But brigades were also not supposed to enforce egalitarianism among the production teams below them. Brigades had to bargain with their teams for resources and in order to undertake collective projects, and teams could refuse labor to the brigade and above. The team became the basic level of accounting, planning production and small-scale capital construction, deciding remuneration rates, and

managing agricultural machinery. Overall, this amounted to an attempt to stop the rapid disintegration of rural institutions following the Leap. At the time, the shift to teams as the basic level of accounting was seen as temporary. The now-postponed, longer-term goal of agricultural modernization implied an increase in the scale of production and organization of labor. Debates about when to raise the level of accounting back to the brigade repeatedly flared up within the party leadership, but they failed to have an effect in most areas due to lack of support.[23]

After two years of sharp declines in agricultural production (1959 and 1960), agriculture began to grow again from 1961, when state agricultural purchasing prices were raised by well over twenty percent, incentivizing labor investments. Yet from the early 1960s through to the late 1970s, one system of labor remuneration after another was tried in order to maintain the intense labor inputs necessary to raise yields. With a policy of local self-reliance remaining strong throughout the 1960s and early 1970s at the expense of agricultural modernization, however, state investment in agriculture and farmland capital construction remained largely stagnant, 1964 being the only year with a significant increase in investment. The mobilization of labor together with new seed varieties did result in relatively high agricultural growth rates between 1962 and 1966,[24] but this growth was not sustained through the late 1960s, with 1968 actually recording a decline. Nor did labor productivity increase significantly throughout this period.

23 Anita Chan, Richard Madsen and Jonathan Unger, *Chen Village: Revolution to Globalization*, University of California Press, 2009; David Zweig, *Agrarian Radicalism in China, 1968-1981*, Harvard University Press, 1989, pp. 56-57.

24 Dali L. Yang, *Calamity and Reform in China*, Stanford University Press, 1996, p. 105; Kenneth R. Walker, *Food Grain Procurement and Consumption in China*, Cambridge University Press, 1984.

Popularized in the early to mid-1960s, indigenous green revolution technologies, especially new seed varieties and hybrid rice plants, gave a boost to agricultural production, but they also necessitated greater chemical inputs, especially fertilizers, which were still in short supply. By the early 1970s, many of the initial benefits of new seeds began to wear off. It was only with significantly increased state agricultural investments at the end of the 1970s that such technologies really began to pay dividends. Likewise, egalitarian systems of remuneration had begun to show signs of strain as well. Village studies show that monthly meetings to decide remuneration by the use of workpoints began to be taken less seriously, and workpoints that had been decided by group assessment now became almost a set wage as peasants no longer came to meetings. The effects of ideological motivation, so crucial to the socialist developmental regime, were waning. The quality and intensity of work suffered, as did yields.

Falling growth rates from the late 1960s into the early 1970s led to rapid shifts in rural policy, as the state looked for ways to increase agricultural production without raising state investments dramatically. While the production of agricultural chemicals, in particular fertilizers, grew in the 1970s, its sharpest growth did not come until the end of the decade. All of these problems led to a slow and uneven process of agricultural modernization in the 1970s, with absolute agricultural production suffering as a result. National grain production grew unevenly from 240 million tons in 1971 to 284 million in 1975, then it stagnated for the next two years.[25] It wasn't until after Mao's death in 1976 that agricultural policy took on a much clearer direction, as discussed below, reacting

25 Joshua Eisenman, *Red China's Green Revolution: Technological Innovation, Institutional Change, and Economic Development Under the Commune*, Columbia University Press, 2018, p. 262.

to the stagnation of the mid-1970s.

Rural Industry after the Leap

Despite the mass closure of CBEs and the restrictions that the Tenth Plenum had imposed after the famine, rural industry began a gradual recovery in 1964, now with a more exclusive focus on industries serving the increasingly necessary but still de-prioritized goal of agricultural modernization—with the idea that rural enterprises could play this role instead of state-run enterprises, which were to remain focused on heavy industry. On the one hand, this reflected an increasing recognition that the mere rearrangement of labor, combined with ideological mobilization, was losing its ability to increase agricultural output (especially now that many peasants had lost faith in the party following the failure of the GLF). On the other, the import of capital goods for agricultural modernization had now become nearly impossible, given the deterioration of China's relations with the USSR and its allies. The hostile international environment also meant it would be risky to rely on China's few existing industrial centers for this task, as they either abutted the border with the Soviet Union or sat along the coast, where they were susceptible to US military power. The solution that emerged was a specific form of rural industrialization: the combination of (a) the "Third Front" strategy of establishing new bases for heavy industry scattered throughout China's underdeveloped southwestern provinces and (b) the revival and expansion of CBEs and county-level state enterprises producing modern agricultural inputs and machinery along with cement, iron and energy. The latter, in particular, would help to create the conditions for marketization in the countryside, prefiguring the rapid rural industrialization of subsequent decades.

This second round of CBE development started gradually, as fears receded about the association between famine and the promotion of rural industry. In 1964 (the same year the Third Front was launched), the Central Committee formulated a policy of promoting the "the five small industries" (五小工业) deemed crucial to agricultural modernization: power (small coal mines and hydroelectric plants), small iron and steel mills, small fertilizer plants, small cement plants and small factories producing agricultural machinery.[26] At first, three of these "five smalls" (steel, fertilizer and cement) were limited to enterprises operated at the county level, that being the lowest level of the state apparatus whose officials were directly appointed by the central government. The other two "small industries" could also be operated at the commune level, but none could be operated at the still lower brigade or team levels. This was the first time since the GLF that rural governments were authorized to set up their own independent sectors of industry.[27]

It would not be until 1970, however, that the Fourth FYP would clearly shift emphasis to both the commune and brigade levels, promoting the development of CBEs in all five of the "five smalls." This outline was fleshed out at that year's North China Agricultural Conference and the following year's National Conference on Rural Mechanization, which declared that "a key purpose in developing rural industry was to further the cause of agricultural mechanization over a ten year period and which made rural industry eligible for bank loans and fiscal support."[28] It was now also emphasized that the five smalls

26 J. L. Enos, "Commune- and Brigade-Run Industries in Rural China," in *Institutional Reform and Economic Development in the Chinese Countryside*, edited by Keith Griffin, M.E. Sharpe, 1984, pp. 240-241.

27 Bramall 2007, p. 19.

28 Ibid., p. 21.

should operate according to the principle of "the three locals" (三就地): the use of local inputs, on-site production, and the sale of output to local markets. This national policy direction was then given a boost by some underdeveloped provinces such as Hunan, which immediately launched a campaign called "Construct an Industrialized Province within Ten Years" and, in 1972, established a provincial bureau specifically for supporting CBEs.[29] By the end of that year, CBEs had surpassed county-level enterprises to become the major engine of rural industrialization throughout China. CBE output value grew from 9.25 billion yuan in 1970 to 27.2 billion in 1976, averaging 25.7 percent per year.[30] By 1978, nearly half of China's industrial workforce would be employed by rural enterprises at either the county, commune or brigade level.[31]

Aside from the dire international situation and the persistent problem of stagnant output, another factor contributing to the expansion of CBEs around 1970 was the Cultural Revolution. The mass struggles of 1967-1968 seriously disrupted urban production in many parts of China, creating demand for certain CBE-produced goods. Cadres in some communes near big cities took the initiative of retooling CBE production to serve neighboring urban markets when their own production was strangled by strikes and constant political mobilization.[32] Then, from 1968 onward many urban cadres, workers and technicians began to be "sent down" to the countryside, all contributing to CBE development.[33] Meanwhile, changes in the local investment structure undergirded these changes. All this would have come to nothing, for example, if the new CBEs

29 Ibid.

30 Byrd & Lin 1990, p. 10.

31 Bramall 2009, p. 270.

32 Ibid.

33 Bramall 2007, p. 21.

did not receive generous financing from local banks—at the time all technically branches of the People's Bank of China or, in some cases, local co-operative savings institutions that didn't take personal deposits. In Sichuan's Mianyang Prefecture, for example, "lending to collective industries increased by 58 percent in 1970, and by a further 75 percent in 1971; between 1969 and 1978, the total increase in lending was 5.7 fold."[34] This in turn was made possible by China's financial decentralization in the early 1970s, which gradually began to mimic market allocations of investment funds in some rural areas.[35]

Despite these national and sometimes provincial pushes, the lingering association of rural industry in general and CBEs in particular with the famine stalled their development in many locales. This was especially true in Sichuan and Anhui, the two provinces hit hardest by the famine. They did not recover the CBE output level of the Leap years until as late as 1978 and 1980, respectively.[36] By contrast, most provinces regained their 1958 peak by the late 1960s, even before the national push launched in 1970. In fact, commune enterprises grew at a national average of 16 percent between 1962 and 1971—even higher than China's 11 percent overall rate of industrial growth.[37] This means that local cadres were taking the initiative to support such enterprises despite the central government's restrictions. Up until 1978, however, the state officially continued to prohibit both communes and brigades from engaging in most industries, and "any commune discovered engaging in industry on more than a commune scale was penalised."[38] One rural cadre in Sichuan reports being punished

34 Ibid.

35 Bramall 2009, p. 269.

36 Bramall 2007, p. 22.

37 Ibid., p. 23; Bramall 2009, p. 270.

38 Enos 1984, p. 241.

for starting a commune-level brick kiln in the late 1960s, and being repeatedly denied loans and authorization for operating the commune's few enterprises that had survived the Great Leap.[39] Official policy had now clearly begun to diverge from the reality of industrial growth, contributing to the massive shift in rural policy that would begin in 1978.

Class and Crisis in the Late Developmental Regime

Over the course of the 1960s and '70s, the developmental gap between China and many neighboring countries had begun to widen. Overall, after the GLF, the socialist developmental regime was able to secure only stalling bursts of growth and marginal improvements in general livelihood. Primary education and access to basic healthcare unarguably improved throughout this period, but these victories were won against a backdrop of pervasive stagnation. Incomes essentially plateaued in both city and countryside—whether measured by wages, estimates of wages plus non-wage subsidies or simply calorie consumption.[40] Meanwhile, urbanization halted entirely. Throughout the last two decades of the developmental regime, the population living in cities was held at under 20 percent of the total, only growing an average of 1.4 percent per year after around 1960, almost entirely due to natural increase.[41] But even this proved too much, as the demographic boom of the 1950s began to flood the saturated urban job market with a new generation looking for work. The result was a wave of layoffs and rustication programs during the Cultural Revolution that

39 Endicott 1988, p. 88.

40 Mark Selden, *The Political Economy of Chinese Development*, M.E. Sharpe 1993, pp.174-175

41 Kam Wing Chan, "Fundamentals of China's Urbanization and Policy," *The China Review*, Volume 10, Number 1, Spring 2010, pp.63-94

funneled even more people into rural and peri-urban areas.

The class structure of the developmental regime, shaped in the 1950s and hardened over the course of the following decade, was defined by the rural-urban divide between the peasant class of grain producers and the urban class of grain consumers. Urbanites were themselves subdivided according to their level of access to the grain surplus—which obviously translated into numerous, often substantial privileges aside from simply eating more—ordered via political status and employment in state-owned industrial enterprises of various sizes and importance. But by the middle of the 1970s, the class structure of the developmental regime had begun to strain. Industrial production continued to grow (despite a brief dip in the most tumultuous years of the Cultural Revolution), but the returns on this growth were funneled into even larger investment drives. In the countryside, an expansion of primary education and noticeable healthcare improvements (all facilitated by the rustification of skilled young urbanites) helped to suppress further unrest, but ruralites remained at the bottom of the developmental regime's class system, with very little chance at upward mobility. In the cities, a loosening of restrictions on sideline production allowed foodgrain and meat consumption to increase somewhat, but incomes (including subsidies) stagnated. Despite pervasive autarky and geographic unevenness, the general pattern was an increase in the rural-urban divide throughout these decades, with the urban, grain-consuming class commanding incomes somewhere between three and six times that of grain-producing ruralites.[42]

42 The range of this figure is largely due to the question of whether or not to include subsidies in the measurement. If only nominal wages are compared, the rural-urban income gap sits between 2 and 4:1, but if subsidies are included (and we argue that they should be) the true gap in "income" as a measurement of total consumption ability sits closer to 5 or 6:1. For a review of various measurements, see Selden 1991, p.170

Meanwhile, the black market had begun to grow as the state ossified and production became more militarized: the army had stepped in to directly administer industry after the unrest of 1969, and cadre numbers began to skyrocket as early as 1965. By 1980, the total number of cadre would reach a peak of 18 million, nearly 2 percent of the total population and 4 percent of the total labor force.[43] In the cities, the sub-divisions within the class of grain consumers multiplied alongside corruption, with cadres and even many state workers hoarding ration coupons, embezzling enterprise funds and running illegal private businesses on the side.[44] At the bottom of this urban hierarchy sat a growing proto-proletariat of lower-paid temporaries, returned rusticates, "worker-peasants," "lane labor" and apprentices, all working precarious jobs at small collective firms subcontracting for the large state-owned enterprises. This proto-proletariat had grown to more than ten million by the 1970s, or about 3 percent of the total labor force. Such workers were disproportionately young and female, and largely concentrated in cities like Shanghai and Guangzhou, where they made up a much larger share.[45]

These later years of the developmental regime saw continuing decentralization and local autarky, combined with the Third Front investment drive initiated after the unrest of 1969. This investment drive was defined by its isolationist military logic: the emphasis was on construction of massive industrial projects in the mountainous regions of China's interior provinces, the goal being to build an industrial structure

43 Wu 2014, p.25, Figure 1

44 Michael Frazier, *The Making of the Chinese Industrial Workplace: State, Revolution and Labor Management,* Cambridge University Press, 2002. p.255

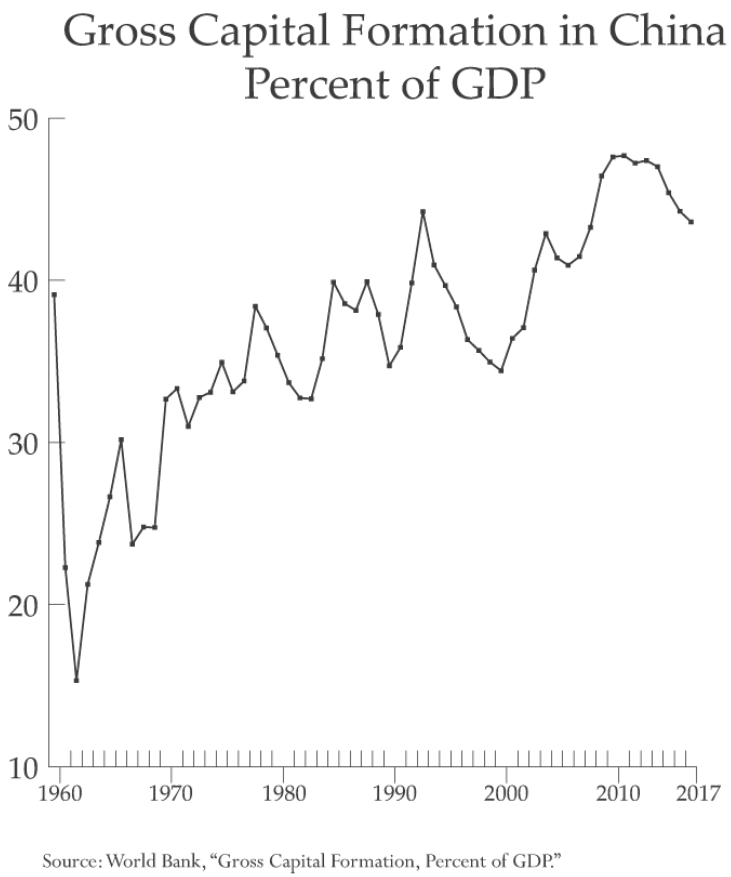
45 Selden 1993, p.175

secure from US military incursions along the coast and Soviet incursions along the land border to the north.[46] Though similar in size and character to the GLF, this new development burst did not divert unsustainable amounts of resources from the countryside, instead distributing austerity more evenly across the population. Wages stalled, material incentives (bonuses, piece-rates, etc.) were suppressed, and the autarkic nature of production meant that those in larger, better-equipped enterprises or more climatically sound rural collectives tended to fare better than others. Many popular images of quotidian life in the Cultural Revolution (and the socialist era more generally) derive from this period, when material incentives were replaced with ideological rewards (red scarves, pictures of Mao, copies of the Little Red Book) and scarcity was met with essentially spiritual exhortations to sacrifice for the building of socialism.

But scarcity in this era was markedly different than that experienced in the immediate aftermath of the GLF, where recovery was characterized by comparatively low levels of investment. Prior to the Leap, investment as a share of GDP had sat around 25 percent, and immediately afterward it troughed at a mere 15 percent. Following this, investment not only recovered, but would never again experience such a severe trough. Despite a brief dip during the Cultural Revolution, investment as a share of GDP has undergone a secular increase from the post-Leap trough to today.[47] Continual, expanding "big push" investment drives would become a central characteristic of Chinese development, continuing well after the socialist era. The need to sustain these drives in order to

46 Naughton 2007, pp.74-76

47 See Figure 2 above, as well as Naughton 2007, p.57, Figure 3.1. Naughton's data ends in 2004, but can be compared to the World Bank's measure of Gross Capital Formation as a share of GDP.



Source: World Bank, "Gross Capital Formation, Percent of GDP."

Figure 2

avoid the pitfalls of absolute scarcity experienced in the earlier years of the developmental regime would, in fact, provide one important justification for the opening of the economy.

Breaking the Bloc

As the postwar boom in the capitalist world gave way to the long downturn, a series of qualitatively different crises had

spread throughout the socialist bloc. China's developmental regime, though initially successful in preventing the transition to capitalism, was only capable of coordinating production and distribution through an increasingly ossified, militarized and zealous fusion of party, state and society. In other socialist countries, a similar decay had long been evident. The root of this decay has been among the most heated topics debated within Marxist scholarship, with polemics and counter-polemics spilled across nearly the entirety of the last century, often written by political factions stranded in the cold world that came after the insurrectionary era and therefore desperate to clothe themselves in the costumes of long-dead revolutions. There's no need to repeat these debates, and our inquiry into this question as it relates to China has been made evident already.[48] Nonetheless, it is contextually important to note that this more general crisis of the socialist bloc passed through a certain watershed with the shifts in policy and popular activity that followed the death of Stalin in 1953. But in the same way that Chinese policy changes were often makeshift responses to specific crises and local limits to the developmental project, the conflicts within the socialist bloc that were beginning to peak were not in any direct way "caused" by Stalin's death, nor were Khrushchev's policy shifts a simple matter of political whim. Instead, both the popular revolts that followed (in East Germany in 1953, Hungary in 1956 and Czechoslovakia in 1968) and the reforms implemented by Khrushchev were

48 It is equally important to again emphasize that we write about China specifically, and our conclusions about the nature of the developmental regime cannot simply be transferred wholesale to other countries in the socialist bloc. This, nonetheless, has been exactly what many scholars do, only in reverse, using their conclusions about the USSR to pre-determine their understanding of China or other socialist nations. It should go without saying, however, that the historical experience of countries as diverse as Yugoslavia, Vietnam, Cuba and Tanzania, though all "socialist," will have created distinct local crises rooted in local conditions, and each therefore had a unique position in relation to the crises of the larger socialist bloc. For our conclusions on China, see "Sorghum & Steel."

responses to deep-seated crises that had long been building within individual countries and within the hierarchies built into the USSR and the bloc more broadly. In each instance, this process of bureaucratization, revolt, reform and, in some cases, collapse, was shaped by local conditions.

Each socialist nation, whether federated within the Soviet Union or sitting outside of it, would therefore experience this period of tumult in its own fashion. Nonetheless, the global scale of the Cold War helped to sculpt certain regional trends within this broader crisis. The two major geographical fronts of the war lay across Europe and along the Asian Pacific coastline, and these were the areas that would experience some of the harshest effects.[49] In Eastern Europe, treated as a military buffer between the Russian core of the USSR and the capitalist world, this came in the form of thorough domestic repression and widespread militarization of society, justified by the threat posed by NATO. These conditions, combined with the troubled histories of many countries' incorporation into the socialist bloc, ultimately stoked a series of popular revolts that were met with more repression, a cycle that would culminate in the overthrow of most of the region's national governments in 1989. Along the Pacific, however, the crisis was defined by open warfare on the Korean Peninsula and across Indochina, as well as continual guerilla war in the Philippines and repeated conflicts across the Taiwan Straits. While Russia was somewhat insulated, China had no such luxury.

The continuing active involvement of the United States in ongoing military conflicts bordering China led to a situation

49 The proxy wars across Asia, Africa and the Middle East were also, of course, effects of the Cold War, but they were a dimension of its global character, only loosely cohering into geographic fronts—and failure in these territories did not threaten the fundamental security of China and the USSR, by far the two largest socialist powers.

in which Chinese national imperatives had begun to contradict those of the USSR which, under Khrushchev, had started to lay the framework for a *détente* with the US as early as the late 1950s. Many of China's critiques of the USSR in this period focus on elements of this *détente*, particularly the attempts to curtail the proliferation of nuclear weaponry via agreements such as the Partial Test Ban Treaty. By the end of the Great Leap, the USSR had ceased all material support for the Chinese nuclear program. This was despite the fact that the US had recently moved long-range nuclear missiles into Taiwan. But even if China could no longer secure military support from the USSR, its leadership could ensure that the interests of the Soviets and the Americans would not be united against it. Soon after, an artillery battle started by the Chinese initiated the Second Taiwan Straits Crisis, undercutting Khrushchev's overtures for "peaceful cooperation," and Chinese propaganda began to publicly emphasize the weakness of Khrushchev in the face of US imperialism, even while Chinese diplomats privately sought to secure talks with the US in the hopes of gaining formal acknowledgment (and thereby a seat on the UN, long held by Taiwan).[50]

Also involved in these conflicts, however, was an intentional strategy on the part of the US security apparatus to drive a wedge between the two major players in the socialist bloc. Well aware of the long-standing tensions between the Chinese and the Soviets, the new round of tensions would soon become an opportunity for the Nixon administration to pursue a triangular strategy of Cold War diplomacy that sought to trigger the increasingly volatile fault lines that had long divided the world's two largest socialist countries. Over the course of the 1960s, these fault lines had already begun to buckle,

50 Lorenz Luthi, "Chapter 3: Mao's Challenges, 1985," *The Sino-Soviet Split: Cold War in the Communist World*, Princeton University Press, 2008.

and an increasingly autarkic China found itself faced with the prospect of simultaneous war against the world's two great superpowers. By the end of the Cultural Revolution, the faults finally slipped, causing a tectonic shift within the socialist bloc that would ultimately define the shape of the second half of the Cold War.

Though sparked by the death of Stalin and the subsequent policies pursued by Khrushchev in the USSR, all driven by local processes of ossification, the historical roots of what would come to be known as the "Sino-Soviet Split" lay much deeper. Fundamental disagreements on theory, tactics and revolutionary strategy had existed between the CCP and the Soviet Union since the 1920s, when the Comintern-backed strategy of allying with Chiang Kai-shek's Nationalist Party had resulted in a disastrous period of white terror that very nearly extinguished the revolutionary movement. It was in these years (beginning with the Shanghai massacre of 1927) that the leadership of the CCP had shifted decisively from the party's orthodox, urban wing, represented by the Soviet-educated "28 Bolsheviks" to its more populist, peasant-oriented wing, represented by Mao. Though maintaining strong relations with the USSR throughout decades of foreign invasion, civil war and reconstruction, these years of white terror had both ensured the CCP's rural turn and made it wary of overreliance on Soviet guidance.

Nonetheless, Soviet aid had become integral to the early years of the developmental regime, particularly in the Manchurian industrial complex, which saw a massive influx of Russian technicians, managers and engineers in the early 1950s. As tensions increased after 1956, this flow of aid and skill-sharing slowed to a trickle. By the end of the 1960s, it had dried up entirely. Isolated from both the socialist and capitalist blocs, the domestic economy grew increasingly autarkic. This situation

was portrayed in domestic propaganda as a proud form of self-reliance, simultaneously anti-imperialist and opposed to the bureaucratic ossification of the Soviet Union. In reality, autarky was paired with a volatile international policy that resulted in support for brutal governments such as the Khmer Rouge and a series of risky military engagements in neighboring countries such as India in 1962.

The most definitive of these was the 1969 Zhenbao Island Incident, a seven-month period of open (though undeclared) military conflict between China and the USSR. This conflict essentially condensed the previous decade of declining economic relations and political controversy into a single symbol of open hostility. Its exact cause (a border dispute over a patch of land in the middle of a river) was not particularly important, nor, in retrospect, was its conclusion (maybe a hundred or so dead soldiers on both sides, no solution to the border question, and an inconclusive ceasefire). What was important was the scale assumed by the crisis, clearly signaling that more was at stake than a few simple tracts of land. Though initiated by a sequence of attacks and counterattacks on Zhenbao Island, located in the Ussuri (*Wusili*) River, the official border between Russia and China in western Heilongjiang, the conflict would soon see an unprecedented military build-up along the entirety of the two countries' 4,380 km border. The fighting in Heilongjiang had not only reignited simmering disagreements in the Northeast, but also raised a number of latent border issues and ethnic tensions in Xinjiang, abutting the Soviet Republics of Tajikistan, Kyrgyzstan and Kazakhstan. In reality, the border had never been well-demarcated in the first place, both revolutionary regimes inheriting long-disputed territories defined by century-old treaties signed by the Tsarist and Qing states. China's far west was particularly amorphous, only fully incorporated into the Qing in 1884 after more than a century of intermittent warfare. It was an ethnically diverse

region, the majority of its population drawn from an array of Turkic-speaking nomadic steppe tribes, many of which held strong ties on both sides of the border.

When the Zhenbao Island Incident ignited a simmering border conflict in the Pamir Mountains, in Southern Xinjiang, bordering Tajikistan, the Soviets were able to use these long-standing ethnic tensions in the area to their advantage. Military build-up along the border had been occurring since failed border talks in 1964:

> In 1965 the Soviets had 14 combat divisions along the border, only 2 of which were combat-ready; by 1969, Soviet forces had increased to between 27 and 34 divisions in the border areas (about half of which were combat-ready), totaling 270,000-290,000 men.[51]

Alongside this, the Soviets threatened to stoke a separatist insurrection within China, all backed by the possibility of nuclear conflict. As early as 1967, the USSR had deployed a long-range mobile nuclear platform to the border, within striking distance of China's own nascent nuclear program, which used the Lop Nur desert in Xinjiang for testing. The same year had seen the detonation of China's first hydrogen bomb at Lop Nur, and by 1969 the Russians would begin contemplating the idea of a joint strike with the US to eliminate China's nuclear capacity. The Chinese, meanwhile, saw the Soviet Union's nuclear parity with the United States as a threat to national security, since China was now dependent on being included within the "umbrella" of Soviet deterrence at the very moment when relations between the two states had become increasingly volatile. In 1968, the Soviet invasion of

51 Michael S. Gerson, "The Sino-Soviet Border Conflict: Deterrence, Escalation, and the Threat of Nuclear War in 1969," *Center for Naval Analyses*, November 2010. p.16

Czechoslovakia set a concerning precedent, with the "Brezhnev Doctrine" arguing that the USSR had the right to intervene in other socialist countries if necessary.[52]

Faced with these threats, the Chinese military turned to a strategy of "active defense," defined by small-scale ambush attacks along the border, justified as last-resort defensive actions meant to deter future aggression.[53] It was just such an ambush that ignited the Zhenbao Island Incident in early 1969. The USSR perceived the attacks to be simple acts of aggression, rather than an attempt at defensive deterrence—the very logic of "active defense" symbolic of the increasing unpredictability of Chinese military policy. The same year saw the height of the Cultural Revolution, capped by dissension within the ranks of the PLA, and the risk of civil war. By the spring, the conflict over Zhenbao had escalated to involve thousands of troops and by the end of summer a similarly violent battle had taken place in Tielieketi in Xinjiang, along the border with Kazakhstan. Throughout, the Soviets had been threatening nuclear action against China, and the growing tensions began to risk the real possibility of a widespread nuclear conflict for the first time since the conclusion of the Cuban Missile Crisis. Official war preparations in China began in August, including renewed military mobilization and the formulation of plans for the mass evacuation of major cities.[54]

China's counter to the threat of nuclear conflict was a "people's war," to be conducted via an overland invasion of the Soviet Union. Though technologically inferior, with only a handful of deployable nukes, the bulk of the Chinese threat came through

52 Ibid, pp.16-20

53 Andrew Scobell, *China's Use of Military Force: Beyond the Great Wall and the Long March,* Cambridge University Press, 2003. p. 15

54 Bovingdon 2010, pp.39-45

the sheer size of its military, capable of flooding into the USSR and fighting a protracted conflict at home and abroad. The relatively low levels of urbanization within China also muted the threat of nuclear conflict itself—with a decentralized population, nuclear strikes on key urban centers would not have the same crippling effect as in Europe or the United States. The Soviets had no good plan to deal with such a threat. If war were to break out, key strategic centers in the Russian East could be lost to the invasion, and the Trans-Siberian railroad easily crippled. At one point, the idea of deploying nuclear mines along the border was considered, though Soviet military strategists understood, in the end, that any substantial nuclear attack would risk a world war.[55] The conflict was resolved inconclusively, ending as haphazardly as it had begun.

Triangles

Though the threat of open war with the USSR ultimately subsided, the militarization of the developmental regime did not. The risk of the war itself offered a justification for the disbanding of the more radical Cultural Revolution organizations, a process capped by the use of the military to quell the factional battles that flared into local armed conflicts in 1968 to 1969. Meanwhile, in order to ensure uninterrupted production, much of the country's industrial infrastructure was turned over to military administration.[56] Domestically, this only ensured further stagnation. At the geopolitical level, however, the end result of this military brinksmanship was a rapprochement between China and the United States,

55 Ibid, pp.44-45

56 See: Yiching Wu, *The Cultural Revolution at the Margins: Chinese Socialism in Crisis*, Harvard University Press, 2014.

spearheaded by the Nixon administration but actively sought by many within the upper rungs of the Chinese state, foremost among them Zhou Enlai.

Over the course of the 1960s, it had become increasingly clear that both autarky and military isolation were fundamentally unsustainable. Economic isolation led to increasing demand for capital goods that could not be produced domestically, and this demand encouraged the opening of diplomatic ties in the hopes of obtaining these capital goods. At the same time, isolation had led to the risk of simultaneous warfare on all possible military fronts—a coastal war with the US, an overland war in Manchuria and Central Asia with the USSR, mountain warfare with India in the Himalayas (following the Sino-Indian war in 1962), and both direct and proxy conflicts with Soviet-aligned governments in the jungles of Indochina. These threats had already led to a major shift in the geography of investment within China itself, with the Third Front development drive focusing on large military-infrastructural projects in China's least-accessible interior provinces.[57] The political symbolism of the Third Front was stark and militaristic: after the Japanese invasion, the Nationalists had made a similar retreat to the interior, making Chongqing the wartime capital and building much of the basic infrastructure now used in the Third Front industrialization drive.

Following the border conflict in 1969, mending ties with the USSR was unlikely. Instead, China's only real way out of isolation was to slowly warm to the overtures made by the Nixon administration. This process was spearheaded by Zhou Enlai, an ally of Deng Xiaoping who had long been China's premiere diplomat. But the opening cannot be attributed to a single faction within the CCP leadership. First, it was more

57 See Naughton 2007.

a response to the building domestic crisis than a political whim, driven in particular by demands for capital goods in the petroleum and fertilizer industries, both considered absolutely essential for the success of the industrial programs of the 1970s. Second, there was clear, if tacit, support for this opening among rival factions within the CCP leadership. In fact, diplomatic contact was initiated in the midst of the Cultural Revolution (albeit after the peak of 1969), and if Mao or the Gang of Four had opposed it outright it simply could not have happened. At first, this opening came via informal channels, beginning with the exchange of table tennis players in 1971, endorsed by Mao, in what would later be termed "ping pong diplomacy." These informal overtures were followed by a series of secret meetings between Zhou and Kissinger later that year.

The US embargo against China was lifted by the end of 1971, and the next year Nixon and Kissinger formally visited China, the first time a sitting US president had ever visited the country. During the visit, Nixon and Kissinger had a single, brief meeting with Mao, during which the main outlines of Chinese policy were established. The remainder of their trip was composed of a series of meetings with Zhou Enlai, interspersed with gift exchanges and scenic photo-ops, and concluded with the issuing of the Shanghai Communiqué, to this day the foundational document of Sino-American bilateral diplomacy. Alongside the lifting of the embargo a year prior, the Communiqué provided the rudiments for future policy in the region. Though ambiguous in its wording, the document proposed the normalization of relations between the two countries, stated that the US was not seeking "hegemony" in the region (and implied that the USSR would not be allowed to seek the same, leaving open the possibility of US support in future border conflicts), and, most importantly, stated US recognition of the mainland government, including formal endorsement of a variant of the "One China" policy,

accompanied by the commitment to close a number of US military installations in Taiwan. With the end of the embargo and the possibility for a peaceful resolution to the Taiwan conflict left open, this ambiguous diplomatic statement had opened the door for the growth of a much more substantial economic relationship with the capitalist sphere.

At this point, it cannot be said that there was any real long-term plan to "open" China to large sums of foreign investment. The intention of the Nixon administration was largely geopolitical, attempting to drive a wedge between the two centers of gravity within the socialist bloc. Alongside the end of the Vietnam War, the establishment of this "Triangular Diplomacy" was among the major achievements of Nixon's long-term Cold War strategy. The strategic aim of the rapprochement was to gain flexibility and leverage in future interaction with the USSR while neutralizing a large potential military threat to the US (which had no interest in becoming bogged down in yet another war in the Pacific) and preventing the formation of any new Sino-Soviet bloc.[58] On the domestic side, even the pro-reform faction within the CCP saw this early diplomacy as part of an extremely limited program of liberalization aimed at solving a series of immediate domestic crises that had proved intractable within the autarkic conditions of the 1960s. But the reforms were intended to preserve and in fact revitalize the developmental regime itself. There was simply never any long-term strategy for market transition.[59] Instead, the transition was the emergent product of confluent crises, as a series of haphazard domestic reforms led to local marketization

58 Doug Bandow, "A Nixon Strategy to Break the Russia-China Axis," *The National Interest*, 4 January 2017. <http://nationalinterest.org/blog/the-skeptics/nixon-strategy-break-the-russia-china-axis-18946?page=show>

59 See: Barry Naughton, *Growing out of the Plan: Chinese Economic Reform (1978-1993)*, Cambridge University Press, 1996.

and rural industrialization at roughly the same time that the diplomatic opening converged with the long downturn in profitability in the capitalist sphere, driving a massive spike in trade (beginning in the 1980s) and foreign investment (beginning in the 1990s).

Nation, State and Family

Though it seems self-evident, it's important to note here that the sort of international diplomacy engaged in by the Nixon administration presupposes coherent nations, and the capitalist world is necessarily a world of states that administer, cultivate and propagandize such national difference. In the end, the developmental regime's success in forging the culturally diverse, politically fragmented East Asian mainland into a Chinese nation-state proved to be the necessary scaffolding required for relatively smooth entry into the capitalist world. This precondition is not a mere accident of geopolitics, however. The nation and the modern state, alongside older institutions of local power—most importantly the patriarchal family—have proven again and again to be essential to accumulation. China was no exception, and the completion of the nation-building process, one of the main goals of the developmental regime, would thereby become a key enabling factor in the transition. Meanwhile, the perpetuation of gender inequalities within the developmental regime—despite both propaganda to the contrary and real, substantial advances compared to life before the revolution—would ultimately provide the social space for the growth of a proletarian class, dominated in the first few decades by women.[60]

60 The evolution of the gender question under the developmental regime (and to this day) is a topic worthy of much more focused inquiry, which we hope to explore in the future. Suffice it to say here that the initial vision of abolishing marriage entirely had long been abandoned by the

It is necessary here to take a step back and consider how, exactly, the abstract drive of accumulation is enforced in the flesh. Though the innermost logic of the material community of capital is oriented as if it were a smoothly-linked, fully global system, with no obstruction to the fundamental circuits of accumulation, the reality is that accumulation can happen only through the production of value in the real world, and this is an inherently messy process, constantly obstructed and constantly forced through. The law of value does not descend from heaven. It arrives on the back of gunships, in crashing waves of inflation, or like a spear poised behind the paper of treaties and loan agreements. Its baseline condition is that both resources and human labor capacity, initially exterior to the commodity system, be made *and kept* available to it as commodities. This means that areas outside the system must be absorbed into it, but it also entails that, despite repeated crises that cast labor out of the production process and leave rings of fallow rust-belt ruins, the commodity form of both land and labor must be maintained by any means necessary. When we discuss the subsumption of China into the material community of capital, then, we are discussing both a specific historical period, and the nature of the local mechanisms that assisted the transition. But, in many cases, these are also the means used by capitalism today to maintain the baseline conditions for the production of value.

A fundamentally economic imperative thereby takes on a myriad of extra-economic forms, often exapted from pre-existing power structures, and almost always carrying their own inertia

1970s, and the party in fact helped to reinforce and police the family, such that people refusing to marry were even sometimes punished. For more on this, see: Margery Wolf and Roxane Witke (Eds.), *Women in Chinese Society*, Stanford University Press, 1975; Tani E. Barlow, *The Question of Women in Chinese Feminism*, Duke University Press, 2004; Hershatter 2011.

into the new system. This results in mechanisms of oppression that are inherently in excess of the baseline economic needs of the system as a whole. In China specifically, this includes the general operation of the state (police, prisons, property law), but also specific tools such as the *hukou* system and the *dang'an* (档案)—ostensibly a mere administrative "record," but in reality an individualized system of surveillance overseen by the Public Security Bureau. Both are exaptations that originated in the socialist era. Similarly, the role of national identity and its relationship to the concept of a distinct "Han" culture and ethnicity have been essential to both the general credibility of the state and the violent assertion of territorial dominance in places like Xinjiang and Tibet.[61] Meanwhile, the perpetuation of the family and widespread gender inequalities has been key in the creation and maintenance of a capitalist class system: marketization in the countryside took as its essential unit the productive capacity of individual households—the shift to the "household responsibility system" would not have been possible without the ability to mobilize labor through patriarchal family units. In addition, the early proletariat in China was dominated by women because of pre-existing inequalities in rural work-point allocation and urban employment, and the earliest private capital to flood into places like the Pearl River Delta was mobilized via clan networks.

Even though mechanisms such as these are dependent on and ultimately employed in service of these economic needs (within the circuit of value accumulation, they are not in any way truly "autonomous" or "semi-autonomous"), they cannot be reduced to mere economic causes. This is because their inertial quality gives them both an extra-economic character and a degree of internal consistency which generates the

61 We have not yet discussed events in Tibet in any detail, but for Xinjiang, see our piece in this issue: Adam Hunerven, "Spirit Breaking."

illusion that the state, nation, race, family, etc. are capable of surviving *in their current form* beyond the potential death of the economy. Such mechanisms are dimensions of what Marx called "original accumulation." But these are also not leftovers from a certain "stage" of history, as many classical misinterpretations of "primitive" or original accumulation would have us believe,[62] nor are they a method of plundering a not-yet-subsumed "commons" that somehow persists after the transition, as is imagined in theories that recast original accumulation as "accumulation by dispossession."[63] Original accumulation is not a mere phase in history—and history is, after all, a sort of living, writhing avalanche that tends to shake off any stages saddled onto it—nor is it dependent upon the persistence of a periphery (internal or external) to the capitalist system. Maybe most importantly, these processes are not simply defined by dispossession. The only essential feature of original accumulation is the act of establishing and maintaining the framework necessary for accumulation to continue—not the enclosure of some sort of interstitial commons, but now the perpetual maintenance of the material community of capital, which entails instead the *foreclosure* of the potential for communism.[64]

62 This view of historical "stages" within, before and after capitalism became a central feature of many schools of Marxism after Marx's death. In his own writings, the concept is often secondary and not particularly well-developed. But determining the national "stage" of development was a major focus of debates on revolutionary strategy in places like Russia, China and Japan in the early decades of the twentieth century, leading also to distortions such as Preobrazhensky's theory of "socialist primitive accumulation," justifying violent collectivization in the countryside.

63 This position was initially popularized by David Harvey, and is today the core theoretical presumption of many political programs based on the defense, revival or expansion of a supposed "commons."

64 For more on the theory of original accumulation as a continual process, see the work of Werner Bonefield, particularly chapter 4 of his *Critical Theory and the Critique of Political Economy*, Bloomsbury, 2014.

What this means for our purposes is that the very creation of the Chinese state—defined by the supposedly continuous and coherent culture of the Han ethnic group—and the persistence of the patriarchal family were necessary preconditions for a relatively smooth entry into the global capitalist system. But the contingency of this process is often disguised in hindsight. Since China did complete the capitalist transition as a nation, and since its government and familial infrastructure was exapted to serve the needs of continual accumulation, we can say that the creation of this infrastructure in the socialist era was, in fact, the birth of mechanisms for original accumulation, even though the developmental regime was not capitalist. This is equivalent to arguing that the pre-existing states and clans of Tokugawa Japan or Prussia under Frederick the Great would become essential to the formation of capitalist states, even while their own economies were by no means capitalist. This doesn't mean that the very existence of the nation-state guaranteed the transition. Such states can and have collapsed in the midst of changing modes of production or in the face of opposing military powers (as the Chinese state itself experienced earlier in the century), and the transition to capitalism can be carried out in the midst of this balkanization, or on the basis of a new political center—in conditions of statelessness, one of the first acts of subsumption into capitalism was always cartographic, colonial powers drawing arbitrary borders and defining nations where none existed before. The most basic ideological presumption in a capitalist society is the willingness to project capitalism back into the past as if it were both perpetual and inevitable. Portraying the socialist developmental regime as if it were somehow secretly capitalist all along—or a mere stage of primitive accumulation clearing the way for capitalism—simply repeats this procedure, removing the contingency from

history and reinforcing the myth of capitalism's immortality.[65]

In reality, the creation of China as a nation state simply provided an opening into the international capitalist system, at best predisposing the array of probable outcomes in the general direction of transition. But if China had remained in a state of balkanization, it's equally likely that invasion, colonization and debt-bondage would have had much the same result. Historical counterfactuals can only illuminate so much, however, and there is simply no function to inking out a potential path beyond capitalism that may or may not have existed last century. What we can conclude is that the infrastructure of government created during the developmental regime would, in the end, help to create and continually maintain a system for the commodification of land and labor-power. Similarly, the maintenance of the family unit would undergird marketization, proletarianization and the inward flow of capital. The exact paths by which such features were exapted in the process of transition will be explored below. But it is important to note here that, rather than a hindrance, the existence of an extensive state and pre-capitalist filial traditions were important mechanisms for the introduction of capitalism on the East Asian mainland.

65 "Sorghum & Steel" and its concept of China's "socialist developmental regime" were implicit critiques of the various theories that all such regimes were merely variations of capitalism (whether "state capitalism," "bureaucratic capitalism," Bordiga's description of the USSR as simply "Russian capitalism," or Aufheben's concept of "the deformation of value"). Rather than summarizing such debates, we simply aimed to present our own account of the specifically Chinese experience, and the article indeed resulted from over ten years of engagement with these theories. Several readers have assumed this presentation reflected a lack of familiarity with such theories, but our account does not claim to address the many other regimes that called themselves "socialist." A small handful of works have attempted to deal with China directly (namely the accounts of Loren Goldner and Elliot Liu), and we did address these. But very few were formulated with China in mind and, in the end, we maintain that one cannot understand Chinese history by studying Russia.

The Limits of Spirit

In addition to geopolitical isolation, Chinese reformers were also responding to a slowly growing wave of domestic discontent. In part, this was an after-effect of the tumultuous peak of the Cultural Revolution, but it was also a novel type of late-socialist disillusionment generated by the ever-lengthening period of austerity alongside high investment. Early on, the new forms of quasi-religious communalism offered by the state, codified in campaigns such as the Socialist Education Movement, had some, albeit unpredictable, success in rationalizing continuing scarcity and rendering sacrifice for the sake of the socialist project into its own spiritual reward. But spirit always meets its limit in the flesh. Numerous ethnographies of the period document the process at the personal level: the model worker becomes caught up in the enthusiasm of the early Cultural Revolution, sacrifices the material incentives introduced following the Great Leap, and is rewarded with quasi-religious symbols of state patronage, which at first seem to have a true social weight to them—the picture of Mao is framed, the red book placed on a shelf, pins and red scarves affixed to outfits. But as the years stretch on these symbols grow hollow. Copies of the Little Red Book pile up next to stacks of Mao photos, too many to frame. The spiritual communalism of the era seems now to accrete nothing but these masses of useless tokens, and the symbolic framework of the state's ideology begins to break down. Even the most model of workers cannot stave off the growing cynicism. At the mass scale, it manifests first in black markets, illicit businesses, hoarding, work slowdowns—all measures to satisfy the material at the expense of superior virtue. In the end, such cynicism will always begin to take on a more public character, and by the middle of the 1970s open

unrest had again begun to grow. [66]

There had already been some retrenchment from the height of the heavily militarized Third Front investment push. Following the Lin Biao incident in 1971, the fear of a military coup encouraged the regime to scale back the army's involvement in production, and reformers successfully secured cutbacks to bloated construction projects in the West in favor of more immediately productive investment being funneled back to coastal regions. Meanwhile, the early meetings with Nixon and Kissinger resulted in an agreement "to spend US$4.3 billion to import industrial equipment," with a focus on "11 very-large-scale fertilizer plants from a U.S.-Dutch consortium."[67] The immediate strategic goal was to preserve the developmental regime, not to implement wide-ranging market reforms, and certainly not to become fully incorporated into the global capitalist economy. But the reforms also had a tactical dimension, aimed at quelling the latent unrest building across the population.

In 1974 a new wave of industrial actions swept through the cities, more subdued than that seen in the late 1960s, but nonetheless widespread enough to signal that many of the same economic issues (stagnant wages, deteriorating welfare services) had persisted despite the rhetoric of the era.[68] Maybe more importantly, explicit critiques of the regime resurfaced in this period, but with much of the ultra-left suppressed in 1969, these critiques were now fused to a more openly liberal program demanding democratization and, increasingly,

66 On these tendencies in the 1970s, see section four of "Sorghum & Steel" and chapter 7 of Yiching Wu's *Cultural Revolution at the Margins*.

67 Naughton 2007, p.77

68 Jackie Sheehan, *Chinese Workers: A New History*, Routledge, 1998. pp.144-145

marketization. In Guangzhou in 1974, a series of big-character posters went up with the first major public statements by the Li Yizhe group, a loose coalition of young dissidents (led by Li Zhengtian, Chen Yiyang and Wang Xizhe) who had been briefly jailed at the height of the Cultural Revolution. Though falling short of the more radical propositions made by the ultra-left factions several years prior, the Li Yizhe group articulated a vaguely humanist-Marxist position, similar in character to that advanced by Eastern European dissidents, and notable for its ability (largely via Wang Xizhe) to justify this vision through an elaborate engagement with Marxist theory. The most impactful of their essays, titled "On Socialist Democracy and the Legal System," was (indirectly but very clearly) critical of the regime, including the "new nobility" of the bureaucratic class, the Gang of Four and the cult of personality. Alongside an end to the mass arrest and imprisonment of dissidents, it advocated increased democratization, and some of its key authors would go on to become leaders in the Democracy Wall Movement of the late 1970s. The Li Yizhe document was tacitly allowed to spread by Zhao Ziyang (who would later become one of China's key leaders in the reform era), at the time serving as Guangdong's Party Secretary. Popular discontent was thereby, at least in part, cultivated and directed by some reformists within the party, who hoped that the political message contained in such critiques could be usefully mobilized against opposing factions.[69]

But the unrest made evident by the Li Yizhe group was in no way a product of such factional conflicts, even if Zhao Ziyang sought to mobilize them for political ends. The Li Yizhe authors had merely begun to formalize their own experience of the Cultural Revolution while also providing a theoretical

69 Anita Chan, Stanley Rosen and Jonathan Unger, Eds., *On Socialist Democracy and the Chinese Legal System*, Routledge 1985. pp.1-20

background for many of the demands that had already started to appear in popular protests. Such protests were concentrated in the major urban centers of the country. In 1974, the "Baiyun Mountain Incident" saw more than a hundred thousand factory workers, demobilized soldiers and youth climb a mountain near Guangzhou, ostensibly as a Mid-Autumn festival commemoration of their ancestors, but in reality the gathering became a protest against bureaucratization and inequality.[70] In the summer of 1975, an undeclared strike wave surged through Hangzhou and "was only brought to an end with large-scale military deployment into factories involving as many as 30,000 troops."[71] In 1976, the death of Zhou Enlai sparked one of the largest surges of protest since the late 1960s. Using the Premier's death as a justification for public gatherings, activists in cities across China planned convergences on April 5th, the date on which that year's Qingming (a traditional day for honoring the dead) would fall. The April 5th movement would see the participation of young workers across the country, voicing the many latent discontents that had been building throughout the Cultural Revolution.[72]

But the movement also crystallized these demands in new ways. Absorbing some of the language and logic of the LiYizhe group, protestors began to code their demands in terms of high-level party politics. Though essentially continuous with the series of worker protests that had begun with the strike wave of 1956 in Shanghai and continued with the unrest of the early Cultural Revolution, the worker-led protests of 1976 departed somewhat from the tradition of "economistic" strikes demanding increased wages, benefits, improved working

70 Chan et. al. 1985, p.9 and Sheehan 1998, p.146

71 Sheehan 1998, p.146

72 ibid, pp.146-149

conditions and increased worker control of production.[73] Instead, protestors targeted the party leadership directly, associating the long stagnation in wages and living standards with the Gang of Four, the faction that had ruled the party since the suppression of the revolts in the late 1960s. Meanwhile, the position of Zhou himself, a reformer affiliated with Deng Xiaoping, helped to translate this unrest into popular support for the reformist faction more broadly. The movement peaked with the 1976 Tiananmen Incident, when wreaths that had been laid in Tiananmen Square in commemoration of Zhou were removed overnight and protestors were forcibly cleared from the square. Though the protestors had for the most part not voiced strong support for any members of the reformist faction (aside, of course, from Zhou), official media outlets blamed the protests on Deng and used the events as an excuse to place him under house arrest in Guangzhou. Ironically, this response had the effect of making the reformists appear to command a more explicitly supportive popular base than truly existed.[74] Once the reformists gained power in 1978, the movement was "presented by the Deng regime as a spontaneous mass act in support of the late Zhou and his protégé Deng, and against the Gang of four (and implicitly against Mao as well); it was portrayed above all as a popular *rejection* of the Cultural Revolution."[75] This was despite its clear continuity with the demands made by workers throughout the past decade.

Regardless of the crackdown, strikes continued throughout the summer of 1976 in cities across China. The death of Mao followed in September, and the protest wave was retroactively

73 For more detail on the history of "economism" as both an aspect of worker protest in the socialist era and a term used to discredit unrest, see: Sheehan 1998 and Wu 2014.

74 Sheehan, pp.148-151

75 Ibid, p.150

used as justification to oust the Gang of Four, who by that point had only retained power via Mao's patronage. The change in leadership was indeed popular, sparking another mass mobilization known as the "three empties," "meaning that liquor shops, firework shops and even hospital beds were all emptied" in what was "probably the biggest spontaneous party the world has ever seen."[76] Despite the change in leadership, however, protests did not simply subside. Carrying on the tradition of April Fifth, the Democracy Wall Movement in 1978 addressed many of the same concerns to the new regime, now helmed by Deng. Wages and the urban housing shortage were major issues, as were continuing demands by many activists for increased democratization. For the first time, however, protestors also began to compare China's state of development to that of capitalist countries, including both the West and its rapidly-developing neighbors. With countries like South Korea, Taiwan, Singapore and even Hong Kong (all of which had found themselves in largely similar conditions to China following World War II) undergoing rapid development, an unaccountable gap between China and its neighbors became apparent. Many began asking why the more advanced socialist system had failed to produce equal or superior returns in standards of living—a question that would only become more prominent in the 1980s.[77] But the Democracy Wall movement fell short of the radical critiques that had been on offer in the late 1960s. Demands for higher wages and more rapid development were paired, at the most extreme, with demands for Yugoslavian-style workers' self-management and partial marketization.[78]

76 Ibid, p.154

77 ibid, pp.160-163

78 This was particularly prominent in the work of theorists like Wang Xizhe. See: Chan et. al. 1998.

Though initially supportive, by the first few years of the 1980s the Deng regime feared that industrial unrest was getting out of hand. In particular, the rise of Solidarnosc over the same period in Poland seemed to signal the possibility of similar events in China if too much power was devolved to workers and the newly instituted apparatus for village elections. The state's response was one of gradual suppression, paired with economic concessions. The freedom to air grievances against the party was slowly reneged, the *de jure* "Four Big Freedoms" to speak freely, air views fully, hold great debates and write big-character posters were removed from the constitution in 1980, and the right to strike was removed two years later. Meanwhile, a series of catch-up pay raises were phased in from 1977 through 1979, the first in over a decade, and workers were given greater influence over some aspects of local politics and production.[79] This was the context that the reformists' political program operated within, and these early reforms often responded directly to the crises that had built up over the course of the previous decades. But, in general, this response was incomplete. While living standards were raised, the problem of bureaucratization only seemed to increase and the political elite began a slow merger with technical elites to form a more and more coherent ruling class. This validated many of the critiques made by dissidents throughout the Cultural Revolution, but even these critics had not foreseen the true import of what was happening. As marketization proceeded and the proto-proletariat grew in size, the ruling class that had begun to cohere was no longer simply a collection of bureaucratic elites extracting an undue portion of the grain

79 Sheehan, p.155, p.167 and pp.192-193

surplus, but had instead begun to take on the characteristics of a gradually forming bourgeoisie.

Stagnation, Modernization and the Return to the Household

If the material limits facing the socialist developmental regime's urban sector led to protests by the working class, so too did the bottleneck in agricultural production lead to social instability in both urban and rural areas. Population growth since the GLF led to a stagnation in per capita grain production by the mid-1970s. The state had already been extracting less grain following the GLF, fearing an exacerbation of its already strained relationship with the peasantry. In fact, state procurement of grain was capped and hardly grew between 1965 and 1978.[80] From 1971 through 1976 the state did not even procure enough grain for urban grain consumers.[81] In response, a state hiring freeze was instituted in 1973. Youth were sent to the countryside, effectively pushing them out of the state's field of responsibility, their food and housing now provided directly by rural production units. Despite this, the grain deficit persisted, and imports became increasingly necessary throughout the 1960s and 1970s.[82] Crucially, the agricultural bottleneck was a strict material limit on the accumulation rate, which determined how much the state could invest in industrial development. These were not only problems of systemic misallocation and stagnant agricultural productivity, but also signaled a deeper crisis in the very heart of the developmental regime. With an intricate patronage

80 Dali Yang, Calamity, 108.

81 Ibid., p. 123.

82 Ibid., p. 108.

structure founded on the rift between city and countryside, the maintenance of steady grain extraction was essential to the maintenance of the developmental regime itself. As this central relationship began to break down, fractures would ripple outward, affecting every aspect of production.

With stagnant agricultural growth dragging down industrial development, the state responded with renewed efforts at agricultural modernization, including a "mini-Great Leap" focused on grain production.[83] While political exhortations and appeals to the Dazhai model continued, it was mainly the state's "sudden advance" in agricultural investment, especially in 1978 and 1979 (almost nine percent—nearly double the increase in other sectors[84]), that finally brought about real growth in production.[85] At the same time, the accumulation rate grew to an unusually high 34.6 percent in 1979.[86] Millions of rural laborers and huge new state investments led to almost four hundred thousand new agricultural capital construction projects in early 1977, creating new fields, improving old farmland and constructing new irrigation and water conservation infrastructure.[87] New funds were made available for mechanization and scientific farming techniques. Agricultural modernization also implied an increase in the scale of production, which was a precondition for successful mechanization. Meanwhile, peasants in many areas were experimenting with various task-rate and responsibility

83 Zweig 1989, p. 71.

84 Frederick C. Teiwes and Warren Sun, *Paradoxes of Post-Mao Rural Reform: Initial Steps Toward a New Chinese Countryside, 1976-1981*, Routledge, 2015, pp. 203-204.

85 See also Sun Laixiang 2001.

86 Griffin and Griffin in Griffin ed. 1984, p. 211.

87 Zweig 1989, p. 71; also Rural Capital Construction numbers—China Data tables.

systems, which contracted production tasks to small groups and in a few areas even to households. For the most part, however, distribution remained at the level of the production team, including where responsibility systems were in use. Throughout the late 1970s, the party still officially ruled out a return to household farming, though there was recognition that in different areas different systems of accounting and remuneration could be used, and only when conditions were particularly favorable should the level of accounting be raised to the brigade, even if that was the long-term goal.

Overall, these investments led to increases in grain production, with national output increasing from around 285 million tons, where it had been stuck for three years through 1977, to 305 million tons in 1978 (an eight percent increase) and 332 million tons in 1979 (a further nine percent increase).[88] This increase occurred even as the total sown area declined, a trend that continued through 1984.[89] State agricultural procurement prices were raised (22 percent in 1979),[90] and taxes on agricultural production cut. The above-quota bonus was increased, and the size of quota was reduced.[91] Together with incomes from rural industries, this led to an almost twenty percent rise in per capita rural household income by the end

88 CIA, "China Provincial Grain Production," 1982, <https://www.cia.gov/library/readingroom/docs/CIA-RDP-83B00227R000100070005-7.pdf>; Teiwes and Sun 2015, p. 203; Zweig 1989, p. 71.

89 Li, Yuxuan, Weifeng Zhang, Lin Ma, Liang Wu, Jianbo Shen, William J. Davies, Oene Oenema, Fusuo Zhang, and Zhengxia Dou. "An Analysis of China's Grain Production: Looking Back and Looking Forward." *Food and Energy Security* 3, no. 1 (March 1, 2014): 19–32. <https://doi.org/10.1002/fes3.41>.

90 Teiwes and Sun 2015, p. 203.

91 Sicular, Terry. "Grain Pricing: A Key Link in Chinese Economic Policy." *Modern China* 14(4), 1988:, p. 486.

of 1978.[92] Such reforms thereby seemed to hint at a way out of the agricultural bottleneck, and thus offered a glimpse at a path forward that might lead to the salvation of the decaying developmental regime.

However, these agricultural modernization policies also contributed significantly to higher deficits, leading to the reversal of the mini-Great Leap policies of 1978-1979. It was these deficits more than anything else that resulted in the return to household production in the early 1980s. The deficit became an issue for the party center in 1979, when a small state surplus turned into a 20 percent deficit followed by a 17 percent deficit the following year,[93] with no agreement on how much or how to cut back on state expenses at the time. Deficits were compounded by rising inflation. The deficit problem, blamed mainly on agricultural investments and rising procurement prices, led to a debate on shifting to "household responsibility systems" (HRS) in order to cut agricultural modernization costs to the state. As the new premier, Zhao Ziyang, stated in March 1980, "the burden on the country is too heavy, it is a burden [we] cannot afford."[94] He advocated that rural areas that relied on the state for food be allowed to shift to contracting production to the household (包产到户). These policies were soon endorsed by Deng Xiaoping, who stated the following month that state investment could be reduced if production were contracted to peasant households.[95] State investment in agriculture dropped over ten percent in 1980 and almost 44 percent in 1981, leading to a drop in grain production from 332 million tons in 1979 to 320 and 325 million tons in 1980

92 Teiwes and Sun 2015,, p. 119.

93 Sicular, "Grain Pricing," 1988, p. 478.

94 Teiwes and Sun 2015, pp. 150-151.

95 Ibid., p. 152.

and 1981.[96] The accumulation rate was reduced from its 1979 peak of 34.6 percent.[97]

The primary concern for party leaders in the shift to household contracting was thus the burden of agricultural modernization on state revenues, and in effect the return to household farming was a return to the low investment in agriculture that had characterized agriculture from the 1950s through to the mid-1970s. The high investment in agricultural modernization of the late 1970s was a brief anomaly. By the end of 1980, fourteen percent of production teams had shifted to HRS.[98] But it took another year for HRS to be officially encouraged for all rural areas, no matter how well the collective system was working locally.[99] By that time, over half of production teams had shifted to the HRS, with the central state putting pressure on provinces to transform the organization of agricultural production. Initially, this shift back to household farming was seen as a temporary measure to deal with state deficits. It was a temporary suspension of concern for rural inequality, which would allow for a one-off increase in production as it boosted the incentives for peasant labor intensification without needing the state investment of resources necessary for the long-term policy of agricultural modernization. The turn to the HRS was therefore ultimately a product of an inherent contradiction in the developmental regime's methods of allocating capital goods—the attempt to modernize via massive state investment

96 Ibid., p. 203.

97 Adjit Ghose in Griffin ed. 1984, p. 211; Teiwes & Sun 2015, p. 151.

98 Teiwes and Sun 2015, p. 163.

99 Thus while it is no surprise that the household responsibility system spread in a less developed province such as Guizhou, it also spread in areas where the collective economy worked much better, such as Guangzhou. The speed at which it was adopted provincially, however, was quite varied. See Teiwes and Sun 2015, pp. 159-164.

in agriculture-generated deficits, which caused dangerous inflationary pressures and strangled funds available for other industrial projects. But such capital allocations could not simply be taken back, since they were embodied in large outlays of plant and equipment. There was, therefore, no way to return to the pre-deficit bottleneck. The turn to the HRS was therefore understood to be the easiest, if not the only, option available to stave off the structural instabilities generated by the deficit.

In the long run, this constituted the beginning of decollectivization, and by late 1983, 98 percent of production teams had made the shift.[100] Meanwhile, the decollectivization of production was matched by a decollectivization of rural administration. The institutional functions of the commune were replaced by the township (乡) government, and the brigade level was replaced with village (村) leadership. The main production model adopted was *dabaogan* (大包干) or "big management contracting," in which land remained owned by the village collective, but households could produce what they wanted on the contracted land as long as they produced crops to fulfill the team's quota to the state.[101] The production teams no longer managed agricultural production under the system. One immediate consequence of all this was that inequality within villages and between regions increased. Under this new system, how well one's household did in comparison to others in the same village had much to do with the size and make-up of the family. A bigger factor in economic success, however, concerned the location of one's village and a household's connections to local leaders. In areas nearer the coast and more prosperous cities, the new freedom to sell diversified,

100 Jonathan Unger, *The Transformation of Rural China*, M.E. Sharpe, 2002, p. 102.

101 Ibid., p. 100.

above-quota produce on the market allowed for increases in some peasant incomes, but also led to greater local inequality. This inequality within the village was mirrored by inequality between villages, as peasants in less accessible interior regions farther from cities had far fewer opportunities to benefit from the same system.

Many contracts between households and the collective were originally for just one to three years, but the contract length was quickly raised to fifteen years in order to incentivize reinvestment into the land. Initially, agricultural production increased between 1980 and 1984, especially with a greater use of fertilizers and increased incentives to add labor inputs. For the state, the short-term gains of the new system paid off by decreasing the financial burden (agricultural investments remained low) although agricultural modernization slowed as well. But urban food prices were still subsidized, remaining below rural procurement prices through the 1980s, and therefore still generating a deficit. In fact, the resulting increased agricultural production impelled further market reforms, now targeting the purchasing and marketing and quota systems.

Without a strong collective system to enforce quotas, many households began to ignore them altogether, producing market crops instead.[102] Meanwhile, the unified purchasing and marketing system that had been designed to manage the shortage of agricultural surplus was now faced with the new problem of excess production, with the state having guaranteed the purchase of grain at any magnitude.[103] This encouraged further market reforms in grain purchases, since guaranteed procurement became extremely costly as

102 Sicular, "Grain Pricing," 1988, p. 469.

103 Ibid., p. 470.

production increased. State subsidies on farm products rose to 18 percent of total state expenditures in 1981, and decreased only slightly to 14 percent in 1984. In response, above-quota bonuses were removed for key agricultural products between 1983 and 1985, instituting a single price system. Guaranteed prices were then replaced with negotiated prices, so the state could respond to the changing market. Finally, in January 1985, the state attempted to end the quota system for most agricultural products entirely, instead influencing production through contract and market purchasing, stabilized by a price floor.[104] With the end of the quota system, the state guarantee to purchase certain agricultural products also disappeared.[105]

These reforms aimed at replacing state-planned procurement with market purchasing. But equally strong structural forces were still pushing in the opposite direction, since any reduction in urban food-price subsidies would have led to urban unrest, eroding the fragile credibility of the reformists. The end of guaranteed prices was thus not fully implemented, and a drop in grain production in 1985 forced the state to pay higher market prices, again increasing food subsidy costs.[106] Attempts to fully marketize agricultural prices looped through a pattern that repeated itself throughout the reform period: the high cost of food subsidies to the state budget forced it to undergo purchasing and in some cases market price reforms, and this reduced grain production, with the state retreating somewhat from the reforms in response, usually raising the cost of subsidies again. But beyond grain production, higher costs for animal feed and other agricultural inputs (namely fertilizers and pesticides) helped to push more rural labor into

104 Sicular, Terry. "Agricultural Planning and Pricing in the Post-Mao Period." *The China Quarterly*, no. 116, 1988: p. 694.

105 Sicular, "Grain Pricing," 1988, pp. 470-473.

106 Sicular, "Agricultural Planning," 1988, pp. 695-696.

rural industry and grew the markets for sideline agricultural products, such as vegetables.[107] Marketization thus pushed forward overall, despite cycles of reform and retrenchment. Meanwhile, a key contradiction throughout the process was the question of how to reduce the financial burden on the state caused by food subsidies without raising urban food prices so much that inflation would lead to urban protest. As would become evident in the 1989 Tiananmen protests, the state failed in this respect. It was only with the repression of the movement that the state was finally able to traverse this contradiction, finally marketizing agricultural products.

The Golden Age of Rural Industry

As agricultural production was staggering toward the market, rural industry was undergoing its renaissance. The Third Plenum of 1978 acted as an official sanction for local developments that had already been long underway, marking a fifth turning point for rural industry (after the cooperative movement, the Great Leap Forward, the post-Leap clampdown and the late-1960s revival focused on agricultural modernization). In addition to providing CBEs with tax breaks and exemptions, the plenum not only called upon rural collective enterprises to do all processing of agricultural products "suitable for rural processing," but also recommended that urban factories shift part of their component processing to CBEs and "help equip the latter with necessary equipment and technology."[108]

107 Ibid., p. 696-697.

108 Bird & Lin 1990, p. 10. According to Enos (1984, p. 225), it was already common for CBEs to do both of these things (process agricultural products and produce industrial components for state enterprises) as early as 1975. Since this was not officially encouraged, and was in many cases prohibited or restricted until 1978, this observation may be taken as further evidence of local initiative with which official policy was forced to catch up—like the reorientation of some CBEs toward urban consumer

The early 1960s restrictions imposed after the famine were finally lifted, allowing both communes and brigades to run enterprises in any industry except four reserved for the state: cotton textiles, tobacco, armaments, and certain types of iron and steel.[109] But even these restrictions were applied with the usual local exceptions, as different types of iron and steel industry were allowed at different scales, and there are clear examples of non-state cotton textile factories in Wenzhou in the same period.

Overall, these reforms facilitated the gradual formation of regional networks intertwining rural collective enterprises (soon to be renamed "Township-and-Village Enterprises," or "TVEs") as suppliers of components for urban state-owned enterprises—a model known as the "SOE-TVE nexus," which would end up playing an important role in the transition to capitalism for places like Shanghai. But first, the CBEs were still expected to focus on the task of facilitating agricultural modernization, now coupled with an official revival and expansion of rural industry's main traditional role, which had never entirely disappeared in reality: processing agricultural products. This function became particularly important as the unified purchasing and marketing system gradually gave way to private markets. As rural collective enterprises gradually began to take on a life of their own in response to the combination of partial marketization, agricultural decollectivization, rising productivity and financial decentralization, the Third Plenum was followed by a number of new policies promoting CBEs. The result was a rise in their output value at an annual growth rate between thirteen and nineteen percent between 1980 and 1983.[110] While still showing robust growth, this was slower

markets disrupted in 1967-1968, mentioned above.

109 Enos 1984, p. 241.

110 Byrd & Lin 1990, p. 11.

than the average growth rate of 25.7 percent from 1970 to 1976. This slower growth, despite the increased incentives, was probably due to the even higher incentives for agriculture during these years. CBE growth would truly take off in 1984 due to the combination of further policy incentives introduced that year and declining incentives for agriculture, including decreased procurement prices.

For rural industry, then, the decade can be divided into two stages. The early years, from 1978 to 1983, saw CBEs begin to experiment with a variety of ownership structures, financial arrangements and employment relations. Despite the official name "Commune and Brigade Enterprises," many were actually owned by production teams (the smallest administrative unit, below the brigade level) or even individual households, or some combination of individual and collective owners. In 1981 a team of foreign researchers observed CBEs "established jointly by households or groups of individuals or by households in combination with teams, brigades or communes; enterprises established jointly by teams or brigades of the same or different communes; enterprises established jointly by the commune in combination with state enterprises."[111] This demonstrates both the trend toward private enterprise, which would eventually become predominant, and the apparent diversity of economic possibilities, in contrast with what may now seem to have been an inevitable march toward capitalism. Such open-ended diversity would soon give rise to a vast political debate in China and abroad about the possibilities of "market socialism," in which the experimental nature of CBEs/TVEs would play a central role.

111 Griffin and Griffin, in Griffin ed. 1984, p. 216.

Already in the early 1980s, however, signs of where such experiments would actually end up had already become visible. Although the legality of these ownership structures was still in a grey area, once a CBE had obtained registration it became eligible for considerable state assistance, including loans (from the government, banks or state enterprises for which CBEs produced components) and the assignment of technicians. These technicians were not members of the "collective" enterprise, and were therefore essentially wage-laborers—even though central policy was still years away from allowing private enterprises to hire wage-laborers, outside of the four SEZs that had opened just the year before.[112] On the financial side, relations were also changing, with *de facto* joint-stock owners becoming common as the recipients of these loans, and the previous requirement that CBEs hand over nearly all their profit to the commune or brigade for the financing of public goods and services being scaled back. For example, one Sichuanese commune-level "joint corporation" established in 1980 was responsible for managing twenty-eight enterprises, most of which were formerly independent CBEs. The corporation initially "issued shares free of cost to the villages (formerly brigades) and co-operatives (formerly teams) out of which it emerged," and then it *sold* new shares to finance investment. These were marketable to anyone including villages and individuals. Although in 1981 private shareholders accounted for only one percent of this corporation's capital, "the fact that an individual can in principle acquire shares in a collective enterprise in China represents a startling change of policy."[113] This also signaled the growth of substantial new inequalities: one brigade-level corporation in another part of Sichuan managed four enterprises. After a few years of development and reorganization, twenty-five of the 201

112 Ibid., p. 217.

113 Ibid.

households comprising those five teams owned no shares, sixty-some had over ten shares each, and one owned twenty shares. Observers concluded that "the new forms of enterprise organisation, and the methods used to finance them, could lead rather quickly to the emergence in the countryside of a class of 'penny capitalists."[114]

As usual, the state now rushed to catch up with mushrooming local initiatives, hoping to give them direction. This initiated the second phase of the decade's rural industrial renaissance, marked by much more rapid growth. On the first day of 1984, the Central Committee issued a "Circular on Agricultural Work" calling on governments at all levels to "encourage peasants to invest in or buy shares of all types of enterprises," and to "encourage collectives and peasants to pool their funds and jointly set up various kinds of enterprises."[115] A few months later, another party circular changed the official term from CBE to "Township and Village Enterprises" (乡镇企业 – hereafter TVEs) because by then nearly all communes had been reorganized into townships and brigades into villages and many team-level, household and joint-household enterprises had emerged in rural areas, so a more inclusive category was needed.[116] The circular also announced that TVEs should receive the same treatment as SOEs, including state aid. The number

114 Ibid. p.218.

115 Byrd & Lin 1990, p. 11.

116 Accordingly, Byrd & Lin translate *xiangzhen qiye* as "rural non-state enterprises," but we have stuck with the more common "Township and Village Enterprises" lest it appear we are referring to something else. Note that this category also includes enterprises owned by production teams and any other combination of rural collective or individual owners below the level of county government—as the CBEs had unofficially come to encompass in the early 1980s. It would not be until the mid-1990s that rural private enterprises were officially contrasted with collective ones—now as the preferred form of ownership, with collectives deemed as more likely to become inefficient, nepotistic, etc.

of officially recognized TVEs increased tenfold between 1983 and 1985, their employment more than doubling and their output value increasing 270 percent.[117] This may be partly attributed to the inclusion of existing enterprises within the new category of "TVE," but the sector continued to grow more rapidly than before, the number of enterprises increasing fifty percent in 1986-1988, and employment increasing by 27 percent during the same period, giving them a 1989 output value eight times higher than that of 1983.[118] Among these TVEs, private enterprises grew faster than collective ones, services grew faster than industry, and those in "economically backward" regions grew faster than those in "advanced" ones.[119]

Such enterprises had begun to form without the encouragement or oversight of the state, but official recognition and access to state aid accelerated the process. Why did the state suddenly liberalize and promote such a variety of rural enterprises at this time? And why did collective and individual rural entrepreneurs respond so actively, especially after 1984? As discussed above, peasants' incentives for investing in agriculture began to fall after 1984 with falling procurement prices, rising costs of inputs, declining soil fertility and increasing opportunities for other types of work, including both migration and rural industry. The increasingly common decision to "leave the soil without leaving the village" (离土不离乡), as taking jobs in rural industry was called at the time, would eventually become a problem for the state, but at first it was not seen as a threat to food security or a cause of inflation. CBE/TVE employees were expected to continue farming their decollectivized land in

117 David Zweig, "Internationalizing China's countryside: the political economy of exports from rural industry," *The China Quarterly* 128, 1991, p. 719.

118 Ibid.

119 Byrd & Lin 1990, p. 11.

their spare time, and the continued agricultural modernization supported by some of these enterprises would decrease the amount of labor necessary to simultaneously increase farm yields, generating a surplus of rural labor for which the state would otherwise need to create jobs. The promotion of consumer-oriented rural industry was consistent with the state's shift toward a strategy of more consumption-driven growth and an increased role for light vs. heavy industry, as was the promotion of rural enterprises manufacturing components and processing materials for state enterprises, to the extent that the latter were themselves producing consumer goods. China's scarcity of consumer goods after decades of "shortage economy" meant there were plenty of market opportunities for both types of rural enterprise to grow rapidly in the 1980s-1990s, when urban consumption grew faster than ever before.[120]

While the immediate limits faced by the agricultural sector encouraged the development of TVEs, these enterprises in turn created new dynamics and problems for the economy. By producing consumer goods, by providing inputs for SOEs and by generating disposable income for ruralites, they helped stimulate consumption, but this in turn contributed to the inflation that led to urban unrest by the late 1980s and forced the state to make adjustments to its economic strategy. Meanwhile, at the local level, accompanying policy changes incentivized rural cadres to help establish and support such enterprises. Fiscal decentralization forced cadres to devise new ways to generate revenue, and allowed them to pocket a larger cut of it, legally or not—corruption in this regard becoming one of the reasons the central state would later move to privatize collective TVEs in the mid-1990s. The assessment of cadres for

120 Daniel Buck, *Constructing China's Capitalism: Shanghai and the Nexus of Urban-Rural Industries*, Palgrave Macmillan, 2012. This is discussed in more detail below, in the section on the SOE-TVE nexus.

career promotion shifted from ideological measures to more purely economic ones such as sales and employment, to which TVEs contributed more than agriculture alone. Perhaps most importantly, it was from the explosion of a new variety of CBEs in 1978 that China's first batch of private enterprises were born and began cautiously experimenting with new structures of ownership and employment, the second batch after 1984 doing so more boldly. And by extension, some of these would also become China's first private enterprises outside the SEZs to receive foreign investment and produce for export.

The Market in the Shell of the State

Industrial reforms were also underway in the cities. The mainland's incorporation into the global market was not initially a process of stripping-down nationalized industries in the name of reform. Such a direct dismantling of the socialist era class structure was neither desirable nor possible, given the intricate networks of dependence and patronage that were fused to it. Instead, the output of the planned sector was for the most part maintained at pre-reform levels, and in many instances actually increased slightly. Early on, even the most radical reformers within the party still conceived the massive state-owned sector to be the core of the economy, with marketization applied largely to decrease the external costs suffered by large industrial enterprises and enhance agricultural productivity. But state-fixed investment was slowly and partially reoriented from heavier to lighter industries and from producer goods to consumer goods, housing and services, alongside renovation of existing plant and equipment. Total state fixed investment dropped in the early reform years, in part because of rising state deficits, reaching a trough in 1981 then recovering slightly in the mid-1980s. Its composition also changed: Investment in new production dropped from over half of the total in 1978 to

an average of around a third from 1980 through 1988. Of this new production, investment in textiles and food processing jumped from seven percent of capital construction in 1978 to 13.5 percent in 1981 and 1982, and by the late 1980s, larger shares were being spent on renovation funds, which were often controlled by local governments and smaller enterprises.[121]

Another significant shift, however, was the funneling of resources away from production entirely to deal with the urban crisis that had accompanied the maturation of the baby boom generation, worsened by the return of many rusticates. Housing doubled its share of state fixed investment between 1978 and 1982, though it remained a small fraction of the total. Meanwhile, "a large share of enterprise-retained profits went into housing construction during these years: Perhaps 60% of total urban housing was financed by enterprise funds."[122] This was itself a symbol of the increased decentralization of investment, with more money poured into existing enterprises and local governments, which were then given more power in allocating those funds. SOEs were allowed to retain a larger share of their total profits and given control of output in excess of their mandatory production targets, much of which was liquidated via "decentralized, semi-market transactions" that had long sat somewhere between the plan and the late-socialist black market. Such transactions, including both barter and market purchases, were now actively encouraged by the regime.[123] Since this added flexibility and local knowledge to the planned economy, this shift was supported by reformers. Since it supported the existing hierarchy of SOEs and allotted

121 Naughton 1996, pp.80-82, Figure 2.2

122 Ibid, p.82

123 Gary H. Jefferson and Thomas G. Rawski, "Enterprise Reform in Chinese Industry," in Ross Garnatu and Yiping Huang, eds., *Growth Without Miracles: Readings on the Chinese Economy in the Era of Reform*, Oxford University Press 2001. p.246.

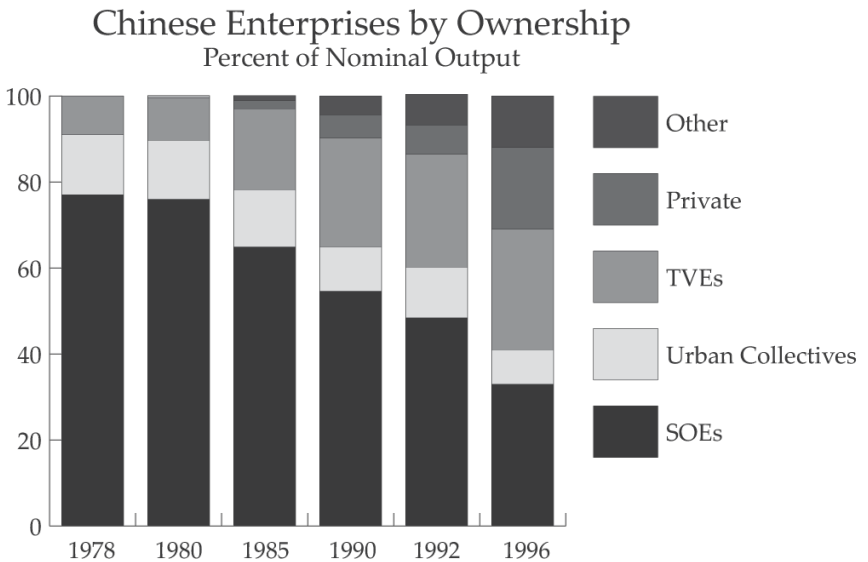
more funds to be used on technical upgrades, it was also supported by conservatives. Since there were no major layoffs in this period, the investment shift was also largely supported by workers in the enterprises themselves. Their position within the socialist developmental regime's class hierarchy was not yet challenged in any substantial way—while incomes increased rapidly for ruralites, urban workers' share did not decrease, and in fact grew slightly in the years following 1978.[124]

But while the state sector was maintained, the shift in overall investment and the growth of rural production had begun to cause significant changes to the composition of total industrial output. Overall, SOEs would decline in importance in subsequent decades, with larger shares of total output produced by TVEs over the course of the 1980s, joined by domestically-owned private firms, household firms, foreign-owned firms and hybrid firms in the 1990s (see Figure 3, the latter categories are split between "Private" and "Other"). By 1992, SOEs were producing less than half of total output, while rural TVEs were just under a third. By 1996, domestically-owned private and household firms had grown to nineteen percent, while foreign-invested firms composed some twelve percent.[125]

The fifty percent retained by urban SOEs is, however, a deceptive figure, since these enterprises had themselves had undergone more than a decade of slow transformation, growing to resemble their more fully marketized rural and SEZ competitors. Beyond the fixed amounts of plan-allocated goods, grey markets for industrial materials were allowed to operate in the open, ultimately creating a dual-track pricing system linked to the already-vibrant rural market, with the

124 Naughton 1996, p.83

125 Naughton 2007, p.300, table 13.1



Sources: Gary H. Jefferson and Thomas G. Rawski, "Enterprise Reform in Chinese Industry," in Ross Garnatu and Yiping Huang, eds., *Growth Without Miracles: Readings on the Chinese Economy in the Era of Reform*, Oxford University Press 2001, p.245, Table 1.
And: Barry Naughton, *The Chinese Economy: Transitions and Growth*, MIT Press, 2007, p.300, Table 13.1

Figure 3

TVEs at its core. Wholesale trade and trucking industries were deregulated and firms were given far more leeway to hire the temporary and contract workers who composed the growing proto-proletariat. [126] At the same time, the wages of workers formally employed by SOEs became more dependent on piece-rates and bonuses, even while non-wage welfare funds increased. [127] The problem of urban unemployment was dealt with in part by the elimination of the state commercial monopoly, allowing a massive expansion and diversification of

126 Jefferson and Rawski 2001, p.247

127 Naughton 1996, pp.101-103

trading and retail. So-called "labor service companies," mostly operating in retail sales and catering, began to absorb "between one and two million labor market entrants annually" beginning in 1979. Alongside these collectives, "slightly over a million private peddlers had gone into business in urban areas" by the end of 1982.[128] Such trends were particularly strong in coastal cities like Shanghai and Guangzhou, which began to regain their historic dominance in such small-scale commerce and light industrial production.

All of this allowed greater and greater shares of total production to be allocated by the market, even while almost all large enterprises were still formally nationalized and still contributed their plan-mandated production targets to the state. Meanwhile, SOEs came to depend more and more on the market portion of their transactions, and therefore found themselves in competition with other SOEs in the same industry as well as newly-founded TVEs and foreign firms.[129] This competition was further stimulated by the redundancy of the autarkic socialist-era industrial structure, which had sought to create complete supply chains within each province. Even state investment (now averaging around 20% of GNP) was increasingly reliant on firms' own retained funds, rather than centrally-budgeted allocations—and firms, in collaboration with local government, made decisions about where to invest these funds in traditionally competitive terms, since profitable investments would return more retained funds, meaning higher wages, greater bonuses and more kickbacks to management and cadres. This would ultimately be formalized through a policy of "responsibility for one's own profits and losses" (自负盈亏), recognizing that inter-firm competition was now

128 Ibid, pp.117-119

129 Jefferson and Rawski, 2001, p.249

essential to the industrial system.[130]

TVEs as Vehicle of Internationalization

TVEs played a crucial role not only in the emergence of capitalist relations domestically but also in China's re-integration into the global economy, quickly becoming the key sector linking rural areas to foreign trade. By 1985, TVEs were earning 2.38 billion US dollars in foreign exchange, comprising 4.5 percent of China's export earnings. This quickly rose to 12.5 billion USD in 1990, 20.8 percent of total export earnings, compared with only about four percent for county-level state enterprises that year.[131] In part, this was because the primary products and light-industrial commodities being produced by rural enterprises matched global demand. At the same time, they fit into a regional niche: China could not yet compete with the capital-intensive products coming out of Japan and the "Four Tigers," but it could readily compete with other ascendant manufacturers (mostly in Southeast Asia) on the more labor-intensive markets. At the same time, this moment coincided with two important changes to national policy, both of which sought to catch up with developments already underway locally: the decentralization of control over foreign trade and the Coastal Development Strategy, which put pressure on local officials in coastal areas to promote exports within their jurisdictions. Export-oriented TVEs in coastal areas had already been developing more rapidly than elsewhere, due to simple geographic proximity to global shipping lanes. Once central policy also pushed in this direction, a distinctive coastal model of TVE development arose that would become most pronounced in Guangdong's Pearl River Delta.

130 Naughton 1996, p.106, Figure 3.2

131 Zweig 1991, p. 717-718.

It was in Guangdong that the first step toward internationalizing the rural economy had been taken, as early as 1978. Aside from hosting three of the four original SEZs (established in 1980), local officials across the province began reorienting first agriculture and then rural industry toward Hong Kong markets more generally.[132] Farmers were encouraged to switch from grain aimed at restoring China's food security to the production of fruit, fish, poultry and pork for wealthy consumers in the colony. Soon thereafter, local governments began signing agreements with Hong Kong capitalists for the supply of equipment to CBEs in return for their industrial products. By 1981, rural Guangdong was already so dependent on exports to Hong Kong that when the colony was affected by a US recession at the time, Guangdong's economy was shaken as well. Then, in 1984, Premier Zhao Ziyang put the official stamp on the process by calling for the promotion of the Guangdong model throughout China, starting with several "rural export bases" on the coasts. Zhao emphasized that production should be thoroughly transformed in accordance with the prerogatives of foreign trade: "It's not a case of you planting what you want, processing what you want and then making available for export what you can spare; quite the opposite, based on the international market you both plant and process."[133] Three years later, Zhao began pushing for TVEs to play a more pronounced role in China's foreign trade because, in contrast with state enterprises, TVEs were "flexibly managed and able to adapt themselves to market changes," making them "the new impact force for the development of labour-intensive industries" and "the establishment of an export-oriented

132 Ibid., p. 721.

133 Quoted in ibid., p. 721-722.

economy."[134] In the end, Zhao was not necessarily laying out a state-direction plan for nationwide marketization, but merely stating what had already become an evident fact on the ground.

The development of TVEs in general and of their foreign trade in particular were thus not simply the spontaneous initiatives of entrepreneurial peasants finally allowed to act as they pleased, but were also pushed forward by a series of central policy changes, local government projects and "old mobilization techniques" such as "quotas, test points which receive favorable treatment, and models in the press that were to be emulated, all of which politicized economic decisions"—all seeking to give direction to local dynamics that had emerged chaotically in response to earlier, apparently minor reforms.[135] These "test points" were in theory meant to serve as pilot sites for experimental practices that, if successful, could then be adopted elsewhere. But in reality they helped give shape to China's new geography of uneven development. Those test sites receiving the most favorable treatment, such as Shenzhen, tended to become the new centers of export-oriented TVEs fueled by labor from other rural areas—whose own industrialization, already less favored by geography and the state, would be dealt further blows by subsequent economic and political developments. For example, Shenzhen was allowed to retain all of the foreign currency it obtained from exports, and Guangdong Province as a whole could keep thirty to one hundred percent (depending on the product), whereas Sichuan's already low retention rate of twenty-five percent was reduced to twenty-one in 1988. Such favoritism suggests a spiral where, in a context of growing dependence on international trade, the simple fact of port access also increased the political weight of leaders from coastal areas, who could

134 Quoted in ibid., p. 722.

135 Ibid., p. 727.

then further shape state policy in their favor. Guangdong's export-oriented TVEs thus prospered at the expense of several inland regions that were "outbid for exportable commodities produced in their own provinces."[136]

Regional Diversification of Rural Industry

In the late 1980s, academics and the state began promoting three (among about a dozen identified) regional experiences of rural industrialization as models to be emulated nationwide: the Sunan (Southern Jiangsu) Model, the Wenzhou Model, and the Pearl River Delta (PRD) Model. These were distinguished mainly by their ownership structures: the Sunan Model centered on collective ownership at the three levels of village, *xiang* and *zhen* (the latter both translatable as "township" and derived from the earlier communes), the Wenzhou Model centered on household ownership, and the PRD Model on a combination of five types known as "driving forward on five wheels" (五个轮子一起转), adding county-level enterprises to the other four (household, village, *xiang* and *zhen*). As was common in the era's policy-making, these were not purely intellectual or political "models," but instead were observational: policy generally sought to catch up to the local dynamics that tended to rapidly outpace it. The three models, then, were named after the locations where they had arisen, and the debate was not simply about the abstract benefits offered by each, but instead about the empirical results that could be observed in these three "experimental" sites. It is worth examining these briefly in order to demonstrate how diverse and open to new possibilities China's economy appeared during this optimistic period of transition, and how this regional variation ended up shaping the nation's uneven economic geography after their

136 Ibid., p. 734.

subsumption under a more unified law of value in the late 1990s.

In addition to the different ownership structures emphasized in the contemporary policy discourse, then, each of these models was inseparable from its own regional production regime: the Sunan enterprises' use of local labor and capital to manufacture consumer goods and industrial components for nearby state enterprises that produced appliances (bicycles, refrigerators, etc.) for the domestic market, the Wenzhou enterprises' use of familial labor and capital to manufacture light-industrial consumer goods (garments, footwear, etc.) for the domestic market, and the PRD enterprises' use of initially local but increasingly migrant labor and foreign capital (mainly from overseas Chinese at first) to manufacture a variety of products for export. TVEs in other parts of China meeting similar conditions resembled each of these models to one extent or another. Those in coastal Fujian, especially its SEZ in Xiamen and the neighboring county of Jinjiang, resembled those in the PRD, differing in that most of the initial capital came from Taiwan instead of Hong Kong, and that joint-household enterprises predominated over collectives. Likewise, many TVEs in the old industrial hubs of Shanghai and Tianjin resembled those in Sunan, and it is likely that there were household enterprises oriented toward the domestic market throughout China (like those in Wenzhou), but the lingering official suspicion of private enterprise in some locales forced many of these to disguise themselves as collectives until the reversal of national policy in the mid-1990s.[137]

Some observers have highlighted a fourth "Pingding Model" in reference to Pingding County in the north-central province of

137 Bramall 2007, pp. 60-70; Buck 2012, pp. 13-15; Lin 1997, p. 127.

Shanxi. Apparently this was never promoted by the government as something to be emulated elsewhere, but similar patterns can be found throughout mountainous parts of northern and western China.[138] Like the Sunan Model, this involved collective enterprises using local labor and capital to produce goods for the domestic market, including inputs for industrial use by urban enterprises, but here the production centered on the resource extraction (mining, quarrying, logging) and processing (metallurgy, construction materials, sawmilling) favored by these TVEs' mountainous locations. This model displayed the most continuity with "the five small industries" of the early 1970s, only now the primary goal was not to use these materials locally for agricultural modernization but to make money by selling them to urban enterprises for industrial use.

The various industries in Pingding County itself (including iron smelting, limestone quarrying and construction materials production) centered on coal mining,[139] and about eighty percent of TVEs in the coal-rich provinces of northwest, southwest, central and northern China were coal mines, although at the national level such mines only constituted three in one thousand TVEs.[140] Rural collectives had already begun mining coal as early as the Great Leap Forward, and this sector was promoted as one of the "five smalls" in 1964, but by 1978 only fifteen percent of China's coal was produced by CBEs, the rest being the prerogative of SOEs. With the series of policy changes introduced above, rural coal mining grew exponentially in the 1980s, supplying 49 percent of China's coal by 1995 from 73,000 TVE mines. The sector was able to grow particularly fast in response to China's endemic coal shortage and the state's inability to fund SOEs sufficiently to

138 Bramall 2007, pp. 64-65.

139 Ibid.

140 Rui 2004, pp. 2-3.

keep up with the constantly growing demand for energy. By the mid-1990s, the TVE mines had ended China's history of coal shortage, accounting for 73.5 percent of the total increased output over the previous seventeen years.[141]

This and related industries also profoundly transformed the rural areas where they developed, enriching them but also causing severe pollution and countless injuries and fatalities, and rendering the local economy dependent on a sector that would be largely shuttered in the late 1990s. Shenmu County, Shaanxi, for example, went from being a "key poor county" (重点贫困县) without enough electricity for its own minimal uses in the mid-1980s to a prosperous electricity exporter by the late 1990s. Eighty-five percent of the county's government revenue derived from over two hundred TVE coal mines, which employed about 20,000 of its 350,000 rural residents, paying them over twice as much as they would receive from farming, but still far less than SOEs paid their workers.[142] It was these lower wages and far more precarious employment relations that helped TVE coal mines to prosper, along with their lack of expenditures on safety measures, land recovery, environmental protection and social obligations, in contrast with the requirements of SOEs.[143] Although the mines were nominally collective, many were actually run as private enterprises by their managers, who were often local officials or even cadres from SOE coal mines.[144]

141 Ibid., p. 4.

142 Ibid., p. 6.

143 Ibid., p. 7.

144 To the above four, several other identified patterns of rural industry could be condensed into a fifth describing those parts of central and western China whose TVEs remained predominantly collective, using local labor and capital to process agricultural products and manufacture agricultural inputs and consumer goods for the domestic market. Like the Pingding pattern, this was never officially promoted as a national model, and it

The Rise and Fall of the SOE-TVE Nexus

The success of increasingly privatized rural industrialization in Wenzhou and the PRD ended in urbanization or "townization" (城镇化), as their environments became polluted and agriculture was abandoned—dashing the hopes of 1990s leftists who envisioned TVEs as forging an alternative collectivist path that would overcome the urban-rural divide.[145] The Sunan Model is worth exploring here in some depth, however, because it actually does display an alternative path of development that prospered briefly from the late 1980s through the mid-1990s, until the combination of market forces and state policies led to its collapse. While it seems unlikely that a mere adjustment of policy could have altered this path or turned the model into a national alternative to the foreign-invested, export-oriented one that defined the 2000s, looking more closely at this experience helps to highlight the others by way of contrast, while also showing part of the material basis for the widespread optimism about a pluralistic "market socialism" that characterized the early 1990s. Finally, the rise and fall of this regional production regime was one way the conditions were laid for the subsequent boom of private industry in the early 2000s, as a vast stock of fixed capital, trained personnel,

largely fell apart in the national push to privatize collective enterprises in the late 1990s, although a few collectives held on and managed to survive by carving out niche markets. A prominent example is Nanjie Village in Henan, which has been championed by many leftists as the last bastion of Chinese socialism and a model alternative to capitalist enterprise. However, its success has been made possible only by generous support from the Agricultural Bank of China and the exploitation of non-local workers, who comprise two-thirds of the workforce and do most of the manual labor for the village's twenty-some enterprises without enjoying any of the collective benefits enjoyed by villagers. See Issue 1 of *China Left Review*, 2008.

145 For an overview of these 1990s political discussions about TVEs, see chapter 3 of Alexander Day, *The Peasant in Postsocialist China*, Cambridge University Press, 2013.

relationships and infrastructure were built up in this public sector and then dumped into the market.

The introduction of the dual-track economy allowed for a sudden explosion of consumer demand that would persist for a decade. This meant that SOEs could sell consumer goods at high prices, but the shortage also applied to many of the materials for producing such goods: although materials-producing SOEs were likewise incentivized to expand their production for above-quota sales, it took several years for this expansion to catch up with demand, so material prices were high as well. SOE managers responded by turning to their personal relationships (or creating new ones) with local officials in the surrounding countryside to create new TVEs specially tailored to produce the materials they needed at lower prices than those being sold by other SOEs. Eventually this nexus expanded to outsource components and even final products previously made directly within the SOEs—not only to cut costs, but also to expand production in ways still limited by bureaucratic red tape, state control over urban land use, etc. It was much easier for an SOE manager to have a friend in the countryside open a new factory there than to obtain the land and permits necessary to do so directly in the city. Overall, then, the SOE-TVE nexus was a set of relationships whereby SOEs in a given city outsourced the manufacture of industrial components to collective enterprises in the surrounding countryside, which the SOEs supported by granting loans, donating equipment and sending technicians to train the TVE personnel. This benefited the SOEs by facilitating the expansion of production at minimal cost (often otherwise impossible due to regulations held over from the planned economy), the townships and villages by providing new sources of revenue (in principle shared with all residents as dividends in the collective enterprises), and the TVE employees by providing industrial jobs to rural residents ineligible for positions at urban enterprises.

The nexus predominated in Sunan, much of the broader Jiangnan region of which Sunan is a part (also including Shanghai and northern Zhejiang), and the peripheries of Tianjin and a few other strongholds of state enterprises that managed to adapt to the market economy and even prosper, if only for a few years from the late 1980s through the mid-1990s.[146] As noted above, however, the term "Sunan Model" usually refers mainly to its collective ownership structure, which spans the period before and after the heyday of the SOE-TVE nexus, and which also includes TVEs manufacturing consumer goods as opposed to industrial components for nearby state enterprises. In the greater Shanghai area, this sort of nexus was so successful for TVEs that it briefly raised the income of ruralites as high or perhaps higher than that of urbanites in the late 1980s and early 1990s.[147] This scenario was made possible by the convergence of the aforementioned policy changes promoting TVE formation (and the previous two decades of modernization that rendered many ruralites "surplus" to agricultural work), the only partial marketization of these regions at the time (in contrast with the more complete marketization of the SEZs), the presence of relatively robust and dynamic SOEs there, and the shift in national economic strategy to the promotion of light industry for domestic consumption. That shift created an incentive for consumer-oriented SOEs to expand at an unprecedented rate, and of course this market-oriented expansion was only possible because of the simultaneous decentralization of management and loosening of state monopolies on the production of many goods.

In Shanghai, where this sort of nexus is best documented, key

146 Much of this section is gleaned from Buck 2012, the source of the term "SOE-TVE nexus."

147 Buck 2012, p. 187.

consumer goods produced by SOEs were bicycles, refrigerators, sewing machines, motorcycles and automobiles. By the late 1980s, collective enterprises in the surrounding countryside were producing components for all these industries. Shanghai's SOEs had started subcontracting to CBEs even before 1978, but this did not become a common practice until the 1980s, when the nexus system quickly took shape.[148] In part, this was because Shanghai's economy was still being sheltered from the experiments with foreign investment and more thorough marketization going on in the PRD and elsewhere because the municipality was the state's most important source of revenue, providing one-sixth of the central government's total—among which seventy percent derived from Shanghai's SOE profits.[149] By 1988, then, 31.2 percent of Shanghai's suburban industrial output was produced by 1,446 joint ventures (联营企业) between SOEs and TVEs, championed by the local state as "urban-rural unification."[150] For example, one household refrigerator SOE, a significant source of revenue for the Shanghai government, increased its annual output from 10,000 units in 1985 to 850,000 in 1996, its workforce growing from 557 to 2,740. By 1997 it had developed a supplier base of 76 subcontractors, 41 of which were TVEs. It had also helped its supplier of compressors (the most important component for manufacturing refrigerators) develop its own subcontractor base. At first the refrigerator SOE had imported most of its compressors from Japan, but over this decade it localized 70 percent of its supply, cutting costs by 45 percent. During the same decade, the local compressor factory had increased its annual output from 100,000 to 900,000 units. It had done this largely by helping to set up sixty subcontractors, over half of

148 Ibid. p. 26.

149 Ibid., p. 14.

150 Ibid., p. 27.

which were TVEs.[151]

These networks expanded so rapidly and then contracted so suddenly in part because of the decades-long "shortage economy," which perpetuated the illusion that the SOEs could expand continuously without ever saturating consumer demand. By the time it became evident that conditions had now shifted to a "surplus economy," it was already too late. In this case, the transition from planned to market economy is better understood as two shifts over a period of about ten years: (a) from planned to mixed or "dual-track" (双轨制) economy starting in 1984, and (b) from dual-track to market starting in the mid-1990s. In the dual-track economy of the late 1980s to early 1990s, the heyday of the nexus, "SOEs did not feel market competition until several years later, when production capacity caught up with and surpassed demand."[152] From 1984, a set of state policies permanently constricted the scope of the planned economy. Anything that SOEs produced beyond that scope could henceforth be sold outside bureaucratic channels, with the sellers keeping the profit. Somewhat like the socialist regime (intended as a transition to communism) briefly generated the illusion that it was a stable system capable of reproducing itself with no end in sight, so too did the dual-track economy create a widespread sense that it was a fully formed economic system in its own right, with its own set of institutions. The belief that socialism was stable enough to withstand these vast reforms had blinded many participants to the full extent of a transition that ultimately took on a life of its own. In the same way, the apparent health of the dual-track economy blinded many managers of SOEs and TVEs to their gradual subsumption under the law of value.

151 Ibid.

152 Ibid., p. 81

One result of this was that managers of such firms were still making decisions that only made sense in the context of a shortage economy left over from decades of planning oriented toward heavy industry, basic infrastructure and military production. Under conditions where the rules and signals of the emerging market economy were changing rapidly, the managers of these SOEs and TVEs developed an entire portfolio of business practices that temporarily made sense in the dual-track economy but eventually contributed to its demise: reliance on personal relationships with bureaucrats whose offices were being reorganized or phased out, the design of TVEs around the production of specific components for sale to particular SOE, and the more basic problem of continuing to expand production vastly beyond what the market could absorb. When prices began to fall in the mid-1990s, the SOEs (still not allowed to lay off workers) began scrambling to cut costs by reducing the number of orders from local suppliers and switching to cheaper parts from new TVEs that were popping up in more distant townships. Market rationality replaced the ethics of personal loyalty that local TVE managers had taken for granted. By 1999, between sixty and seventy percent of the local TVE subcontractors for six key industries had closed down in the rural counties of Shanghai.[153] This devastated the economies of these counties, with just one study finding hundreds of thousands of workers laid off in each of the several townships it surveyed.[154]

This devastation dumped a vast stock of experienced workers and machinery into the private economy. Many of these factories were taken over by their managers, often in partnership with capital from elsewhere in China or overseas, and restructured

153 These industries were sewing machines, bicycles, motorcycles, automobiles, refrigerators and measuring instruments. Ibid. p. 5 and 132.

154 Ibid., p. 191.

according to more purely market principles. Local workers were thrown into competition with new migrants from poorer areas. In other cases, the equipment in these now-defunct factories was purchased by private enterprises elsewhere and shipped away. As will be discussed in more detail below, nationally, most collective TVEs were closed or privatized from the mid to the late 1990s, but this occurred last in Shanghai and Sunan. This shows that TVEs were more successful there than elsewhere in purely economic terms, and that they were more important to the state (because they were helping SOEs to generate a crucial source of revenue), so they were not forced to privatize—at first. Here it was not until the SOEs dug their own graves by expanding beyond the nation's capacity to consume their products that the TVEs dependent on them went bankrupt and were either directly privatized or had their equipment sold off to existing private enterprises. This is thus not a typical story about the rise and fall of collective rural enterprises, but the eventual outcome was the same. Thus, it illustrates both the diversity of economic experiences characterizing different parts of China in the apparently fluid 1980s-1990s, and their ultimate collapse under the pressure of the law of value.

The Gestation of Value

Beginning as early as the mid-1980s, domestic production had begun to respond to pressures that increasingly resembled the dictates of value accumulation. These pressures were by no means fully developed, as many TVEs did not become entirely marketized until the mid-1990s, but the form of value had clearly begun its gestation in both the countryside and the SEZs. This was a definitive point in the transition to capitalism, despite the fact that ownership remained nominally public (beyond the borders of a few SEZs). This can be loosely

understood as the emergence of two, initially separate, mutually underdeveloped systems of value, which would merge by the turn of the century. The first was domestic, undergirded by the growth of rural industry and driven largely by local dynamics, such as the new incentive structures conditioned by the household responsibility system. The second was international, marking not just the gestation of a value-form but instead the intrusion into the mainland of the prevailing global system of accumulation. By the 1990s, the two would begin to link, each complementing the other to condition a wave of successive marketization programs that eased the linkage between the developing domestic value-form and the reigning dictates of the global economy.

At the risk of distracting from our main narrative, it's important here to clarify what we mean by "capitalist transition" in some theoretical detail. Value itself is a sort of spectral category that nonetheless takes material form at the social scale: it is a "real abstraction," in the sense that the act of exchanging commodities poses their equivalence, and thereby both retroactively implies the amorphous character of a general, abstract labor that can be actualized in a diversity of commodities and requires the emergence of a general, abstract money commodity to realize this equivalence.[155] The Marxist idea of value, then, does not rely on any subjective act of valuation—this is, perhaps, the greatest difference between Marx's critique of political economy and all forms of economics. Value is absolutely not

155 The concept of "real abstraction" is central to Marx's method, and the clearest recognition of this is usually credited to Alfred Sohn-Rethel's 1977 work, *Intellectual and Manual Labor*. Its very popularity in the academic Marxist cliques of the late 20th century, however, led to extreme misuse, guided by the seasonal fashions of high philosophy. Recent years have brought several attempts to refocus the concept in classically Marxist terms. One good contemporary summary of Marx's use of real abstractions and their connection to the exchange process can be found in: Ray Brassier, 'Concrete-in-Thought, Concrete-in-Act: Marx, Materialism and the Exchange Abstraction' in *Crisis and Critique*, Vol. 5, No.1, 2018.

defined by individual consumers "valuing" one good over another, even if this is an important proximate cause within the sphere of circulation.[156] It is better understood as an emergent process, guided by a machine-like logic that makes use of humans and all kinds of non-human systems as raw material and conveyance mechanisms for its expansion. This process itself, as opposed to individual "values," generates a "value-form."[157] The value-form is an emergent property of capitalist production, which it then drives forward according to its basic internal logic: Capitalist production is undertaken not to serve human needs but instead to increase the mass of value, embodied in commodities. In order for value to be produced in the capitalist sense, however, labor must also be a tradable commodity, defined by its ability to produce a value in excess of the wage, which is realized only when the value produced (in the form of commodities) is successfully sold on the market. This realized value then takes the form of money capital, the bulk of which is funneled back into production as investment. The function of investment is ultimately to produce even greater quantities of value, and at the level of the firm this function is signaled (though often not in any simple linear fashion) by profit. The investment market is therefore defined by differentials in the rate of profit between firms and industries.

156 This has, however, been a point of contention within some schools of Marxism. See, for example: Elena Louisa Lange, "Failed Abstraction: The Problem of Uno Kōzō's Reading of Marx's Theory of the Value Form", *Historical Materialism* 22.1, Brill, Leiden, pp. 1–31.

157 For more detail on this, the school of "value-form theory" has become coherent enough in Anglophone scholarship to be a distinct point of reference. This is a broad category, however, including the early work of Isaak Rubin, the *Neue Marx-Lektüre* in Germany, as well as the work of certain Francophone and Anglophone ultra-leftist theoretical currents. One good source among many is Michael Heinrich's *An Introduction to the Three Volumes of Marx's* Capital, Monthly Review Press, 2012.

Competition via the market, then, plays a vital role at three stages of this process. First, there is the necessity of a general labor market, ensuring that surplus value can be produced as an excess over the wage. Not all workers need to be fully dependent on the wage, but a market wage must be dominant enough to exert an inertial force ensuring that more and more workers will tend to become dependent on the wage, directly or indirectly. Similarly, the market wage must be dominant enough to generate a gravitational pull on those outside of it—i.e., peasants subsisting largely off their own land who trade excess on the market are trading at market prices defined in the end by the cost of labor and its proportion to capital.[158] Second, there is the necessity of a general commodity market for produced goods. Again, not all goods need to be commodified, but there is a general tendency for such a market to constantly increase its scope, pulling more products into market exchange and thereby transforming them into commodities. This transformation also entails the incorporation of these goods into the capitalist technosphere, where the production process tends to become more disaggregated and automated over time. Finally, there is the necessity of a market for capital: both money capital and fixed capital must be tradable and subject to

158 Other types of market exchange have existed historically, of course, the most relevant here being the expansive, largely rural markets that dominated the East Asian mainland from the medieval era well into the Qing. Production for these markets was dominated by artisanal forms of labor, largely undertaken by subsistence farmers selling excess agricultural goods or homemade products. For the vast majority of the population, subsistence was a matter of local agricultural production, rather than the wage. There were arguably one or two periods, during the Southern Song and the early Ming, when local market relations began to extend to agriculture, freeing a substantial portion of labor into wage production in urban centers and thereby creation the potential for a transition to capitalism. For our purposes, we can simply note that this transition never occurred. There was no domestic "capitalist" tradition prior to the late Qing. For an overview of this debate and an explanation of how markets functioned in pre-capitalist mainland East Asia, see Richard Von Glahn, *The Economic History of China: From Antiquity to the Nineteenth Century*, Cambridge University Press, 2016.

market competition, making investment receptive to the rate of profit.

Taken together, these market forces will generate a form of value that tends to increase the productive forces generally. This occurs both due to the inertial force expanding production in absolute terms—i.e. more factories opening, more workers entering the labor force—and in relative terms, via increasing productivity per worker. Competition drives this expansion in both forms. In order to remain in business, individual firms must out-compete others by either finding new markets (in new commodities or simply in new regions) and expanding production to serve them, or by revolutionizing their existing facilities in order to produce greater quantities of goods for less labor. The two are of course not exclusive, and in both regards early entrants take on increased risk and gain increased reward if successful. When others follow, the market stabilizes at its new, increased size and scope. For the economy in general, the total value has expanded. Such expansion is dependent on the ready availability of a workforce whose labor can be purchased at a wage that leaves sufficient room for profit and on the ability of firms to trade finished goods over commodity markets, thus realizing the value created in the production process.

From the late 1970s onward, each of these markets within the Chinese economy was at least partially incomplete. In the early years of reform, the only production that can be said to have generated value in the capitalist sense was taking place within the insulated sphere of the SEZs, to be traded on the global market. But over the course of the 1980s, the rise of the domestic market would see the partial formation of a distinct, albeit infantile, value form operating within the shell of the planned economy. Outside of the SEZs, production for value was most dominant in rural areas with large quantities of TVEs, and particularly (though not exclusively) in those

SEZ-adjacent industries that had become at least somewhat linked to export processing. But socialist-era welfare policies limited the size of the population that was dependent on the wage, particularly among those with urban *hukou*. In the countryside, workers freed from agricultural work by enhanced productivity provided a ready labor market for TVE production. In the urban sphere, this process remained incomplete, with the share of proto-proletarian workers growing, particularly in the coastal cities, but often remaining small compared to workers still more fully incorporated into the "iron rice bowl" of socialist-era, enterprise-based welfare. Nonetheless, growing marketization increased inflation and began to change the character of subsistence, turning more goods into social necessities. This further incentivized entry into the labor market, particularly among the peasantry.

Meanwhile, capital itself was only indirectly subject to market forces, evinced by the relatively low number of factory closures in the period. Firms were allowed to experience the upsides of market competition, but were still insulated from the downsides (i.e. bankruptcy and absorption into more capable competitors). This partial exposure to market forces nonetheless drove SOEs to focus on productivity growth, instead of simply expanding their state allotments or resource consumption, as had been the case in the socialist era. A growing portion of retained revenue thus funneled back into enterprises in the form of new machinery, equipment and training. Overall, by the 1990s, "enterprise funds [had] replaced state appropriations as the major source of finance for research and development."[159] While TVEs and smaller private firms tended toward labor-intensive production, SOEs were capital-intensive, with markedly higher labor productivity. The entire process of technological transformation tended

159 Jefferson and Rawski, 2001, p.252

to enhance competitive pressure, and this ensured that the velocity of marketization itself increased.

Early on, the most radical wing of the remaining socialist-era dissidents, such as Li Zhengtian and Wang Xizhe of the Li Yizhe group, had imagined that economic reforms could be combined with increasing the scope of worker control in order to create a co-operative system of firms coordinated by democratically-regulated, non-capitalist markets.[160] Similarly, the party itself returned to debates from the 1950s on the "socialist law of value." A new, "socialist market" interpretation emerged, in which the market could co-exist with state ownership in a way that precluded transition to capitalism. Since the market was seen as merely a mechanism for administering the circulation of goods, it was imagined that production could remain socialist so long as it was nominally owned and administered by the state—whether embodied in the village committee, the municipal government or a central planning authority. This meant that, alongside increased enterprise autonomy and economic efficiency, economists began to discuss the idea of "socialist profit" and the intentional revival of the law of value, but did not envision these as necessarily leading to the rehabilitation of capitalism.[161]

Both the dissidents and the reformers in power, however, tended to conflate formal ownership with the realities of everyday operation. A capitalist system is indeed founded on private ownership, but equally important is the tendency for the very basis of private ownership to be undercut by the expanding social scope of production. On top of this, ownership as a

160 This vision was modeled on the experience of Yugoslavia, and at the theoretical level bears substantial resemblance to the anarchism of Pierre Joseph Proudhon. See: Sheehan, 1998, pp.144-145.

161 Naughton 1996, p.98

social practice is historically specific: the distinction between previous and modern forms of private ownership lies in capitalist ownership's location within a market defined by the law of value. It is this context that also ensures that the scale of production tends to increase, so the private ownership of production is gradually eroded by more complex forms of administration that tend to span a greater breadth of society.

On one side, this entails private ownership of the means of production on the part of capitalists, who claim the right to administer the excess value generated by the process of production. But the key here is not nominal ownership so much as the specific ownership of tradable commodities. Under capitalism, in contrast with other modes of production, ownership is fundamentally fungible, with the commodity form writing contingency into its basic structure. Ownership thereby becomes the administration of commodities, and nothing deeper. This also means that many distinct styles of ownership and administration can exist within a capitalist system, so long as none threaten the commodity form and the drive toward value accumulation that defines it. Moreover, there is a secular tendency for the scale and extent of production to increase, and this requires that administration itself grow more complex. Ownership follows, becoming both more social (via publicly-traded companies, the transformation of retirement funds into stock market investments, state subsidies paid to industry, etc.) and in many cases more monopolistic. Meanwhile, state-owned firms are relatively common, as are worker cooperatives and small businesses. Capitalism thereby accommodates a vast diversity of methods for the administration of production. Absolutely none of these forms of ownership, including state ownership, can be considered somehow "less" capitalist than the others. In fact, the entire framework of definition here is at fault, the attempt to sum up to capitalism starting from micro-economic units equivalent to an attempt to distinguish water

from ice by counting its molecules.

It is the function of the firm within the overall movement of social production, rather than its nominal ownership or method of administration, that defines its inclusion within a capitalist economy. But if we define the function of individual firms relative to the environment of production, how do we understand their function when this environment is in transition? In such a situation, the character and function of individual firms takes on an added dimension: contributing to, hindering, or otherwise influencing the direction of change. All economies transitioning into capitalism tend to include an array of older forms of ownership, administration and labor which are slowly converted into the greater system of value accumulation and increasingly subject to this system's requirements. The colonies of capitalist countries, for instance, were unambiguously a part of the global capitalist market, even while they utilized the labor of slaves, coolies and indentured servants. In such situations, individual productive units sit on a sort of ecotone—the space where distinct ecosystems of production meet. Some methods of production go extinct, but others adapt. And just as many of these archaic forms are therefore exapted into the capitalist system—sometimes as simple accidents of history, but often because they prove to be equally or more efficient at securing the accumulation of value in a given era than already existing forms of organization. The key question in a period of transition, then, is not one of how exactly sites of production are owned and managed, but instead how they operate relative to the larger pressures of compounding growth and intensive technological transformation that define a capitalist economy.

As these various forms of the market relation began to take hold in China, they gained their own inertia independent from the intentions of reformers. The commodity market, the labor

market and the capital market developed at different rates, but growth in one tended to initiate, cultivate and reinforce growth in the others. In the early 1980s, the commodity market was developing rapidly, the labor market was still limited and the capital market was almost nonexistent. The law of value was largely limited to the SEZs. By the end of the decade, however, the commodity market was pervasive, and it had begun to stimulate the growth of the labor market and facilitate the transformation of TVE ownership into something resembling a locality-based shareholder corporation. At the same time, the growth of the commodity market and the availability of contract labor slowly transformed the methods of production within even the large SOEs. The ability to outsource lower-order operations to smaller firms, combined with technical changes that enhanced productivity would soon create an abundance of obsolete plant and equipment, as well as unnecessary labor. A domestic law of value had begun to take shape, but it was still geographically delimited and internally incomplete. It was also a tumultuous political process, with economic volatility generating popular revolt that threatened the stability of the transition itself.

1970s
–
2000s

III Sinosphere

International Conditions

Overview: Capital in Competition

The fact remains that capitalism is, in essence, a global system, so the transition to capitalism cannot be explained solely in domestic terms. In this section, we return to developments in the global economy, but now focusing on China's new role in the international hierarchy of production. Central to this story is the nature of competition as a driving force of capitalism, taking place simultaneously between firms, countries and regional blocs of capital. As long as growth is robust, this competition leaves sufficient room for mutually beneficial alliances across these levels. But when growth slows across the board, the same competition becomes a zero-sum game.

In such conditions, the role of national alliances of capital and regional trade blocs, centered on different currencies, takes prominence, and international politics becomes a game of juggling financial bubbles while shrugging the worst crises off onto competitors. Trade wars, currency wars and capital wars in emerging markets become the defining features of the economy.

It is in this context that capital as a global system is able to shift its center of gravity. We've already seen how the pivot to the Pacific took place through the Cold War alliance between the US and Japan. This shift was, in historical terms, relatively smooth due to the clear hegemony of the US, the demilitarization of Japan, and the ready availability of military procurement contracts justified by the threat of socialism. But toward the end of the century, greater head-on competition between US and Japanese manufacturers would lead to an all-out trade war, ending in Japan's defeat. Ironically, however, the Japanese crisis, paired with the end of the Cold War, would lead to the conditions in which a new bloc of Sinosphere capital could ascend to the helm of the region. The trade wars continued in the absence of Cold War military contracts, and mainland China rapidly outcompeted Southeast Asian manufacturers in their jostling for greater shares of global supply chains, now assisted by a flood of overseas Chinese capital back into the rapidly liberalizing market via the intermediaries of Hong Kong, Singapore and Taiwan.

All of these changes exerted a powerful gravity on Chinese urbanization and industrial geography. A new form of city began to arise in the key coastal export zones, sprawling, inhuman and constantly re-developed, the earliest incarnation of the delta megacities of today. These new cities were spaces of dispossession, the natural environment of the proletariat. It is no coincidence, then, that the bottom of the capitalist class

system took shape here first, as migrants flooded into places like the Pearl River Delta looking for work. But where these migrants came from, why they migrated, and why other forms of industrial employment had become foreclosed to them will all be explored in Part IV, where we explain the rise of the domestic capitalist class system.

Early Trade and Investment

International trade had never composed a large share of Chinese production in the socialist developmental regime, and much of what did exist was with other socialist countries. The bulk of this had been with the USSR, accounting for almost fifty percent of China's trade between 1952 and 1960 and the major source for an entire range of capital goods, from basic industrial materials to machinery. The revival of industry in Manchuria and the First Five-Year Plan (1953-1957) that followed would have both been impossible without this Soviet support. In exchange, China had exported labor-intensive goods such as textiles and processed foods into the Soviet Union. But even at its height, the trade to GDP ratio never exceeded ten percent. As the Great Leap Forward failed and Sino-Soviet relations began to strain, trade between the two largest countries in the socialist bloc stagnated. Between 1959 and 1970, Chinese trade saw no net growth. By 1970, trade with the USSR had almost entirely dried up, dropping from half of total trade to a miniscule one percent. The effect on the overall trade to GDP ratio was stark, with trade's share dropping to a mere five percent.[1]

If future development were to occur, China would require a new source for the advanced capital goods that it was not

1 Naughton 2007, pp. 377-380

able to produce domestically. This provided the context in which China had approached the question of a diplomatic rapprochement with the US, itself beginning to feel the stir of industrial crisis. Equally important, however, were the regional economic deals that followed from this reconciliation with the military superpower of the Pacific Rim. In step with the US, Japan had normalized diplomatic relations with mainland China in 1972. This was followed by a series of trade agreements over the course of the 1970s, the most important of which was the Long Term Trade Agreement of 1978, aimed at solving the capital goods problem in China by exporting natural resources (namely oil and coal) to resource-poor Japan in exchange for the import of entire industrial plants, including all relevant technology and construction materials. This agreement coincided with the beginning of the crisis of overproduction among Japanese manufacturers, providing an essential market for capital goods that could no longer be profitably put to use in the domestic economy. By 1980, "China was relying on Japan for the largest share of its imports," with Japan composing 26.4 percent of the total. In the same year, Japan was the market for 20.1 percent of Chinese exports, mostly in natural resources. Meanwhile, the bulk of imports were in precisely the capital goods that had begun to experience the most severe profitability declines, including "Heavy Chemical & Industrial Products" and "Machinery & Equipment."[2]

Beginning in the 1970s, then, Chinese trade began to crawl back up from its trough, regaining its socialist-era peak of 10 percent of GDP in 1978 and then climbing steadily throughout the first half of the1980s, with imports and exports arranged via bilateral trade agreements providing roughly equal shares

2 Elspeth Thomson, "Japanese FDI, Exports and Technology Transfer to China," *Centre for Asian Pacific Studies Working Paper Series*, Number 50, 1997. pp.1-4, Tables 1-2

in total trade.[3] During this period, the domestic economy was still thoroughly insulated from the capitalist market by a "double air lock" in which the state monopolized foreign trade, allowing only twelve nationalized trade companies to facilitate the relationships laid out in the trade agreements. Meanwhile, the value of the Chinese yuan was completely severed from international currency markets, being set at a planned rate, making it unconvertible. Dual prices therefore existed for internationally traded goods and a dual-track currency system was instituted, with the yuan untradeable on the global market and special market-rate foreign exchange certificates issued in its place.[4]

This system, however, was entirely dependent on a steady stream of oil and coal. Production at Daqing Oil Field, the largest in China (and among the largest in the world) had been accompanied by new output from a string of smaller fields opened throughout the Cultural Revolution, leading to a rapid 20 percent annual growth rate in total petroleum output between 1969 and 1977. Growth was so rapid that "planners were stating that China would approach Saudi Arabia's position as the world's third largest petroleum producer" by 1985.[5] The Ten Year Plan of 1976-1985 (the first formulated by Deng Xiaoping's leadership) was founded on a series of mega-projects, built with imports of industrial goods (including entire plants) from the capitalist world paid for in oil. The gargantuan size of the plan was made possible by the presumption that oil output would continue to grow at the same rapid rate, despite the fact that the reserves presumed to exist had not actually been verified. In the end, the reserves never materialized, overexploitation in the early 1970s had caused lasting damage

3 Naughton 2007, Figure 16.1

4 Ibid, pp.380-381

5 Naughton 1996, p.69

to long-term productivity, and petroleum production peaked at the very beginning of the Ten Year Plan, right as many of the trade agreements were being signed.[6]

The result was the growth of a massive deficit between revenues and the amount of future foreign reserve obligations.[7] Many contracts were ultimately cancelled, but the situation also encouraged the reform of both commodity and currency airlocks insulating the Chinese economy from global market prices. If these airlocks could be carefully worked around, it would allow for new means of paying for necessary development outlays—in particular the expensive plant and equipment being imported from Japan. By the mid-1980s, the yuan was intentionally devalued, beginning to bring it in line with global currency markets (though it remained at a state-set exchange rate), and by the early 1990s the dual-track currency system had been entirely abolished.[8] Meanwhile, the passage of the Plaza Accord in 1985 saw rapid inflation in the yen, while the dollar (as well as many Southeast Asian currencies that were pegged to it) became more competitive. The newly devalued yuan was well positioned to begin competing with the dollar-pegged currencies of Southeast Asia for a position within the lower rungs of the Pacific Rim hierarchy.

The rise of labor-intensive production hubs in rural areas (particularly in the key river deltas) had already positioned the mainland to benefit from increased demand for light industrial goods. The productive capacity of the TVEs was evident, and the domestic market had begun to shift from persistent shortage to surplus. A building crisis of overproduction meant that any TVEs able to find new markets would not only be

6 Ibid, pp.71-73, Figure 2.

7 Ibid, p.71

8 Naughton 2007, p.383

saved from bankruptcy, but also catapulted far ahead of their competitors. The second airlock insulating the domestic economy was therefore overcome through the establishment of the Special Economic Zones (SEZs), the first of which were all in relatively poor coastal stretches in Guangdong and Fujian provinces, near Hong Kong and Taiwan. This was accompanied by a massive increase in the number of companies allowed to engage in foreign trade, many of which were located in the SEZs, which allowed duty-free imports on the condition that they were used within the zone for the production of goods for export.[9] The result was that by 1987, "China had established what were, in essence, two separate trading regimes," one of which was fully marketized and geared toward export and the other a partially-reformed, more heavily regulated "ordinary trade" regime.[10] The nature of exports also changed in this period. While petroleum had still been the largest export product in 1985, composing some 20 percent of the total, "by 1995 all of China's top export commodities were labor-intensive manufactured goods."[11]

This boom was spurred by both the rapid growth in the domestic economy and a large influx of Foreign Direct Investment (FDI). While very few (2.6 percent of the total in 1980) of the mainland's early imports originated in Hong Kong and Macao, these areas would act as a key interface between the rapidly changing developmental regime and the capitalist sphere into which it was slowly being incorporated. Hong Kong and Macao soon came to dominate China's share of inbound foreign investment, providing 51.6 percent of all FDI by 1983, followed by Japan at 20.4 percent and the US at

9 Ibid, p. 382

10 Ibid, p. 386

11 Ibid, p. 393

9.1 percent.[12] Some of this was due to the illicit recycling of mainland capital and the unrecorded funneling of Taiwanese investment through Hong Kong financial markets, but the role of Hong Kong itself cannot be exaggerated. Even prior to the founding of the SEZs (the most important of which was in neighboring Shenzhen, directly across the border), Hong Kong firms had been allowed to sign export-processing contracts with Chinese firms (CBEs and TVEs) in the Pearl River Delta (PRD).[13]

This was the beginning of Hong Kong's own deindustrialization, as both local firms and international subcontractors for Japanese corporations operating in the territory shifted their manufacturing capacities across the border to the PRD. Never the beneficiary of the heavy-industrial military contracts awarded to Japan and South Korea, Hong Kong's manufacturing sector was largely composed of smaller, light industrial workshops. These plants were relatively cheap to move, and their decentralized nature, with laborers dispersed and disciplined as much by traditional family hierarchies as by simple wage exploitation, helped to prevent the type of militant workers' movement that would form in the industrial zones of South Korea. When they offshored, these firms left their administrative, financial and marketing components in Hong Kong, with upper management still able to make the short commute across the border when necessary. Early on, Hong Kong also provided raw materials, components and blueprints, in what was known as the "three supplies, one compensation" (三来一补) system. The "one compensation" was a lump sum payment given from the Hong Kong firm to the local contractor, paid in installments of American or Hong Kong dollars. This payment went directly to the local bureaucrats,

12 Thomson 1997, p.3

13 Naughton 2007, p.382

cadres and managers who had secured the contract. The workers themselves were paid in yuan on a piecework basis, with the remainder of the foreign currency often liquidated on the black market for a high exchange rate or laundered via Hong Kong banks for reinvestment.[14]

Similarly, goods produced in the PRD were often not shipped directly out of mainland ports to their end markets, but were instead funneled through the duty-free Port of Hong Kong, helping to make it the busiest container port in the world between 1987 and 1989, then again in 1992 to 1997.[15] The ultimate result was "one of the most rapid de-industrializations in any contemporary society."[16] This process began with the opening of Chinese trade to Hong Kong industries in the last years of the 1970s, accelerated with the founding of the SEZs, and then skyrocketed with the global trade shifts associated with the signing of the Plaza Accord—itself a result of a low-level trade war between the US and Japan. Hong Kong's manufacturing workforce fell in both absolute and relative terms, from "892,000 workers in 1980, [it] shrank to about 327,000 workers in 1996," and "from about 47% [of the total labor force] in 1971, to only 14% in 1996."[17] Tertiary

14 George C.S. Lin, *Red Capitalism in South China: Growth and Development of the Pearl River Delta,* UBC Press 1997, pp.172-174

15 In each instance Hong Kong was overtaken by Singapore, which played a similar role for both Southeast Asia and mainland China throughout this period. In more recent years, mainland ports have dominated the rankings, with 7 of the 10 busiest container ports in the world in 2017 located in the mainland. For the details on Singapore overtaking Hong Kong, see: "Hong Kong hands port crown to Singapore," *Asia Times*, 2005, archived here: <https://www.container-transportation.com/singapore-becomes-largest-container-port.html>

16 Graeme Lang, Catherine Chiu and Mary Pang, "Impact of Plan Relocation to China on Manufacturing Workers in Hong Kong," in, Pui-tak Lee, Ed., *Hong Kong Reintegrating with China: Political, Cultural and Social Dimensions*, Hong Kong University Press, 2001. p.110

17 Ibid

industry grew in its place, Hong Kong regaining its status as a key entrepôt for global trade and gaining a new role as one of the region's financial hubs. By 1996, "over 40 percent of Hong Kong's GDP derived from finance and banking, trade and transport service."[18] On the mainland, this meant that the early reliance on Japanese capital goods was now superseded by global regimes of trade and finance administered via the (now-former) colony.

Urban Behemoth

Capitalist production takes on its fullest, objective form at the scale of society itself. People's ways of living and working change, their patterns of movement are attuned to the flow of value, the non-human environment is gutted, settled, abandoned and reconstituted as a space for recreation or "ecological services" and human population concentrates alongside capital, knit together by a growing technosphere of roadways and swirling satellites. But the cities of the East Asian mainland have long memories. Old regimes of production are chiseled into their foundations, the chaos of collapsed polities ground into mortar for the new. As in Europe, the initial subsumption of the East Asian mainland into capitalist production would inherit an established network of distinctly non-capitalist urban agglomerations, themselves shaped and reshaped by hundreds of years of warfare and economic transformation. The first, halted stage of transition in the late Qing and Republican years saw the rapid growth of older coastal and river port cities capable of operating as entrepôts connecting the continent's massive agricultural sea to the

18 Graham E. Johnson, "Degrees of Dependency, Degrees of Interdependency: Hong Kong's Changing Links to the Mainland and the World," in Pui-tak Lee, Ed., *Hong Kong Reintegrating with China: Political, Cultural and Social Dimensions,* Hong Kong University Press, 2001. p.86

global market. Shanghai, Guangzhou, Wuhan, Nanjing and a few other ancient cities benefited from this process, growing at the expense of their landlocked counterparts. A number of new urban concentrations also arose in the same period, Qingdao being a representative case, and the late stages of this early transition, carried out under Japanese occupation, would see rapid colonial urbanization in Manchuria as well as wartime development of some interior cities, such as Chongqing.

The socialist developmental regime both halted this process of urbanization and hardened the divide between urban and rural spheres. Rates of urbanization had long been lower in the East Asian mainland than in pre-capitalist Europe, and rural population density was generally much higher. Both characteristics were ultimately carried over into the socialist era. But the developmental regime also anchored population to localities in unprecedented ways. The *hukou* system formalized the urban-rural divide while also making migration across equivalent localities into a bureaucratic hurdle. Intra-rural migration in the period was likely lower than the already low levels experienced in the era of the pre-capitalist dynasties. In the cities, the *danwei* tied subsistence to the enterprise, and labor turnover throughout the socialist era was incredibly low. This had the effect of not only limiting intra-urban migration, but also balkanizing the cities themselves. Each enterprise became increasingly autarkic, providing housing, food and entertainment for its own workers. The region's ancient cities had long cycled through relatively closed and open periods, defined on one extreme by the ward system of the Tang, when freedom of movement was carefully curtailed, and on the other by the open cities of the Song or early capitalist era, when freedom of movement was essential to increasingly marketized production. Though the socialist era city did not explicitly curtail urbanites' movement within the city, the enterprise acted as a sort of informal ward system, since

members of a given enterprise tended to live, eat and partake in leisure activities within the same spaces, many of which were physically demarcated with systems of walls, gates and courtyards.

This balkanization began to break down in the southern coastal cities first, since these were the areas with the lowest concentrations of large state-owned enterprises and the longest histories of small-scale production. As early as the 1960s, cities like Shanghai and Guangzhou already saw the emergence of proto-proletarians not well-defined by either *danwei* or *hukou*. As "worker-peasants," some within this class were actually residents of neighboring rural areas who would be shipped into the city during down seasons in agricultural production. Others, known as "lane labor" (里弄工), were simply the poorly-incorporated segment of urbanites (mostly female) who had no strong connection to a given enterprise and therefore could be recruited from the lanes and alleyways between the large enterprise complexes. The very ability of these workers to traverse the boundaries of the socialist city was the reason they were attractive sources of labor for local enterprises. When "worker peasants" finished a contract, they could be sent back to the countryside. They got a boost in income, urban administrators did not have to provide outlays for their subsistence and industrial enterprises could obtain abundant low-cost inputs for production. Similarly, "lane labor" could be used to cheapen reproductive costs for workers higher in the urban hierarchy, with women and unemployed youth recruited to do laundry, prepare food and produce and repair clothing for workers in the large industrial enterprises. Meanwhile, the enterprise did not have to provide the full *danwei* benefits to such workers, instead offering wages or an array of more limited benefits.

As urban industry was reformed, this proto-proletariat

would grow in size, labor turnover would increase, and the balkanization of the socialist city would give way to rapid urban growth fed by probably the largest mass migration in human history. At the same time, rural industrialization, driven by the new domestic market, would see the emergence of a sprawling new urban geography—first in the river delta cities, where old urban agglomerations would expand to meet newly urbanized "towns," and later in the growth of entirely new, properly urban concentrations out of smaller cities and market towns in what had once been exclusively agricultural areas. If the large SOE complex defined the urban structure of the socialist era, it was the rise of the TVE and, later, the fully private firm that would define the expansive urban geography of China's entry into capitalism. The size and scale of this process also ensured that these new capitalist cities would take on gargantuan proportions befitting the global market they served. Between 1978 and 1990, the number of cities in China more than doubled, from a mere 193 to some 467, and the number of cities with a population greater than one million grew from thirteen to thirty-one.[19]

Though it's helpful to think about the accumulation of value on an abstract level, in order to identify its core laws of motion, these laws nonetheless operate objectively, shaping both space and society. The fall of the rate of profit is an abstracted description of a very wide aggregate of investment decisions made by individual firms operating on a market that has reached a certain level of saturation. But its objective form is both social and spatial. At the social level, the cycle of boom and bust ultimately generates new modes of living, new cultural practices, and new waves of unrest and reaction. At the spatial level, crisis is embodied in the senescence of old

19 George C.S. Lin, *Red Capitalism in South China: Growth and Development of the Pearl River Delta*, UBC Press, 1997. pp.63-65

industrial cores, accompanied by a fierce global competition to take their place at the cutting edge of global production. Across the rustbelts, obsolete factories are shuttered, profitable investment concentrates on a few remaining firms, and infrastructure decays. Alongside this, unemployment and out-migration both tend to increase, the black market grows and unrest may become more common, but in general the area undergoes a drawn-out decline through attrition.

Many cities compete to helm key segments of the new industrial structure, but the outcome is often determined by structural factors and historical inertia, with the whims of the ruling class also contributing a small but not insignificant influence. In the last wave of global industrial restructuring, for example, a location along the Pacific Rim coastline was among the most valuable endowments a city could have—coastal development a factor of expanding global trade, and Pacific urbanization generating a feedback effect whereby the changing center of gravity of accumulation conditioned new urban development, and this new urban development brought with it a wave of new infrastructural investment that further reinforced the eastward tilt of capital. At the same time, the scale of the new industrial structure is always larger than its predecessor, due to the drive for compounding growth that sits at the core of the capitalist economic system. But, though its sheer mass may increase, production itself tends to shed labor relative to capital, and short of major waves of destruction (such as those wrought by the world wars), newly revolutionized industries will on average directly employ smaller and smaller shares of the population compared to the cutting-edge facilities of the last industrial revolution. The pool of new employment in the most productive industries, over which firms and cities compete, then, tends to shrink in relative terms, and a larger share of employment in general is exposed to greater pressure to cheapen labor costs. In each wave of industrial restructuring,

the rustbelts become more numerous and the sunbelts either more exclusive or more exploitative, with greater numbers of cities suspended somewhere in between. Direct dependency on the core industries also decreases, with more urban areas dependent on the indirect maintenance of productive hubs located elsewhere.

As we have already seen, this competition is also international in scale, with the success of the Chinese sunbelt cities built on the inability of competitors in Southeast Asian manufacturing to secure more of the global market. Global trends in profitability also clearly structure the new production hubs, with falling profitability not only spurring increased foreign trade, but specifically doing so in pursuit of a cheap, underutilized workforce that can be briefly super-exploited relative to the average cost of labor. While the spread of the American rustbelt, for example, was accompanied by the rise of both a cheap-labor sunbelt (across the southern states) and the ascendance of a series of coastal cities founded on high-tech industries and producer services, the Chinese sunbelt—defined by the most rapid rates of urbanization and economic output—would also be largely coastal, but was defined from the start by its concentration of labor-intensive industries tied to global logistics networks. This was the character of the sunbelt in the period we review here, prior to the rise of China's high-tech hubs and the ascent of Shanghai, Guangzhou and Beijing as true "global cities" comparable to Tokyo or Los Angeles.

If any single area was particularly representative of Chinese urbanization in this period, it would likely be the Pearl River Delta (PRD), and specifically the area in and around Shenzhen, the most successful of the first four SEZs established in 1980. Urban development in the PRD is symbolic of all the larger trends detailed above. Like Chinese capitalist industrialization

more generally, it began not in the established city (nearby Guangzhou), but instead in the rural downriver portion of the delta. Similarly, its industrial composition was defined by the demands of the global economy, even while it was coordinated via extremely local networks of family, village and regional identity. Production was founded on a pool of super-exploited migrant labor, drawn from the countryside and employed in labor-intensive industries for long hours at extremely low wages (compared to global and regional averages). These industries developed alongside a boom in the construction of basic logistics infrastructure, linking new firms directly to the global market via the Port of Hong Kong (and, soon, a string of ports on the mainland side). The ultimate result of all this was the creation of one the world's largest urban agglomerations, incorporating massive swaths of undeveloped rural land, encompassing several ancient cities and townships and sprawling out in ever-changing patterns of production, settlement and redevelopment that not only embody rapid Chinese economic development but also arc toward a certain ideal of capitalist urbanization itself.[20]

Sky without a Moon

In 1980, when Shenzhen was declared one of China's first four SEZs, it was little more than a small market town encircled by agricultural land. Its population was somewhere around thirty thousand, including many who worked on nearby farms. Neither the market town nor the agricultural periphery had fared particularly well under the developmental regime, which funneled industrial investment into larger cities at the expense

20 For the size and growth trends of the PRD, see: "East Asia's Changing Urban Landscape: Measuring a Decade of Spatial Growth. Urban Development," *The World Bank*, 2015. <https://openknowledge.worldbank.org/handle/10986/21159>

of smaller ones and emphasized grain production even in regions better suited to different crops. By the advent of the reform era, the entire region had become severely underdeveloped.[21] But it also stood at the interface between booming capitalist Hong Kong and the mainland, and the area around Guangzhou had boasted some of the most active popular support for reform early on—often carefully cultivated by Zhao Ziyang (Premier from 1980 to 1987) in his time as Guangdong's Party Secretary. Opening the area up for experimentation therefore had few downsides, while both its location and recent history added to the potential for successful reform.

Even prior to the development of export industries, South China more broadly (particularly Guangdong and Fujian) had utilized its climatic and historical endowments to become one of the fastest-growing centers of commercial production in the early years of reform. The tropical and sub-tropical climate accommodated a more diverse agricultural output than most parts of the north, and the old commercial networks that had once tied the region together began to reemerge alongside the growth of the rural market. Before the socialist era, the region had dominated in production of fish, silk, sugar, tropical fruits and vegetables, alongside its capacity for rice cultivation. During the earlier transition to capitalism, stalled by the outbreak of war and revolution, the industrial output of South China had been closely linked to these endowments. Light industry was central, including food processing, textiles

21 This was a notable change for what had once been one of the most industrialized regions in China (alongside Shanghai), and a key site in the first, stalled transition. The PRD was, in fact, where the modern workers movement started, with China's first two labor unions founded by anarchists in Guangzhou the 1910s, and important strikes occurring until the movement was crushed in the white terror of 1927. Seasonal waged labor had been common, and even smaller cities in the orbit of Guangzhou such as Foshan had become industrialized and linked to global trade. The region was effectively deindustrialized under the developmental regime.

and the production of basic consumer goods. When the market reemerged in the countryside, the same industries were well positioned for a revival.[22]

South China as a whole "received 42 percent of all realized foreign capital investment" in the years between 1979 to 1994, and, by 1995, it contributed "over 47 percent of the total export output generated by the whole nation."[23] Throughout this period, the Pearl River Delta acted as probably the single most important core of production in the region. The Delta area alone contributed some 17.34 percent of national export output in 1990, and received 18.95 percent of realized foreign investment. By that same year, it had already grown to dominance within the provincial economy, producing 68.8 percent of Guangdong's gross value of industrial and agricultural output.[24] Nor was this the peak of its influence: by 2000, "Guangdong province accounted for 42 percent of all China's exports" and 90 percent "came from eight cities in the Pearl River Delta, led by Shenzhen."[25] Shenzhen itself became the fastest growing city in the world, its GDP growth rate averaging just over 30 percent between 1980 and 2000. By 2010, it had gone from a fishing town of thirty thousand to a massive city of some 10.4 million.[26] Trends in population

22 Lin 1997, pp.63-65

23 ibid, p.66

24 ibid, p.81, Table 5.1

25 Ching Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt,* University of California Press, 2007. p.161

26 The Chinese administrative definition of "city" (*shi*市) is not entirely commensurate with the English connotation of the word, nor does it match the Western administrative category. Though the Chinese *shi* will often refer to what we'd think of as a city, it is also commonly used to signify a "prefecture-level city" (地级市), which includes a central city area, its connected suburbs and a substantial portion of surrounding rural land. Nonetheless, since the PRD as a whole is now considered to be a coherent megacity (as measured by the World Bank), Shenzhen alone is certainly

growth and urban development matched these numbers. From a meager urban growth rate of 0.75 percent between 1957 and 1978 (in the "Inner Delta," excluding Shenzhen, not yet a city; and Guangzhou, the largest city with strict migration restrictions), the delta's urban population (in fully "built-up" areas) grew by 7.21 percent between 1982 and 1990 (numbers that include urbanizing Shenzhen and Guangzhou once migration restrictions were removed).[27]

Much of this growth was driven by the influx of "temporary" migrant workers from the greater region as well as inland China. In the early 1980s, migration restrictions were relaxed, and by 1984 migrants from the countryside were formally allowed to travel to a number of specially designated towns to do non-agricultural work. By 1985, not only could peasants work in designated towns, but they could also freely move to any nearby township to do certain types of work (construction, retail and transport). Siphoning off surplus rural labor, such policies began to rapidly increase the proto-proletariat population across China. But the phenomenon was most pronounced in the South, especially within the PRD. Early on, this phenomenon was largely provincial. In the 1980s, the share of migrants coming from outside Guangdong remained relatively low, having grown from nothing to a mere 11 percent of total migrants in 1988. This population would grow much more rapidly in the 1990s, but, prior to this, migration into the PRD was dominated by an influx of surplus rural laborers drawn from the surrounding region. Compared to the small

built-up enough to be characterized as a city in the common sense of the word, despite the persistence of some swaths of agricultural production and less developed green space within its administrative boundaries. For data on Shenzhen's growth, see: Wendell Cox, "The Evolving Urban Form: Shenzhen," *New Geography*, 25 May 2012. <http://www.newgeography.com/content/002862-the-evolving-urban-form-shenzhen>

27 Lin 1997, pp.85 and 104, Table 5.10

share of long-distance temporaries, some 88 percent of total migrants in 1988 originated in Guangdong, the bulk of these being short distance migrants from rural areas within or adjacent to the PRD. The vast majority of these first-generation migrants were unmarried young women doing factory work. This "temporary" population grew at an annual average rate of just under 30 percent for the province as a whole between 1982 and 1990, but within the Delta region it averaged more than 40 percent. In 1982, the PRD had contained some 37.25 percent of the province's total population of temporaries, only slightly above its share of total provincial population. But by 1990, just under 80 percent (almost 3 million) of all temporaries in Guangdong lived and worked in the PRD.[28]

Shenzhen, Dongguan, Bao'an and Guangzhou led these trends, altogether containing more than half of the total temporary population in the Delta as a whole, each with between 15 and 18 percent.[29] Not surprisingly, these were also the areas with the highest per capita output value in 1990 and some of the fastest growth rates in output value over the course of the 1980s. Though the established city of Guangzhou would remain the largest single contributor to the region's output, its share of the total was halved from 44 percent in 1980 to 22 percent in 1990, while Shenzhen's grew from a mere 0.39 percent to 12.44 percent over the same period, followed by slightly weaker growth in most of the delta's other established towns.[30] The ultimate effect was an almost perfect case study of what has been called "urbanization from below," driven by the transformation of small towns and rural areas into properly urban agglomerations. But in the interim between the PRD's largely rural origin and the formation of a genuine

28 Ibid, pp.96-99

29 Ibid, p.100, Table 5.8

30 Ibid, pp.90-91, Table 5.6 and Map 5.2

mega-city around 2010, migration into built-up urban areas only composed some 26.6 percent of all migration within the region (between 1980 and 1990). Instead of immediate urbanization, then, migration to small towns (71 percent of all migration) dominated in the first decade of reform.[31]

The cities that resulted were defined by what scholars and locals began to call "rural-urban integration" (城乡一体化), marked by growing sprawl and intensive industrialization and agriculture.[32] Overall, however, cultivated land "diminished from 2.58 million acres [10,440 square kilometers] in 1980 to 2.25 million acres in 1990," while the built-up area of designated towns (not including areas designated as cities, where growth was limited) increased at an average annual rate of 23.98 percent over the same years, adding some 67 square kilometers of urban space per year for the entire decade.[33] Industry was similarly sprawling and diverse, dominated by small workshops of less than 200 workers on average, many employing as few as a dozen. In these years, there were simply no major plants (outside the remaining SOEs in Guangzhou) or even substantial factory agglomerations. Old commune dining halls were converted into light industrial workshops, followed by newly constructed buildings no more than two or three stories high with a handful of large rooms. Locals soon began describing the new geography of production with a phrase as poetic as it was accurate: "a spread of numerous stars in the sky without a large shining moon in the center" (满天星斗缺少一轮明月).[34]

31 Ibid, pp.110-111, Tables 5.11 and 5.12

32 Ibid, p.71

33 Ibid, p.114 Table 5.14

34 ibid

The Bamboo Network

The growing financial prominence of Hong Kong in this period was not simply a factor of geographical proximity. Direct family connections and indirect cultural influence were equally important, with much of the early development in the PRD facilitated by extended family networks, communication between the production and administrative wings of the firm taking place in Cantonese, and the predominantly female labor force disciplined by clan or place-based loyalties. Many of these continuities were long-standing features of Southern Chinese history, but just as many were the result of much more recent events. Of particular importance was the influx of Nationalist-aligned refugees into Hong Kong as the war ended and mainland industry was restructured in the early years of the developmental regime. Paired with the territory's status as a British colony, this concentrated a large, cheap labor force alongside a mass of capital smuggled from the mainland by the wealthier of these refugees, who also had managerial expertise and international connections. Particularly important was the mass relocation of Shanghai businessmen in the late 1940s, bringing start-up capital and extensive knowledge of light industry to the island at precisely the time when its prominence as an entrepôt had been strangled by the revolution on the mainland. This combination of capital and cheap labor worked to rapidly industrialize the colony over the next two decades. Then, when mainland trade opened again, the same factors would drive two decades of rapid deindustrialization.[35]

But the émigré capitalists in Hong Kong (and Taiwan) were only one fraction of a much larger Chinese capital network extending across Southeast Asia and the Pacific more

35 Johnson 2001, pp.84-86

generally.[36] Often called the "bamboo network," the roots of this concentration of overseas Chinese capital can be found the period of Ming and Qing regional hegemony that preceded the imperialist expansion of Europe and Japan. During the Ming, Zheng He's diplomatic missions (between 1405 and 1433) established rudimentary trade networks across the South China Sea and Indian Ocean, often helmed by Cantonese and Hokkien traders. A larger wave of migrants into the region followed the rise of the Qing, as Ming-loyalist armies fought the new dynasty from a series of southern holdouts that were slowly overrun throughout the latter half of the 17th century. These migrants, speaking southern Chinese dialects, filtered into Southeast Asia, in some places slowly incorporating into local economic and political regimes in places like Thailand, and in other areas founding their own polities, such as the Lanfang Republic in Western Borneo. By the middle of the 17th century, Chinese settlers in Taiwan and Southeast Asia numbered more than a hundred thousand.[37] Everywhere these migrants went, they continued the tradition established in the Ming Era, founding their own (usually family-based) conglomerates to facilitate trade, mining, agriculture and light industry across Southeast Asia.

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36 There are a number of works documenting this network, which is defined in a variety of ways. The information below is drawn from a range of these works, including the sources cited throughout and several more general overviews: Murray Weidenbaum and Samuel Hughes, *The Bamboo Network: How Expatriate Chinese Entrepreneurs are Creating a New Economic Superpower in Asia*, Free Press, 1996; Brian C. Folk and K.S. Jomo, *Ethnic Business: Chinese Capitalism in Southeast Asia*, First Edition, Routledge, 2003; Cheung, Gordon C. K. Cheung and Edmund Terence Gomez, "Hong Kong's Diaspora, Networks, and Family Business in the United Kingdom: A History of the Chinese 'Food Chain' and the Case of W. Wing Yip Group," *China Review*, Chinese University Press, Volume 12, Number 1, Spring 2012. pp. 45-72.

37 Zhuang Guotu, "Trends of Overseas Chinese Business Network in East Asia: As Mirrored from Overseas Chinese Investment in Mainland China since 1978," *Institute of International Relations and Area Studies*, Ritsumeikan University, Volume 4, 2006. pp.1-23

With the rise of Western (and then Japanese) colonialism and the slow collapse of the Qing under foreign pressure and internal revolt, the character of this diaspora network again began to shift. Many Southeast Asian polities (including the Lanfang Republic) fell to European imperial expansion, later replaced by the US and Japan. The Chinese economic networks in these areas were, however, often preserved and sometimes even given preferential status by colonial administrators. A third wave of migrants flooded out of war-torn Southern China following the Taiping Rebellion in the mid-19th century, at which point Chinese migrants in Southeast Asia already numbered over a million, with two million Chinese in Taiwan slowly displacing the indigenous population to become the island's majority.[38] Some of this new wave of migrants again filtered into Southeast Asia, but many were now drawn to new labor markets in the Americas and Australasia, where they staffed booms in mining and railroad expansion. Though the largest of these countries later expelled many migrants, the diaspora left a lasting influence, with substantial local business networks forming in Pacific Rim cities like San Francisco and Lima. During the late Qing years, Sun Yat-sen famously toured overseas Chinese settlements in order to raise funds for the Revolutionary Alliance—signaling both the cultural continuities of these networks and their relatively high level of dormant capital.

As unrest continued after the fall of the Qing and into the Republican period, a final surge of southern migrants moved into Southeast Asia (particularly Malaysia and Singapore) and then, after the victory of the communists, into Taiwan and Hong Kong.[39] Again, these diaspora populations would

38 Zhuang 2006, p.5

39 Another large migration would begin in 1984, this time out of

become central pillars of local trade and industrial networks, sometimes facilitated by colonial powers and often creating local ethnic inequalities that led to violent confrontations, in some cases culminating in anti-Chinese riots and pogroms: particularly in Indonesia (1965-1966 and 1998), Malaysia (1969) and Burma (1967), causing new waves of intra-regional migration. Such events were one factor, for instance, in the formation of an independent, Chinese-dominated Singapore. In other cases, the Chinese business class underwent a greater degree of assimilation, as in Thailand and, to a lesser extent, the Philippines. But in all instances, the bamboo network retained substantial control over trade ties and large stocks of sitting capital, ultimately capable of contributing to the formation of the Pacific Rim region at a scale comparable to that of Japan, and playing an absolutely central role in the ascent of China within the global economy.

Throughout the late Qing and Republican periods, investment from this bamboo network back into China was minimal compared to the value of labor remittances. Investment from overseas Chinese is estimated to have been $128.74 million (in 1937 dollars) between the late 19th century and 1949, with some eighty percent of this investment concentrated in Guangdong and Fujian. By contrast, remittances amounted to some $3.5 billion (also in 1937 dollars) during roughly the same period.[40] During the socialist era, when remittances

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Hong Kong entirely, spurred by the decision to transfer the colony from British control to the mainland. The effects of this migration were most visible in places like Vancouver, BC, where the influx of Cantonese capital completely reshaped the city. The ultimate effect has simply been an even greater integration of Pacific Rim capital networks, with these new settlements in Canada facilitating much more recent mainland interests in Canadian natural resources, to take one example.

40 Lin Jinzhi, *Jin Dai Huaqiao Tuozi Guonei Qiye Gailun* (General view of Overseas Chinese invested enterprises in China in the modern period), Xiamen University Press, p. 53.

could not be sent directly to the mainland, Hong Kong became an essential financial intermediary between the overseas Chinese population and their relatives in China. As ethnic tensions accompanied decolonization across Southeast Asia, Hong Kong (alongside Singapore) also became an important repository for bamboo network capital. Between 1949 and 1990 "some HK$ 73bn. was invested into Hong Kong by the Chinese from Southeast Asia," an amount that exceeded both US and Japanese investment over the same period.[41]

The concurrent boom in several Southeast Asian countries (namely Thailand, Malaysia, Indonesia and, to a lesser extent, the Philippines) also tended to benefit local Chinese conglomerates. Indonesia is a notable example. Following the fall of Sukarno and the anti-communist genocide in 1965, Suharto's New Order regime instituted a military-backed developmental program aimed at reconstructing the country's decaying colonial-era infrastructure, revolutionizing agricultural productivity and drawing in foreign capital. As in China in the same period, the major initial attraction for foreign capital was access to oil and other raw materials. Resource-poor Japan again played a leading role there, reviving trade relationships originally established as part of the Co-Prosperity Sphere. Chinese *cukong* (主公—a Hokkien term) capitalists played an essential role in this process of internationalization. First, they were able to draw on pools of sitting capital in Hong Kong, Taiwan and elsewhere to funnel into domestic production. Second, they were considered reliable partners by non-Chinese foreign capitalists, who saw the *cukong* firms as the only domestic forces with "the necessary corporate, capital and distribution apparatus in place, and the business 'culture' essential to the making of profits."[42] These same factors gave

41 Zhuang 2006, p.9

42 Richard Robinson, *Indonesia: The Rise of Capital*, Equinox Publish-

them preferential status among the country's military leaders, who offered monopoly contracts, cheap credit and lucrative deals with state-owned enterprises.

Locally, this generated deep-seated inequalities between Chinese and indigenous capitalists, as well as a more general ethnically-coded inequality experienced by poor Indonesians in their interactions with Chinese shop-owners or in working for Chinese conglomerates. Though the exact weight of Chinese capital in the New Order economy has long been debated, it's clear that *cukong* firms dominated production, especially outside of the large state-owned infrastructure projects. By the mid-1980s, a common estimate was that "the Chinese own, at the very least, 70%-75% of private domestic capital and Chinese business groups continue to dominate medium and large-scale corporate capital."This also meant that, aside from Suharto's family network and those tied to the top-ranking generals, Indonesia's New Order "domestic capitalist class remain[ed] predominantly Chinese."[43]

But equally important is the fact that this domestic capitalist class was often subcontracting for Japanese firms, or at least funded by the more developed Tiger economies that owed much of their ascent to an earlier influx of Japanese capital. Thus, the post-crisis outflow of Japanese capital, facilitated by US military interests, ultimately began to reinvigorate the business relationships of the bamboo network, which grew to global prominence only in the last thirty years of the 20th century. By 1991, the World Bank estimated the combined output of overseas Chinese totaled $400 billion USD, growing to $600 billion in 1996.[44] Though much of this was held

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ing, 1986. p.273

43 Ibid, pp.276-277

44 Figures qtd. in Zhuang 2006, p.10

domestically, it also tended to be more mobile than funds held by non-Chinese domestic capitalists. It is therefore useful to compare the figure to other sources of investment in the region, though much redundancy exists in these figures: total Japanese FDI worldwide between 1951 and 1986 amounted to some $106 billion, the Asian portion of which was $21.8 billion.[45] This increased rapidly after 1986, "with an annual outflow amounting to $48 billion," and Japan's manufacturing investment in Asia for the handful of years between 1986 and 1989 (at the height of the bubble) exceeding the total investment for the entire 1951-1985 period.[46] Ultimately, the picture is one of growing parity between these two deeply intertwined sources of capital, followed a slow shift of gravity within the Pacific Rim from Japan to China via the revival of dormant ties with the bamboo network. The rapid growth of the network was itself driven by the bubbling of the Japanese economy. It then flourished across the region as the bubble gave way to the Lost Decades and Japanese investment went into a relative decline.

The Pacific Trade Wars

By the last decades of the 20th century, global capital had decisively shifted east. US international trade across the Pacific overtook the volume of comparable trade across the Atlantic as early as 1980, and the Asian Pacific Rim economies grew at an annual rate of 5 percent between 1982 and 1985, compared to 1.8 percent in Europe during the same year.[47] On the one hand, this was driven by the Japanese bubble, which drove capital overseas at unprecedented speed. Japan's share of global

45 Itoh 1990, p.226, Table 10.2

46 Bernard and Ravenhill 1995, p.181

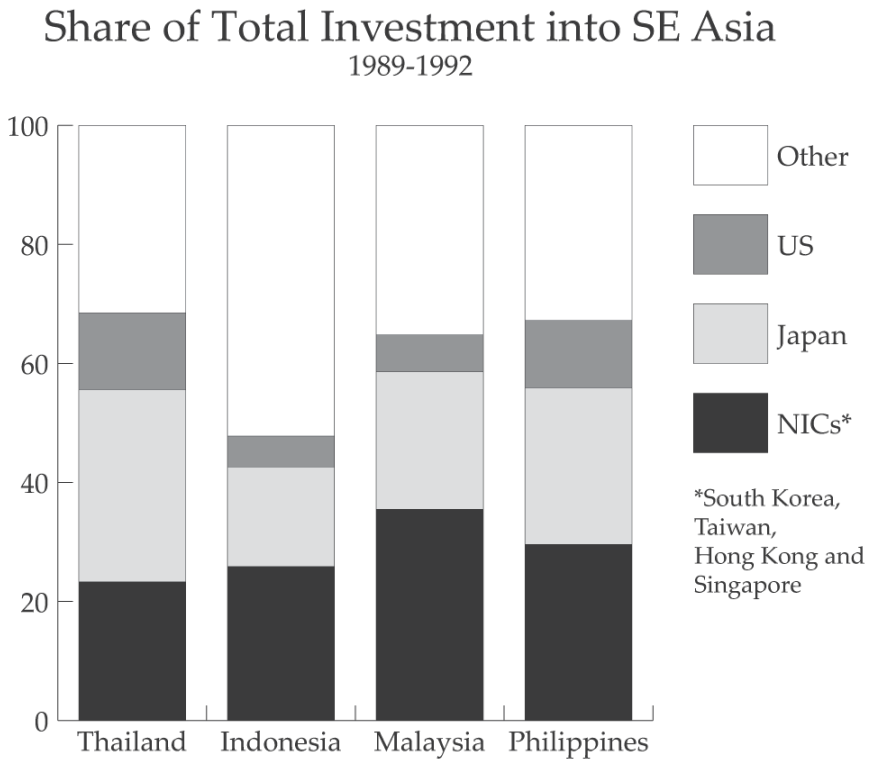
47 Itoh 1990, p.220

FDI reached 17.8 percent in 1984, exceeding that of the US.[48] On the other hand, it was facilitated by continual demand in the US for light industrial goods and raw materials from overseas. This new center of gravity for capital can therefore be understood as a sort of tripod perched between Japan, the US and a growing Sinosphere archipelago of wealth that would, by the 21st century, converge toward the mainland. At roughly the same time, investment also began to funnel into the booming economies of Southeast Asia.

At the top, this process was defined by growing trade tensions between the US and its two top "late developer" competitors: Japan and West Germany. In the Pacific, this resulted in a building trade war, marked by substantial tariffs imposed by the US on Japanese electronics, the use of diplomatic force to restrict Japanese auto, steel and machinery exports, and a number of high-profile cases of scare-mongering and federal blockage of inbound investment projects. Indiana steelworkers were pictured smashing Japanese-made cars with sledgehammers, and in 1982 several Hitachi executives were arrested by the FBI in a high-profile sting for knowingly purchasing data stolen from IBM.[49] But the heavy duty weapons in the trade war were the policies that drove to the heart of the international monetary system. Japan had long been manipulating its currency in order to maintain a competitive edge, and the US finally used its geopolitical power to force a floating of the yen, paired with the intentional devaluation of the dollar (via the intervention of several central banks)

48 Ibid, p. 226

49 See: Peter Tasker, "Trade wars -- lessons from the 1980s," *Nikkei Asian Review*, March 30, 2018. <https://asia.nikkei.com/Opinion/Trade-wars-lessons-from-the-1980s2>; and Michael S. Malone, "Hitachi-FBI Tapes are Released," *New York Times Archives*, May 16, 1983. <https://www.nytimes.com/1983/05/16/business/hitachi-fbi-tapes-are-released.html>

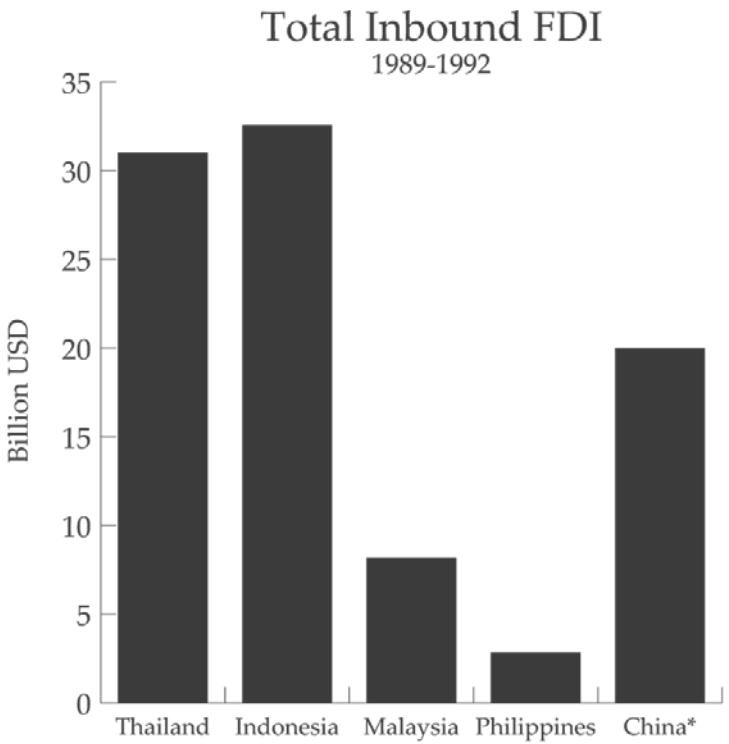


Source: Martin Hart-Landsberg and Paul Burkett, "Contradictions of Capitalist Industrialization in East Asia: A Critique of 'Flying Geese' Theories of Development," *Economic Geography*, Volume 74, Number 2, April 1998. p.98, Table 4

Figure 4

in the 1985 Plaza Accord. The result was a rapid loss of competitiveness for Japanese manufacturing, helping to push even more investment into financial speculation and real estate and thereby accelerating the asset price bubble that would burst five years later.[50] Though the Plaza Accord marked a

50 John Hemmings, "Lessons from the America-Japan Trade War of the 1980s," *National Interest*, July 2, 2018. <https://nationalinterest.org/feature/lessons-america-japan-trade-war-1980s-24882>



*Mainland China, excluding Hong Kong, Macao and Taiwan

Source: For SE Asia, Martin Hart-Landsberg and Paul Burkett, "Contradictions of Capitalist Industrialization in East Asia: A Critique of 'Flying Geese' Theories of Development," *Economic Geography*, Volume 74, Number 2, April 1998. p.98, Table 4. For China: Barry Naughton, *The Chinese Economy: Transitions and Growth*, MIT Press, 2007, p. 403, Table 17.1

Figure 5

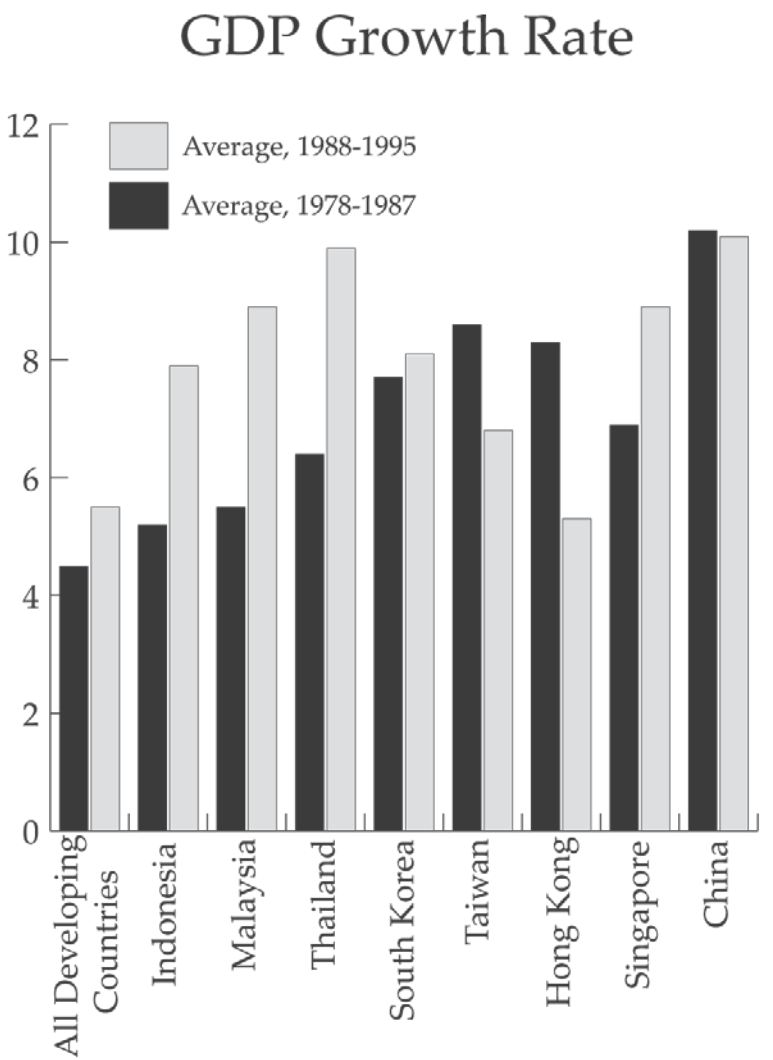
turning point, it was simply one pivot in a much longer-term trend of falling profitability, relocating industry and increased competition. These trends created the trade war, and the trade war created this and other policy decisions—the causality here cannot be reversed.

But while the Plaza Accord weakened Japanese manufacturing, it made the (dollar-pegged) currencies of many other regional economies more competitive. Decolonization and its subsequent discontents had largely passed in Southeast Asia, while the last major Indochinese war had thrown Thailand into the favor of the US. The war had also linked regional development to the Tiger economies via the subcontracting arrangements outlined above. By the time that the Plaza Accord was signed in 1985, then, the bottom rungs of production were primed for export to poorer countries peripheral to the newly constructed hubs of the Pacific Rim. A new set of "miracle" economies was predicted by IMF and World Bank economists, centered on Thailand, Malaysia and Indonesia, though sometimes including the Philippines and the Chinese mainland. Such predictions were based on a rapid increase of FDI into the region, led by investors from Japan and the Tiger economies (and, for China, particularly from Hong Kong, Taiwan and Macau).[51] The result of this was another wave of astounding GDP growth, far exceeding that of the developed economies while also surpassing even the higher average rates experienced in the world's developing countries and quickly overtaking the growth rates of the Tiger Economies (Singapore, due to its role as a financial node in this process, was the one exception: see Figure 6).[52]

As previously seen in the cases of Japan, South Korea and Taiwan, much of this growth was facilitated by the patronage of the US military in the region. This is particularly true of Thailand, which provided both combat troops and a series of military bases for American use during the war in Indochina. Between 1950 and 1988, the US provided "over US$1 billion in

51 Hart-Landsberg and Burkett 1998, p.98, Table 4 and Naughton 2007, p.403, Figure 17.1

52 Hart-Landsberg and Burkett 1998, p.89, Table 1



Source: Data for China from World Bank, others from Martin Hart-Landsberg and Paul Burkett, "Contradictions of Capitalist Industrialization in East Asia: A Critique of 'Flying Geese' Theories of Development," *Economic Geography*, Volume 74, Number 2, April 1998. p.81, Table 1.

Figure 6

economic and US$2 billion in military assistance," with the bulk of this flowing into the country during the war years between 1965 and 1975.[53] The relative weight of this aid becomes clear when compared to total FDI, which was a mere $1.18 billion between 1961 and 1980, growing to $6.88 billion in 1981 to 1990 and $5.05 billion in the handful of boom years between 1988 and 1990.[54] The $3 billion of direct aid received between 1950 and 1988, spurred by military interests, compares to some $8 billion in FDI over roughly the same period. Through the bulk of American military involvement in Vietnam, total US aid roughly equaled Thailand's entire budget of foreign reserves (from 1965-1976).[55] The relative importance of direct military patronage only decreased when Japanese FDI began to pour into the Thai economy following the Plaza Accord. While US-originated FDI had composed 45.1 percent of Thailand's total in 1965 to 1972, compared to 28.8 percent for Japan, these figures were reversed by the early 1990s (see Figure 4 above). Between 1987 and 1995, Japanese investment composed 31.6 percent of the total, and the US share dropped to 13.2 percent.[56]

Exports from Thailand to Japan increased over the same period, following a pattern seen across Southeast Asia, where trade balances (imports minus exports) with Japan (as well as South Korea and Taiwan) were negative and tended to become more imbalanced after 1985, while positive imbalances grew with the US and European economies over the same period. These trade surpluses with the West, however, were not enough to entirely counteract the trend toward an overall

53 Jim Glassman, *Thailand at the Margins: Internationalization of the State and the Transformation of Labour*, Oxford University Press, 2004. p.37

54 Hart-Landsberg and Burket 1998, p.90, Table 2

55 Glassman 2004, p.37

56 Ibid, p.93

trade deficit across the region, and the drying-up of the FDI that counterbalanced these deficits after the Asian financial crisis would show just how dire this imbalance was.[57] More importantly, this imbalance was itself a signal of the inequalities built into the supposedly win-win sequence of "flying geese" industrialization. In reality, both the Tiger Economies and the booming Southeast Asian countries were part of an emerging Pacific Rim hierarchy, shaped by US military interests and economically dominated by Japan, which was locked in a competitive symbiosis with the US economy. In the East Asian Tigers, this hierarchy would play out via conflicts over the sharing of intellectual property and high-tech market shares and production techniques.[58]

In Southeast Asia, the regional inequalities were much starker. Each sequence of industrial restructuring and technology transfer in the region had been accompanied by a growing reliance on imported technologies and components, as well as a decreasing reliance on import-substitution as a driver of domestic development. By the time that a major wave of restructuring hit Southeast Asia, much of the incoming FDI took the form of highly mobile firms utilizing cheap labor without transferring substantial ownership of advanced technologies to capitalists in the host countries—or doing so only very selectively. The effect was that "the new exporting industries [had] been grafted onto economies whose small manufacturing sectors are notable for their histories of rent seeking and inefficiency."[59] In many cases, as in Indonesia, ownership was disproportionately concentrated in the hands of both foreign owners and a small fraction of local capitalists who had preferential ties to either military juntas or bamboo

57 Hart-Landsberg and Burket 1998, p.105, Table 5

58 Ibid, pp.98-101

59 Bernard and Ravenhill 1995, p.196

network businessmen.[60] This has been characterized as a somewhat "technologyless" industrialization, particularly pronounced in export sectors, which tended to be both geographically concentrated in export processing zones, dominated by foreign-controlled firms (in Malaysia, such firms contributed some 75 to 99 percent of major exports) that built very few backward-linkages to domestic enterprises.[61]

Regionally, these export industries were incorporated into triangular trade hierarchies, with Hong Kong and Singapore providing financial services, while Japan, Taiwan and Korea competed as sources of high-tech inputs, which were then processed in a production chain stretching from the Tiger economies down into Southeast Asia (and increasingly the Chinese mainland), sorted by labor costs and the capital-labor ratios of the industry in question, with raw materials provided by Southeast Asia (alongside the array of countries that composed the Global South) and the ultimate product exported to end markets in the US and Europe. Meanwhile, the entire trade infrastructure of the Pacific Rim region was dependent on the production of containers, ships and port infrastructure, which composed a new geographical hierarchy of logistics hubs dominated by export-processing zones and gargantuan container ports. It was within this context that the opening of mainland China was made possible. The mainland's ascent, in competition with Indonesia, Thailand and Malaysia, was thus dependent on the flourishing of the bamboo network after the bursting of the Japanese bubble in 1990, and finally secured by the collapse of its regional competitors in the Asian Financial Crisis of 1998.

60 See Robinson 1986.

61 Bernard and Ravenhill 1995, pp.195-197, Hart-Landsberg and Burket 1998, pp101-107

1980s
–
2000s

IV
Iron to Rust

Domestic Conditions

Overview: Class Wars

The ascent of the mainland in international production chains was, however, only made possible because of rapid and far-reaching changes to the decaying class structure left behind by the developmental regime. In this section we detail the formation of both the top and bottom of a capitalist class system in mainland China. The decades covered here are the final years of the transition, marked by rapid expansion of the market, rapid financial restructuring, the conversion of state-owned enterprises into multinational conglomerates, and the final destruction of the socialist-era industrial belt in the Northeast. By the early years of the new millennium, China had completed its transition to capitalism.

The process of transition is a contingent one, with subsumption into the capitalist economy taking a markedly different character in different regions at different times. One feature of the Chinese case, explored throughout, has been the wholesale exaptation of certain mechanisms from the developmental regime in order to stabilize the transition, ensuring conditions necessary for the accumulation of value. In the transition to capitalism, novel adaptations are of course important, with the commodity form, the wage and the specifically capitalist role of money all playing such a role. But equally important are features that originate from previous modes of production, adapted to serve the needs of accumulation. As suggested above, this extends to the market itself, with pre-capitalist commercial networks exapted into the capitalist world in both Europe and Asia.

Another case more specific to China that we have emphasized here and elsewhere is the *hukou* system. Whereas its function in the socialist era was to secure the urban-rural divide by freezing population movement, the process of transition gave the *hukou* an opposite function: facilitating migration while also generating a dual labor market in the cities, thereby helping to suppress both wages and unrest. The early proletariat was a product of the collapse of the rural economy, and for many years, full inclusion into this emerging class was largely a matter of one's rural *hukou* status. But even after proletarian conditions generalized, *hukou* remains to this day an important dimension of state control, helping to maintain accumulation overall.

A similar process of exaptation helped to form the top of the class hierarchy, as technical and political elites within the developmental regime's bureaucracy fused. This fusion positioned these elites such that they became the main

beneficiaries of the privatization taking place in the nineties and into the new millennium, which would transform this provisional ruling stratum of "red engineers" into a properly capitalist class. In this way, the administrative capacities of the bureaucracy would be exapted, transforming the party into a managerial body of the bourgeoisie.

But these processes were not without conflict. The transformation of the ruling class and the birth of the proletariat took place through a sequence of struggles in the final decade of transition. The first of these was the Tiananmen Square movement in 1989, which would ultimately set the terms of continuing reforms—ensuring that they would both exclude the interests of the old industrial working class and be defined by a process of marketization helmed by the existing party, rather than some new political organ. The crushing of the unrest ensured the stability necessary to attract new rounds of investment throughout the subsequent decade, and to engage in a wide-ranging process of financial reform, remodeling the banking system and capital markets in mimicry of the high-income countries.

We open Part IV with an analysis of Tiananmen, then, as the event that secured the position of the new ruling class and made possible the following decade of reform. The second major struggle in this period was the gutting of the developmental regime's industrial heartland in the Northeast at the turn of the century. This process was defined by mass privatization, layoffs, and protests. The end result was the disintegration of the final remnants of the developmental regime's class system, and the completion of the transition to capitalism. We therefore close with the defeat of these protests and the creation of the Northeastern rustbelt.

Tiananmen Square and the March into the Institutions

By the mid-1980s, a small but increasing number of urbanites broke out of the iron rice bowl of the *danwei* (state work unit) system, with its guaranteed employment and state grain rations, jumping into new opportunities created by an expanding urban consumer market. Small business was encouraged by the state to fulfill increasing demand. Shops opened up all over Beijing, for example, selling cheap goods usually produced by the TVE sector and/or by new migrant labor, such as workers from Wenzhou who produced popular leather jackets in small family run businesses in Beijing's Zhejiang Village. In Haidian, Beijing's university district in the northwest of the city, the morning brought a train of peasants on donkey-drawn carts carrying produce to sell on the open market. Street vendors also proliferated, creating a much more vibrant nightlife in the city. Families started privately-run restaurants by breaking holes in the *danwei* walls separating the sidewalk from small *danwei* buildings. Customers stepped through the hole in the wall into a restaurant that focused on serving good food marketed to changing urban tastes, markedly different from the bland taste of state-run restaurants with terrible service.

This was the point at which marketization could clearly be seen transforming the fundamental spaces that composed the socialist-era city, with markets bustling, new migrants settling and the literal opening of the autarkic *danwei* walls all seeming to symbolize a new era of free movement. On one level, this echoed traditional patterns of urban development in the East Asian mainland, such as the shift between the ward system of the Tang and the open cities of the Song—such cities had always been marked by a tension between cloistering and openness. At the same time, the space began to mirror new structures of power and inequality that were only just emerging. The slow

trickle of escapees from the *danwei* system created an emergent class of urban entrepreneurs (known as *getihu*), who could be seen travelling the city on motorcycles and even private cars. Meanwhile, peasants entered urban spaces more regularly, both as small-scale produce vendors and as new migrant workers. This broke down one of the fundamental spatial divides that had existed in the socialist era, beginning the transformation of the *hukou* system from a method for sealing the cities from the countryside to a method of segmentation used to enforce labor discipline on a new proletariat. The spaces inhabited by peasants in the city made clear that they didn't enter on equal terms: the informal character of the street vendors' carts and the ramshackle quality of new migrant settlements signaled this, and began to stoke fears among urbanites of the possibility of growing urban slums—something rendered in the official literature as a risk of "Latin Americanization."

For the vast majority of urban workers, who were still dependent on the *danwei* system, living standards improved only slowly. Meanwhile, the changes led to shifting class formations and alliances that destabilized the urban political scene. Stories and complaints about corruption proliferated. The foreign cars that appeared on the streets, passing urbanites riding slowly to work on buses and bikes, became a particular object of scorn, and stories spread rapidly about leaders driving around the city in Mercedes. Open protest was at first largely held in check by a combination of state repression and improved living standards. But as price reforms and high inflation (especially on food items) began to cut into incomes from the mid-1980s, it was increasingly difficult for the state to keep criticism of the party from turning into open protest. As inflation first began to spike in 1985 and 1986, students began a series of protests for political reforms and against corruption. These protests spread from Anhui Province, where they began in early December, 1986, to 17 major cities around China, including Beijing. Yet

the protests failed to gain support outside of universities (the largest protests occurred in Shanghai and Beijing, and yet even there only about 30,000 students participated in each) and were quickly suppressed.[1] Party General Secretary HuYaobang, seen by other CCP leaders including Deng Xiaoping as too lenient on the movement, resigned in mid-January, 1987. As the old *danwei* system continued to strain under the reforms, however, dissatisfaction among urbanites erupted into the largest reform-period protests in the spring of 1989, with the participation of up to two million people in Beijing during the movement's May peak. This time urban workers joined a stage initially set by student protestors, but the alliance was temporary at best. While there was a diversity of opinions among both groups, in general interests pushed students in one direction and workers in another, and as the politics rapidly unfolded individuals were caught up in a movement that none really controlled. Students—representing a rising class of entrepreneurs and managers in the expanding market economy—were mostly critical of the *way* that the reforms were being implemented. Workers were more directly critical of the content of the reforms. Following the repression of the movement in June of 1989, workers in the old socialist industries and students would never unite again, with the educated class of managers becoming key beneficiaries of the reforms, while workers lost out, left to protest sporadically and alone, until the remnants of the socialist-era working class were finally extinguished in a wave of deindustrialization at the turn of the century.[2]

At the same time, the weakening of state control over university campuses created a new space for political debate, even as the

1 Julia Kwong. "The 1986 Student Demonstrations in China: A Democratic Movement?" Asian Survey 28, Number 9, 1988. pp. 970-985.

2 Unless otherwise noted, information for this section derives from conversations with movement participants.

state added ideological education in the aftermath of the 1986 protests. Students looked for the deep causes behind China's turbulent political past, especially the Cultural Revolution. Turning to existentialism, liberalism, and neo-authoritarian ideas, students tended to argue that Chinese culture itself was to blame for political repression, arbitrary bureaucratic power over daily life, corruption, and party factionalism. A new May Fourth movement was necessary, and it had to be led by intellectuals.[3] Ironically, neo-authoritarianism was one of the most popular ideologies among students.[4] Its basic idea was that a single strong leader in the CCP needed to take control of the party to stop the factional fighting and bureaucratic stasis that was holding up the progress of reform. That leader should take advice from intellectuals, who supposedly knew how to reform society. There were also liberal critics of authoritarianism among the students, along with a smaller group who were critical of the direction of the reforms for damaging the living standards of ordinary citizens. For all the vague talk about "freedom" and "democracy" at the time, however, most students seemed enamored with the idea that they alone understood how to solve China's problems.

When Hu Yaobang died on April 15th, 1989, students immediately began to write posters on campuses and hold discussions. Hu was especially popular among students and intellectuals as he was tasked with rehabilitating intellectuals and rebuilding the party's relationship with them at the beginning of the reforms. Seen as incorruptible, Hu was a symbol of correct leadership within the party sidelined by

3 A 1919 movement led by intellectuals that had put forward a cultural critique of Chinese politics. In 1921, the CCP formed out of the movement.

4 For a general understanding of the development of neo-authoritarianism, see Joseph Fewsmith, *China Since Tiananmen: The Politics of Transition*, Cambridge University Press, 2001, pp. 86-93.

hardline bureaucrats protecting their privileges. Small student groups, especially those with good connections within the party, left wreaths commemorating Hu on the Monument to the People's Heroes at the center of Tiananmen Square, as urbanites had done for Premier Zhou Enlai following his death in 1976, leading to the April Fifth Movement. The first student protest was a nighttime march of around 10,000 to the square from the university district on April 17th. At the lead, students carried a banner that proclaimed themselves to be the "soul of China"—an elitist formulation that would characterize their politics for the next two months. The monument at the center of the square soon filled up with wreaths left for Hu, and in the first days it became a site where anyone could jump up on the first ledge of the monument to give a speech to hundreds of onlookers. At night, protesters often gathered at the gate of Zhongnanhai, the main compound in which top CCP leaders lived.

Students and intellectuals, however, were quickly joined by young workers and unemployed urbanites, most importantly by forming the Beijing Autonomous Workers' Federation (北京工人自治联合会).[5] Yet these two social groups did not come together to form a coherent social movement even as they took part in the same events. Momentarily brought together by their shared opposition to corruption in the party, which had been worsened by market reforms, the two groups were divided by much more than what unified them. In terms of protest styles, students claimed exclusive ownership over the movement, in fear that they could not control other groups, who might use violence or provide the state with an excuse for repression. They tried to keep others out of the protests

5 Much of the information in this section on workers' participation comes from Walder, Andrew G., and Gong Xiaoxia. "Workers in the Tiananmen Protests: The Politics of the Beijing Workers' Autonomous Federation." *The Australian Journal of Chinese Affairs* 29 (January 1, 1993).

or, failing that, to sideline other groups as mere supporters and not full participants. As students and intellectuals believed that they were the only ones truly able to "save China," they often blamed peasants for leading the country astray during the revolution and the socialist era. In the early days, students set up a coordinating organization in an attempt to control the movement, the Autonomous Student Union of Beijing Universities (北京高校学生自治会) with an elected leadership. The student union organized a widespread boycott of university classes beginning on April 24th. As the protests developed, other student organizations formed and competed for control. The independent Beijing University Student Dialogue Representatives Group (北京高校学生对话代表团) attempted to discuss demands with party leaders, discussions broken up by other students. The occupation of Tiananmen Square was controlled by the Headquarters for Defending the Square (保卫天安门广场总指挥部), yet another independent student organization. The headquarters' leadership was elected by those occupying the square, and the main power it enjoyed was control over a loudspeaker system at the center of the protest. Further, students cordoned off the center of the square around the Monument to the People's Heroes with a hierarchical series of concentric circles. To get into the outer rings of the circles, one had to be a student, deeper towards the center required you to be a student leader with some connection to the headquarters. The students forced the workers' organization to set up its tents across the street from the square itself.

Students also had a very different relationship to the reforms compared with workers. Students largely wanted the reforms to move faster, to be better organized and more efficient. They were afraid that corruption was leading to a weakening of the reforms. By the mid-1980s, however, workers had begun to see their interests being undermined. There was

new unemployment (as state enterprises, now responsible for profits and losses, were given the right to lay off some workers), stagnating wages, and, most importantly, high inflation, reaching levels of hyperinflation by the end of 1988. For workers, the reforms had to be slowed down or significantly rethought. Price stabilization in particular was crucial, since workers were in the process of losing their guarantee to cheap, state-subsidized grain. While students at first focused largely on mourning the pro-intellectual former premier Hu Yaobang, the workers' criticism of the party and its reformist policies were more broadly political than those of students early on in the protest movement. For the workers, corruption was not a problem because it was seen as weakening the reforms, but instead indicated the emergence of a new form of class inequality. In handbills, workers asked how much Deng Xiaoping's son lost in bets at Hong Kong racetracks, whether Zhao Ziyang paid for playing golf, and how many villas the leaders maintained. They further questioned how much international debt China was taking on in the reform process.

The students and workers also had very different ideas about democracy. Students spoke vaguely about democracy, but often called for intellectuals to have a special relationship to the party. Most were more interested in having Zhao become a more powerful, enlightened leader, for whom intellectuals could play the role of advisers, showing him how a market economy should really work. When one talked with workers, they had a much more concrete idea of democracy, one that had emerged over a long period of worker struggles in China, clearly visible, for example, in the strikes of 1956-1957, the Cultural Revolution, and the 1970s.[6] For many workers, democracy entailed worker power within the enterprises at which they worked. Workers complained about the policy of

6 Jackie Sheehan, *Chinese Workers: A New History*. Routledge, 1998.

"one man rule" in work units, wherein a factory director was a virtual "dictator."[7]

The students, unlike the workers, were intimately involved in the factional fights going on within the CCP. Students largely took the side of the more radical market reformer, Zhao Ziyang, who was the head of the party. Zhao wanted to push the market reforms through more quickly. On the other hand, the students largely reviled Li Peng, the head of state, well before he became the figurehead of martial law in late May. A moderate reformer, Li was seen as an old style bureaucrat who stood in the way of a rapid and efficient transition to a rational market economy. Workers, however, did not really take part in this factional fight. They'd gained little by participating in factional fights before, specifically during the Cultural Revolution and the Democracy Wall period of the late 1970s and early 1980s. The workers' federation warned that "Deng Xiaoping used the April 5th movement [of 1976] to become leader of the Party, but after that he exposed himself as a tyrant."[8] Party members returned the favor in kind, with the All-China Federation of Trade Unions publicly backing the students but ignoring the workers who participated and their fledgling organization.[9] Party elders, however, shifted away from supporting General Secretary Zhao Ziyang's policy of concessions to the students as May developed. At a contentious, May 17th meeting of the Standing Committee of the Politburo held at Deng Xiaoping's residence, Deng and Li Peng criticized Zhao's approach, claiming he was splitting the party. Deng pushed for the declaration of martial law, which was formally announced on May 20th. In the early morning of May 19th, Zhao went to the square to warn students to leave, saying they should not

7 Walder and Gong, p. 18.

8 Quoted in ibid., p. 8.

9 Ibid., p. 7.

sacrifice themselves for a movement that was over. Then Zhao left the square, having lost his position within the party, and was soon put under house arrest for the rest of his life. The late May announcement of martial law sharpened the politics of participants, with the workers' federation announcing that "'the servants of the people' [the party] swallow all the surplus value produced by the people's blood and sweat." Further stating that "there are only two classes: the rulers and the ruled."[10] The majority of students, conversely, still held out for support from Zhao's faction even after martial law was declared. A potential alliance between students and workers never really materialized under the pressure of the rapidly changing political context.

Students initially did not want workers to call a general strike in order to keep the focus of the movement on themselves and thereby retain their power. But after martial law had been declared on May 20th, students finally saw the importance of worker participation, though again only in a supporting role, and they finally asked workers to undertake a general strike. By that point, however, participation in the protests had dropped dramatically, and it was too late for workers to fully mobilize their forces. Nonetheless, workers were still able to pull large numbers to resist the state's implementation of martial law. In fact, workers continued to put more people into the streets, even as student numbers declined. But by this point, the party had mobilized up to 250,000 soldiers in the outskirts of the city. Workers and other urbanites were initially able to stop the entry of soldiers into the city on the night of June 2nd into 3rd, blocking roads and surrounding troops in vehicles. This led to only a small amount of violence, with urbanites often giving food to the tired soldiers caught up in the crowds for several

10 Quoted in ibid., p. 8.

hours before they gave up and pulled out of the center of the city. This only encouraged more resistance the following night.

But on the night of June 3rd into the 4th, the army moved more resolutely towards the square to put an end to the protests. That night it was mainly workers and unemployed youth who attempted to slow the approach of the army in the streets leading up to the square, and many of them paid for it with their lives, with hundreds of civilian deaths (among whom very few were students). Along Chang'anjie—the main east-west avenue bisecting the city at Tiananmen—workers and other Beijing residents built blockades with buses, often setting them afire. Molotov cocktails and rocks were thrown as soldiers approached. The intersection around Muxidi on Chang'anjie to the west of the square was particularly hard hit, with pitched battles between workers and soldiers—many deaths were concentrated there. As the first soldiers in armored personal carriers (APC) arrived on the square, some students and residents continued to resist, and an APC was set on fire. Several civilians were killed on the edges of the square. Once the main body of the army reached the square they stopped, and by the early morning they were negotiating with the remaining student occupiers, allowing them to leave the square and walk back to their campuses—though not without several being beaten by soldiers first. The protests in the capital were over, but the repression continued. Workers were hit the hardest in terms of prison sentences and executions in the days and weeks that followed, with student participants getting more lenient sentences.

The harsh crackdown on worker participants became a condition for the acceleration of market reforms in the 1990s, most notably the liberalization of the food market in the early 1990s, which the workers clearly would have otherwise continued to resist. As the Chinese economy was increasingly

integrated into global capitalism after 1989, the economic interests of students and workers diverged further. The students of the 1980s became the middle and entrepreneurial strata that emerged in the 1990s, benefiting from the continuation of the market reforms that the crackdown on the protests enabled.[11] In the late 1990s, workers in many older state-owned enterprises were laid off, rural-to-urban migration increased rapidly, and a class of "new workers" came into being, making low wages and living a precarious existence within the global manufacturing system. As worker and peasant protests increased again from the mid-1990s, they were not joined by students or intellectuals, who had mostly moved to the right when they still had any politics at all, arguing for the protection of property rights and free speech or increasingly taking nationalist positions.

Bureaucracy to Bourgeoisie

The events in Tiananmen were, in retrospect, a key moment in the formation of a domestic capitalist class out of the ruins of the socialist era bureaucracy. The protests and their crushing set the terms for this process in a number of ways. First, it became evident that there was a new, highly-educated faction of urbanites who now sought incorporation into this ruling class, and were, moreover, prone to push for accelerated reforms, expansive privatization, and various new state structures that

11 One illustration is the popular film *American Dreams in China* (中国合伙人), a dramatization of the founding of education company New Oriental. It begins with the founders as cheeky college students in the late 1980s, channeling the anti-authoritarianism of Red Guards, but now to challenge their teachers' received wisdom about the evils of American society ("What do *you* know? You've never been to America!"). This pro-Western attitude paradoxically develops in a nationalist direction throughout the 1990s, as the protagonists seek to arm other upwardly mobile young men with the English-language ability and self-confidence to achieve wealth and power on the global market while reshaping their own nation.

(they imagined) would best accommodate the operations of a market economy. In this way, the position of students in '89 would prefigure the position of purely private capitalists who gained their wealth with little help from the state and today remain un- or under-incorporated into the existing party patronage structure.[12] At the same time, the students themselves demonstrated the importance of incorporating new intellectuals (and the new-rich more broadly) into the party, from whence they could also begin to accrue capital in the market economy.

Second, the crushing of the Tiananmen movement also made clear that the nucleus of a new capitalist class would largely be incubated within the party itself. Of course, there were (and still are) a large number of private capitalists who stand entirely outside the party, and throughout the 1980s it seemed to be an open question how much power and political leverage would be allowed newly-rich mainlanders or old capitalist families returning from Hong Kong or overseas. But the events of '89 made clear the limits of this leverage. There could be no tolerance for reforms that outpaced party control—even if basically all the economic policies advocated by the student groups would eventually be implemented. Meanwhile, the party itself was opened even more to intellectuals and the newly rich. With socialist era class designations officially abolished in 1978, the total numbers of cadre continued to grow and new members would come from increasingly better educated backgrounds. This process was in many ways

12 The influence of these private capitalists played a role in subsequent decades, and we will explore this in more detail in the third part of our economic history. It is also discussed in our interview with Lao Xie, "A State Adequate to the Task." In addition, a good case study of the phenomenon can be seen in Wukan village, with the role of private capitalists examined in detail here: Shannon Lee, "Looking back at Wukan: A Skirmish Over the Rules of Rule," *Wolf Smoke*, July 14, 2017. <https://wolfsmoke.wordpress.com/2017/07/14/wukan/>

continuous with trends in the growth of bureaucratic privileges that had long plagued the socialist era. More importantly: the ability to draw from a well-organized, ready-made ruling class exapted from the tops of the tumultuous class structure of the late developmental regime gave the entire process of transition a much more stable, systematic character than that seen elsewhere—particularly for a country lacking the direct military patronage and geopolitical oversight of the reigning hegemon, which had ensured relative stability during industrialization in Japan, South Korea and Taiwan.

We will explore the current character and composition of the Chinese ruling class elsewhere—in the final part of this economic history, as well as in other articles, interviews and translations—but in order to understand the nature of the transition, it's essential to trace out the precursors to the development of a capitalist class on the mainland, gestated within the party bureaucracy inherited from the developmental regime. This was a process marked by apparent continuity, but also defined by important internal changes to the structure and priorities of the party itself. The crushing of unrest that defined the "short" ('66-'69) cultural revolution gave way to the "long" ('66-'76) cultural revolution, during the latter two thirds of which any potential popular movements had been essentially defeated, but factional conflicts within the upper ranks of the party existed in an uneasy *détente*—exacerbated by the ossification of the developmental regime, the growing power of the bureaucracy and the direct militarization of production. This *détente* saw a continual increase in the absolute number of cadres, alongside the maintenance of the power and privileges of those at the top. But the period also saw a number of reforms that, on the one hand, seemed to arise from the recognition that the system was ossifying and needed to be modified, and, on the other, acted as pragmatic tools to stifle the power of particular factions. In order to serve

both functions, recruitment was prioritized among those with lower education, and state investment was redirected. The clearest symbol of this process was the closure of universities, the rustification of the highly-educated children of high-ranking officials, and the expansion of primary education, particularly in the countryside. In addition, there were several high-profile promotions, placing figures like Chen Yonggui (a nearly-illiterate peasant leader from the model village Dazhai) into some of the highest positions within the party.

It is not at all unusual for the earliest members of a country's capitalist class to emerge from the upper echelon of the increasingly archaic class structure that precedes the transition. In some cases, this process took the shape of a forcible subsumption into the global economy imposed by European powers on conquered peoples—where it was common for the colonial apparatus to selectively delegate power to a subset of pre-existing local leaders willing to capitulate to the colonial state, giving the new class structure an appearance of continuity with "indigenous" systems of power. But even outside the colonies, the same phenomenon has been a feature of almost every instance of capitalist transition. This includes the textbook case of England, where the early enclosures that led to enhanced agricultural productivity and the rapid growth of the industrial economy were in fact instigated by landowners already empowered by the aristocracy.[13] The continuity is equally apparent in the first few "late" developers, such as Germany and Japan, where the role of feudal landowners combined with a pre-existing state bureaucracy to facilitate the transition in a way that retained the power of various pre-

13 This point was most famously made by Robert Brenner in what would become the "Brenner Debate." See: Trevor Aston and C.H.E. Philpin (eds), *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-Industrial Europe*, Past and Present Publications, Cambridge University Press, 1985.

capitalist ruling classes—but also effectively transformed them into capitalists, or at the very least landlords and rentiers in the sense described by Marx.[14]

None of this implies that such classes had somehow already been capitalist, nor that the state bureaucracy inherited by the Germans or Japanese was in some sense "state capitalist" prior to marketization. The absurdity here is self-evident: just because various feudal, tributary or other indigenous modes of production gave way to capitalism, and many families within old ruling classes retained their power throughout, does not mean that these pre-capitalist systems were actually already capitalist, even if they had been shaped indirectly by competition with the early capitalist powers. But exactly this sort of argument is often made for China. Since so many within the party-state bureaucracy would retain power and effectively bequeath it to their children, it is assumed that there must have been some secret capitalist kernel within the bureaucracy all along, ultimately unleashed by an artful combination of tragedy and betrayal.

Not only is the chain of logic here backwards, there is also an analytic error in conflating class and power. Just because power might span modes of production—embodied in the same families, the same locales, and even in a state that takes the same name—the class relations that generate that power nonetheless undergo a change. Class is not a simple designator for those who have authority and those who don't, nor is it a sociological tool for cutting a population into brackets of income or education. Class is an immanent polarity generated by the social character of production. It is an emergent property of the way that things are made and basic human needs are met

14 For a summary of the debates on the Japanese case, which were formative for Japanese Marxism, see: Germaine Hoston, *Marxism and the Crisis of Development in Prewar Japan*, Princeton University Press, 1987.

within a given mode of production. Constantly maintained and continually reproduced by this process, the power of a ruling class is largely power over the means of production and the force guaranteeing that production continue, but it is rarely a power over the nature of the mode of production itself. In this sense, not even those at the top of a system can simply choose to change it, as their position is constrained by inertial dynamics largely out of their control.[15] This is particularly true for capitalism, where class emanates continuously from the circuit of capital.

Class conflict, therefore, does not simply designate the tug-of-war between two interest groups but instead a more fundamental conflict over class itself: when the circuit of accumulation begins to break down, the fundamental interest of the bourgeoisie is to restore it by whatever means necessary, while the drive of what used to be called a "class conscious" proletariat is the continual rupture of the circuit, which opens the potential of the proletariat's self-abolition as a class via revolution. This is an important distinction, because it makes clear that mass movements can still be mobilized in the service of restoring accumulation, even if they have the appearance of class conflict. In fact, the class power of the bourgeoisie requires the participation of the proletariat at almost every stage of its deployment. The defining activity of the bourgeoisie as a class (aside from its everyday compositional activity, as the owners of capital and those who siphon surplus value from the work of the vast majority) is the perpetual maintenance of the material community of capital. It is in this sense that the Chinese Communist Party ultimately became a party of capital, acting as both the attendants of original accumulation and the intra-class managerial organ for the domestic bourgeoisie.

15 This is why we deny the narrative of a Dengist "betrayal" as the cause of the transition. Here, as elsewhere, the motions of history simply cannot be reduced to the decisions of "great men."

Since class is not static, but instead an emergent process, we can only understand the growth of a capitalist class system in China via its relation to the changing nature of production. Even the many reforms that brought intellectuals and, later, businesspeople into the party could not have secured the existence of a capitalist class without the simultaneous creation of its opposite, mutually-dependent pole: the proletariat. Accounts that overemphasize the early stages of ruling class formation, then, tend to place these internal reforms at the center of the narrative. While it's true that a heightened concentration of power in the bureaucratic class (combined with the political purging of lower-born leaders starting with the 1976 arrest of the Gang of Four) certainly helped to facilitate the smooth creation of a capitalist class, the mere shifting and concentrating of power within a bureaucracy does not make a bourgeoisie. In reality, such reforms were simply important precursors, which could only be completed alongside the emergence of commodity relations, the proletarianization of the vast majority of the population, and the existence of widespread exposure to the global economy.

The period that we review here is largely the era of such precursors, rather than the era in which a clearly and fully capitalist class would wield full power. This means that factional conflicts continued within the bureaucracy throughout, often helping to facilitate the cyclical process of reform and retrenchment that marked the period. But the process of composing a new capitalist class is highly contingent, and even though the transition is neither caused nor completed by the "betrayal" of the pre-capitalist ruling class, the local character of this class-in-formation can wield a disproportionate influence on the trajectory of the transition itself. Comparing the collapse of the Soviet Union and the subsumption of the Chinese developmental regime should be clear enough

evidence of this fact. In the Chinese case, the new ruling class developed its initial form as an alliance, and then fusion, of political and technical elites who had ascended to power somewhat separately within the turbulent class structure of the developmental regime. Before it was a bourgeoisie, then, the capitalist class took its preliminary form as a class of "red engineers" who had ascended to power through the party machinery, giving them a vested interested in ensuring the stability of the party itself. It was this stability that allowed the party to nurse the growth of a new bourgeoisie.[16]

The back and forth of educational reforms were key to this process, but the categories used can often be misleading. Much of the discussion of violence in the Cultural Revolution, for instance, emphasizes attacks on "intellectuals," or those whose families had "counterrevolutionary" class backgrounds. The turn to reforms, meanwhile, saw the abolition of these official designations (which had *de facto* become inherited), and a move to re-open universities, offer party membership to previously banned groups, and to return rusticated youth to the city (and often to the newly reopened colleges). In the narrative that sees the reforms as initiated by an act of betrayal, this seems to be a shift whereby those formerly designated "counterrevolutionary" were now regaining power—as if the transition were purely a backward slippage, led by the same forces that had helmed the first, stalled transition in the

16 What follows draws heavily on the work of Joel Andreas, who has done some of the most extensive historical research into the exact process by which a capitalist class took shape in China following the collapse of the developmental regime. That said, we would argue that Andreas himself is comfortably within the camp of those who overemphasize the role of factional conflicts in the transition, portraying the reforms as a Dengist betrayal—and, by association, misreading the dynamics of the Cultural Revolution by overemphasizing Mao's fidelity to the most radical factions in that conflict. See in particular: Joel Andreas, *Rise of the Red Engineers: The Cultural Revolution and the Origins of China's New Class*, Stanford University Press, 2009.

Republican era. But this is hardly the case. Many of those who held bad class backgrounds under the developmental regime had, by this point, inherited those designations from parents who had little or no way to transmit pre-revolutionary class privileges, the most important of which would of course be intergenerational wealth transfer. This is precisely why the question of education became so central to debates on class power within the late developmental regime.

But even the category of "intellectual" is deceptive. In its current connotation in English, this term seems to imply a certain academic or artistic faction of elites, maybe at most stretching to include the work of think tanks, policy planners and others who act within the political sphere or in an advisory capacity. Today, the term only barely covers the roles played by engineers or others with high-level technical knowledge. Nonetheless, given the educational emphasis of the developmental regime, those with such technical knowledge composed a large fraction of the "intellectuals" who sat at the center of the debates on education policy. And there is no ambiguity to which side those debates ultimately fell: While as late as 1985 "the bulk of party members were still from the poorly educated classes" the composition was changing rapidly, with "new members categorized as intellectuals [growing] from 8 percent in 1979 to 50 percent by 1985."[17] But this was by no means a new generation of the old, pre-capitalist class of classical intellectuals. Instead, "the heart of the New Class was made up of Red [i.e. those with political power] and expert cadres who had been trained at Tsinghua and other universities during the Communist era."[18] The same period saw mass retirements from the party, particularly among the now-elderly members who had joined before or just after the revolution—many of them

17 Andreas 2009, p.235

18 ibid, p.234

poorly educated peasants or workers at the time—shifting the balance in favor of these newer members.[19]

The influx of "intellectuals" into the party was in reality the influx of those with high-level technical training and pre-existing political influence (often the children of those who had held privileged positions within the developmental regime). On top of this, many had experienced a certain degree of hardship during the Cultural Revolution, such as rustication or attacks on their families—though notably not the massacres, military crackdowns and long prison sentences meted out to radical workers. Though later the educational focus of these new elites would diversify somewhat, in the early years science and engineering dominated. The trend was made evident as these elites graduated into the highest-level positions within the party: "The proportion of the party's ruling Political Bureau that was made up of individuals with science and engineering degrees had grown dramatically, increasing from none in 1982 to 50 percent in 1987, 75 percent in 1998, and 76 percent in 2002."[20] During the Sixteenth Party Congress in 2002, "all nine members of the Political Bureau's Standing Committee, the most powerful men in the country, had been trained as engineers, and four, including Hu [Jintao], were Tsinghua alumni."[21] Only the last two decades have seen the educational composition of the capitalist class in China begin to shift more toward the global norm—precisely when the bottom of the class structure would take full form through mass privatizations, allowing this precursor class of red engineers to phase into a properly capitalist class.

Prior to this point, however, the preliminary nature of this

19 ibid, p.240

20 ibid, p.246

21 ibid, p.242

new class also meant that privileges still accorded much more readily to those with political connections and technical skill than to those who directly controlled production. When large-scale privatization did occur, it was not coincidental that the managers of successful state-owned enterprises and the local and provincial officials in league with them were largely drawn from this class-in-formation. Privatization would entail that "most state-owned and collective enterprises became the property of their managers," completing the formal transition of power from mere political privilege into direct ownership of the means of production.[22] This also meant that the wealth of such elites was now linked much more directly into the circuit of value production, creating a mutual (albeit uneven and exploitative) dependency of the ruling class and the proletariat.

Nonetheless, the heritage of the "red engineers" would carry a certain inertia. The patronage system established within the party soon proved an efficient way to mobilize capital and prevent destabilizing factional conflicts among members of the ruling class. The disciplinary mechanisms of the developmental regime state, overseen by "red" bureaucrats, would also become useful in establishing and preserving the conditions necessary for continued accumulation. Maybe most directly: the important role that would be accorded to the newly marketized SOEs (transformed into global conglomerates) increased the power of high-level managers and others who had climbed the ladder of industrial engineering in the transition era, producing some of the wealthiest capitalists helming some of the most powerful corporations in the world today. Altogether, this inertia would ultimately result in the divide between these capitalists "inside the establishment" (体制内) and those "outside," foreshadowing greater conflicts to come.

22 Ibid, p.250

The Resurrection of the South

The ten years stretching from the early 1990s to the dawn of the new millennium was the period in which China's domestic economy would begin to be fully and directly integrated within the global capitalist market, no longer insulated by the "air locks" imposed on currency and commodity trade throughout the previous decade.[23] The 1990s would also see the coastal character of China's new industrial structure take full form, establishing a new geographic divide that both traversed and sharpened the socialist-era inequality between urban and rural. Coastal development and global integration began with a new wave of foreign direct investment following the state's successful containment of the urban crisis of 1989, which had been marked by rapid inflation and widespread social unrest. When the uprisings in Beijing and elsewhere were crushed and inflation brought down through a period of economic retrenchment, the Chinese state proved its stability, in sharp contrast to the rising tide of popular uprisings throughout the socialist bloc. Even while Western governments sought a series of sanctions in the wake of the widely publicized Tiananmen Square Incident, capital had already begun to pour in from the bamboo network.

23 This was still a staggered process, however, and it would not be until about 2010 that rural land markets and the transformation of agriculture began to take on a locally capitalist character. Nonetheless, such staggering does not mean that the transition was still underway. The many features of local life that retained a hint of the past after the early 2000s were now clearly remnants, often strongly generational: the elderly dominated in such villages, for instance, and the middle-aged residents were now retirees who had done their time as migrant workers. Even if land was not a commodity, the youth rarely knew how to farm it, and instead planned to migrate to the cities and work in factories, as their parents had. The parents and grandparents, meanwhile, increasingly lived off remittances, rather than subsistence farming, and the new generations of migrants became more and more reluctant to return.

A strong signal was given to foreign investors by Deng Xiaoping's 1992 "Southern Tour" (南巡), which was both a symbolic statement of the administration's commitment to continued reform and an announcement that a wide array of new sectors, including real estate, would be open to foreign investment. Particularly important in terms of global market integration was a new policy allowing foreign-funded manufacturers the opportunity to sell on the rapidly growing domestic market in exchange for investment. This package of reform policies was ratified at the Fourteenth Party Congress in October 1992, the first time that the party's highest echelon formally endorsed China's adoption of a "socialist market economy."[24] The shift in rhetoric justified renewed support for domestic market forces on multiple fronts: cutting back the remnants of central planning even further, extending market pricing to the majority of the economy, instituting a new tax system that treated private ownership more equitably, and giving state-owned firms far more ability to lay off workers. At the same time, the shift symbolized the end of the conservative retrenchment with regard to foreign investment. Private domestic enterprises were allowed to engage in joint ventures with foreign firms, the Shenzhen and Shanghai stock exchanges (founded and re-opened, respectively, a few years prior) now allowed foreigners to purchase a limited number of shares for the first time, the dual exchange rate was abolished in favor of a unified (heavily regulated) market rate in 1994.[25] All of this opened the door to the fundamental restructuring that would occur throughout the decade, effectively liquidating the old socialist-era class of urban grain-consuming industrial workers.[26]

24 Naughton 1996, p.288

25 Ibid, pp.298-303

26 Ibid, p.289

Export growth had already ensured that China was running a large and growing trade surplus, which helped to dampen the fear of running into the sort of payment problems that had plagued the era of oil-backed trade. Secured by this surplus, reforms where followed by a flood of foreign investment into the new coastal hubs. By 1993, FDI reached $25 billion, which was "almost 20% of domestic fixed investment," and in the same year foreign-invested firms' share of domestic industrial production "may have surpassed 10%."[27] Though the continuing role played by the Chinese state would draw comparisons between the "Chinese Miracle" and its predecessors in Taiwan, South Korea and Japan, this period of rapid growth was far more dependent on foreign investment and far less driven by large state-owned (or simply well-connected) monopolies than in any of the other "miracle" economies. In 1991, with incoming FDI at slightly more than 1 percent of its GDP, China had already matched or surpassed the FDI-to-GDP ratio reached by Japan, South Korea and Taiwan during either their industrial booms or their later periods of internationalization. By 1992, the share had increased to over 2 percent, and by 1994 it reached a staggering 6 percent, making the Chinese boom much more comparable to the similar export-driven growth waves experienced in Southeast Asia, "where inflows around 4%-6% of GDP have been common."[28] But even this is an understatement, since China's less developed interior acts as a statistical damper when such figures are averaged for the country as a whole. In Guangdong and Fujian provinces—both comparable in population and land area with most countries in Southeast Asia—the period from 1993 to 2003 would see

27 Ibid, p.303

28 Naughton 2007, p.405, Figure 17.2

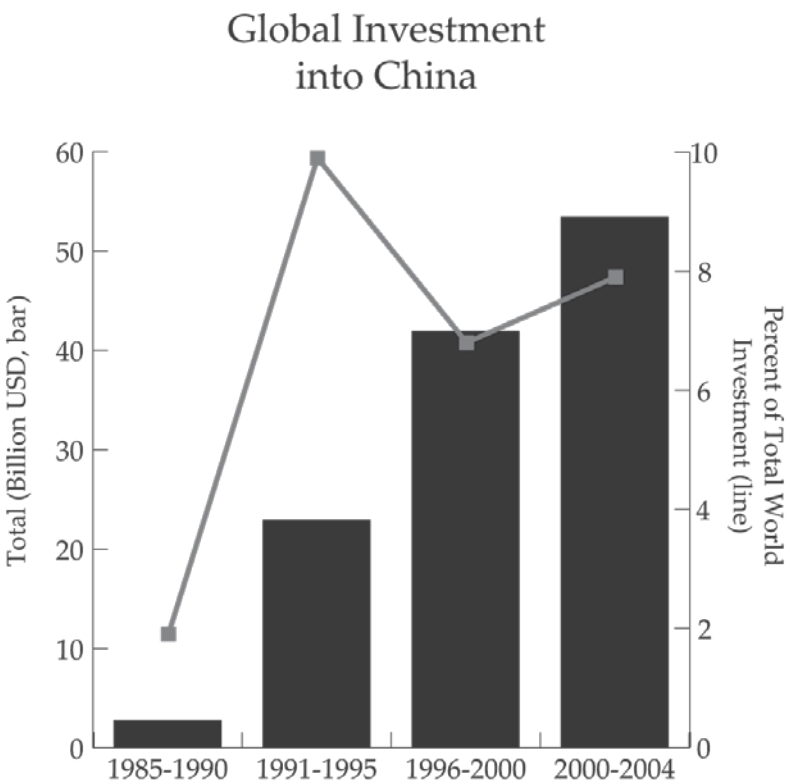
an average annual FDI to provincial GDP share of 13 and 11 percent, respectively.[29]

The new geography of production was pronounced: between 1994 and 1998, the Southeast Region as a whole (Guangdong, Fujian and Hainan) contributed some 46 percent of all China's exports, trailed by the Lower Yangtze (Shanghai, Jiangsu and Zhejiang) at 21 percent and the socialist-era industrial hub in the Northeast at 23 percent. All other provinces contributed a mere ten percent.[30] This imbalance was not coincidental. On the one hand, it marked the ascendance of seaborne trade and coastal logistics hubs. On the other, it was also a relic of much older, pre-capitalist market networks that dated back to the Ming and Qing dynasties, now revived in the form of the bamboo network. Guangdong and Fujian were the two major home provinces of most overseas Chinese families—and even those who had lived in Southeast Asia for decades often retained some level of linguistic, familial or at least cultural ties to these locations. In many cases, these connections were quite direct, with recent out-migrants in Hong Kong and Taiwan seeking to reconnect with relatives who had remained on the mainland after the revolution. In Dongguan, for instance, residents "had at least 650,000 relatives in Hong Kong and Macao" in 1986, "and another 180,000 (*huaqiao*) in other foreign countries, mostly North America." As many as "half of the contracts [local cadres] had signed were with former Dongguan residents now living in Hong Kong."[31] But even overseas Chinese who had lived several generations in other countries were given extremely favorable terms of investment by the Chinese state, and capital from the bamboo network was frequently treated as if it were domestically sourced. The early ascent of the Pearl

29 Ibid, pp.404-405

30 Ibid, p.397, Table 16.3

31 Lin 1997, pp.171 and 174



Source: Khondaker Mizanur Rahman, "Theorizing Japanese FDI to China," *Journal of Comparative International Management*, Volume 9, Number 2, 2006. p.17

Figure 7

River Delta and, to a lesser extent, places like Xiamen in Fujian, were therefore direct results of these global connections. Once these areas had been industrialized, they exerted a massive gravity for both labor and investment, securing their position even as new sources of FDI began to flood into the country over the course of the 1990s.

Though Hong Kong and Macao remained dominant as sources

of investment, the importance of Taiwan grew rapidly and FDI from the US, EU and Japan (often via tax-free holdings in the Virgin Islands) increased in spurts. The prominence of wholly foreign owned enterprises in total realized investment also began to grow, spiking in the late 1980s and then again in the mid-'90s.[32] But the role of direct investment on the part of developed countries would remain subdued, with FDI from the US, EU, Japan and Canada composing only a quarter of China's cumulative inbound FDI between 1985 and 2005. By comparison, "worldwide, developed countries accounted for 92% of FDI in 1998-2002."[33] Meanwhile, the absolute volume of international investment skyrocketed, reaching record-high levels around the turn of the millennium. Both total investment into China and China's share of the growing global total increased markedly in this period. Only the US and UK received more incoming FDI in these years, and both were superseded by China in the 21st century. Out of all developing countries, the Chinese share of global FDI fluctuated from between 20 to 50 percent.[34] This signaled not only China's own reliance of foreign capital and export industries, but also its growing ability to out-compete competitors in Southeast Asia in order to secure this investment.

Recentering East Asia

Trends in the profit rate of the world's major producers defined this process. It is not coincidental, for instance, that the Chinese investment boom occurred at the same time as

32 Naughton 2007, p.412, Figure 17.3

33 Ibid, p.413

34 Khondaker Mizanur Rahman, "Theorizing Japanese FDI to China," *Journal of Comparative International Management*, Volume 9, Number 2, 2006. p.17

the brief recovery of profitability experienced by US industry, particularly manufacturing. The 1990s saw GDP increase continuously in the US for the longest recession-free stretch ever experienced (just under a decade)[35] paired with declining unemployment, low inflation and rising productivity driven by the growth of computerization. Job growth reached record levels, consumer credit continued to expand, and a boom in consumption followed. This was all, in turn, facilitated by the cheapening of consumer goods produced via Pacific Rim supply chains, with China able to secure growing shares of this trade throughout the decade—ultimately at the expense of its Southeast Asian competitors.[36] In this period, the significantly more labor-intensive, lower-tech Chinese manufacturing industry did not threaten higher-tech US producers, since it specialized in goods much farther down the production chain. This sort of production was simply not feasible within the US (due to higher wages) and the profits often accrued in part to US corporations nonetheless through contract hierarchies. But US demand was only part of the picture. In the end, the Chinese ascent could only be secured through crisis.

First, the bursting of the asset bubble saw Japan's power in the region reduced. The Plaza Accord had severely hindered Japanese domestic production, leading to a rapid outflow of capital beginning in the mid-1980s, alongside speculation at home. When the bubble burst in 1990, it threw the Japanese economy into two decades of relative stagnation. Even prior to the Plaza Accord, profitability had already declined rapidly and most major Japanese firms had responded to this by pouring capital into speculative financial devices and booming real estate markets. After the bubble burst, this left them

35 See the National Bureau of Economic Research, "US Business Cycle Expansions and Contractions." <http://www.nber.org/cycles/>

36 See Brenner 2002, Chapter 9.

burdened with a mass of severely deflated assets and large interest payments incurred on credit obtained during the boom. Even where profits remained steady, such firms had to increasingly direct their revenue toward paying down this debt, rather than funding new investment. This was despite the ready availability of extremely low-interest loans offered in the name of stimulating an economic recovery. The traditional monetarist response to crisis (increase liquidity and money supply) stagnated in the face of plummeting demand for new credit as firms sought to rectify their balance sheets. The Japanese state therefore stepped in to keep the economy afloat, providing a base level of demand for the banking system and funneling the money into new infrastructure or other vaguely Keynesian projects. Though this was insufficient to stimulate a full recovery, it did arguably prevent an outright collapse.[37] The result was two Lost Decades of extremely slow growth, persistently high (though not staggering) unemployment, increasing precarity among the workforce and slowly growing nationalist sentiment.

For China, the results of the Japanese decline were clear. Japanese capital was too weak in this period to act as a significant counter to the bamboo network, even though it was Japanese investment that had stimulated much of the network's early accumulation. At the same time, low growth rates at home still ensured a steady flow of FDI from Japan into China and elsewhere. In contrast to China-bound FDI from the bamboo network, Japanese funds were not as heavily centered on Guangdong and Fujian. China-Japan trade instead helped to stimulate the boom of the central and northern coast, in particular in Shanghai, the largest recipient of Japanese

37 For a detailed account of the Japanese crisis, including a systematic comparison to both the Great Depression and the Great Recession, see: Richard C. Koo, *The Holy Grail of Macroeconomics: Lessons from Japan's Great Recession*, Wiley, 2009.

investment in the 1990s. Between 1991 and 1994, Japanese FDI into China grew at a rate of 53 percent per year.[38] It peaked in 1995 at $4.5 billion, or about 8.8 percent of total FDI into China, then declined throughout the latter half of the 1990s, reaching a trough in the years of the Asian Financial Crisis before rebounding in the new millennium.[39] But despite continuing regional prominence as an investor (and dominance in R&D and high-tech patents) Japanese capital was now forced to share influence with the bamboo network, and therefore could not enforce the more rigid, Japan-centric hierarchies experienced elsewhere in the region. Meanwhile, capitalists within the bamboo network (as well as those in South Korea) would soon see increasing economic interdependence with the Chinese mainland as a profitable alternative to reliance on Japan.

The second major turning point was the Asian Financial Crisis, which began in Thailand in 1997. The profit rates of Thai manufacturing, construction and services had all begun to decline as early as 1990. Far more dependent on exports than the Japanese, South Korean or Taiwanese precedents, manufacturing had begun to confront both vertical and horizontal limits due to its position in global trade hierarchies. First, Thai firms were unable to successfully implement labor-saving technology, preventing them from moving up the value chain. Second, they were caught in a "realization crisis" that grew in intensity throughout the 1990s, in which Thai producers were unable to secure sufficient shares of market demand in the face of rising competition, particularly from China. The stagnation in Japan also meant that consumer demand in Asia's largest economy plummeted. The US and Europe thereby became the most important export markets, and competition

38 Thomson 1997, p.7

39 Rahman 2006, p.18

for access to these markets increasingly became a zero-sum game. With the Chinese share of the US import market growing from 3.1 percent in 1990 to 7.8 percent in 1998, Thailand's stagnant, meager share of 1.4 percent throughout the same period was evidence of this "realization crisis," and, paired with rising wages in manufacturing, led to the rapid growth of speculative investment in banking, insurance and real estate, similar in character to the Japanese asset bubble.[40]

Meanwhile, the Chinese currency reforms of 1994 had the effect of devaluing the yuan but not floating the currency entirely, further enhancing Chinese competitiveness while also retaining a moderate level of insulation from currency speculation. FDI into Thailand hit a trough in the same year, and when it recovered, the bulk of investment was in real estate, rather than manufacturing. All of this was facilitated by a wave of liberalization and deregulation measures encouraged by the Thai state. Restraints on the financial sector were lifted and, most importantly, faced with mounting debt, "the state dismantled most foreign exchange controls and opened the Bangkok International Banking Facility, which allowed offshore borrowing in foreign currencies and reconversion into Thai baht" which was kept "pegged to a basket of currencies favouring the dollar" and then floated in 1997.[41] The end result was the collapse of the real estate bubble followed by a wave of currency speculation that threw the entire region into crisis. In Thailand, real wages fell due to combined devaluation and inflation and unemployment more than doubled. Laid-off workers funneled into the countryside, raising the rural poverty rate and leading to a wave of populist unrest. In Indonesia, inflation grew rapidly, a wave of anti-government and anti-Chinese riots shook the country, and the Suharto

40 Glassman 2004, pp.176-180, Figures 6.1 and 6.2

41 Ibid, pp.184-187

regime was forced to resign. In South Korea, the stock market crashed, financial institutions collapsed, a number of *chaebols* were restructured, bought out or went bankrupt, and the IMF had to step in to bail out the severely indebted government.

Though growth and investment in China also declined, the worst of the crisis was avoided. The US remained a strong export market (and would become even more important after its own dot-com bubble) the yuan was protected from rampant speculation, the profit rate of manufacturing remained robust, and, most importantly, all of China's major regional competitors were essentially eliminated. The result was that, by the end of the millennium, mainland China would become the center of a new Sinosphere of capital, soon capable of outcompeting the Japanese for economic hegemony in the Pacific Rim. Maybe most importantly, this sequence of Asian financial crises was convincing justification for new experiments in monetary control, finance and the management of major conglomerates, emphasizing the ability of the Chinese capitalist class, coordinated by the party-state, to intervene in dangerous cycles of speculation driven by the parochial interests of smaller fractions of the class. This logic of monetary protection and managerial oversight would define the restructuring of core industries at the turn of the millennium. But China's integration into the market could never be entirely immune from the same dynamics that had plagued its neighbors.

Debts

Though ultimately key to its success, these regional crises also combined with new domestic limits to threaten the stability of the Chinese transition. Another period of retrenchment had followed the events in Beijing in 1989, as leading reformers

were purged from the party, inflation was reigned in and planners sought again to scale back the extent of the market. But the very attempt to restrain the force of the market only created the conditions for it to extend even farther. On the one hand, the suppression of the unrest generated by the unevenness of the transition helped to restore stability to the economy, and this stability would convince international investors that conditions were secure enough to guarantee future returns.[42] On the other hand, the unrest itself was a signal of deeper crises. Throughout the 1980s, local leaders were encouraged to funnel massive amounts of capital into TVEs and commercial real estate development, regardless of risk. In order to facilitate this process, hundreds of unregulated banks sprung up across the country, themselves becoming a seemingly lucrative investment in the process. Non-existent financial policy had paired with booming growth to create a massive TVE bubble, probably the first distinctly capitalist crisis of the new era. By the early 1990s, it had become clear that many TVEs were simply not productive, commercial real estate was often extremely overvalued, and the new banks were mostly composed of bad loans.

Meanwhile, since the events in Tiananmen had seen a brief credit embargo levied against the country, the trade deficit had grown just as access to external funding was temporarily limited. Part of the retrenchment, then, was an intentional attempt to reduce domestic demand for investment by imposing strict quotas and suppressing wage increases. Bank credit slowed, growing only 10.6 percent between 1988 and

42 Of particular importance were the actions of Singaporean Prime Minister, Lee Kuan Yew, who led the region in re-investing into the Chinese mainland against the wishes of many Western countries, who were seeking stronger trade sanctions. Singapore and other regional powers identified both the potential for the regime's stability, and the risk of deeper instability if isolation were again to be forced on the mainland.

1989, compared to almost 30 percent in previous years. A drop in fixed investment followed, declining eight percent in 1989, and plummeting "from 32% of GDP in 1988 to 25% in 1990."[43] The state again increased its share of total investment, and the demands of urbanites were partially met with a renewed focus on shielding SOEs from the effects of austerity. But aside from a few preferential policies for urbanites, new price controls (especially on producer goods) and some increased planning allocations, the conservatives within the party were now unable to offer any truly extensive plan to scale back reforms or even to solve the many problems that had arisen from the instability of the transition. Instead, they seemed cursed to repeat the same minimal, insufficient program that had been offered whenever reform seemed to get out of hand. And, again, the effects were to induce a recession that helped to clear the market, restore stability, and create the conditions for a new wave of reforms.[44]

The recession saw consumption decline alongside investment, with households withdrawing what money they could from speculative schemes and pouring their income into savings accounts. The drop in demand also eliminated the persistent shortages that had built up in the last years of the 1980s, and this in turn allowed the market to re-orient toward less speculative sources of demand. Despite the credit embargo, foreign markets remained open to Chinese exports and the SEZs to FDI. For the first time, exports began to consistently overtake imports as a share of GDP.[45] Meanwhile, unemployment

43 Naughton 1996, pp.275-276

44 ibid, p.279

45 From 1990 through 2005, exports as a share of GDP exceeded imports in all but one year (1993). The opposite was the case in the previous decade, when imports matched imports (in the first half of the decade) or exceeded them (in the latter half). See: Naughton 2007, p.378, Figure 16.1

increased, particularly in rural areas, providing an ever larger reserve army of labor for coastal production hubs. Paired with the collapse of socialist regimes across Eastern Europe (and soon the USSR itself), the growing surplus population seemed to forebode future unrest. But conservatives had no functional plan to reignite growth or to incorporate this population back into the planned economy. Meanwhile, foreign investment had already started to pour in from new locations such as Taiwan, eager to exploit the same factors that had begun to catapult Hong Kong into a hub for global finance.[46]

The attempt to shield urban SOEs from the worst of the recession, though marginally successful at stifling further discontent among workers, ultimately caused a shift from the slow, competition-driven profitability growth seen in the late 1980s to a rapid plunge in profitability in 1989 and 1990. As the share of unprofitable SOEs began to grow, the state sector itself became less and less reliable as a source of funding. This further undercut the state's potential to act as a stand-in for the market.[47] While such trends continued to erode the basis for any large-scale return to the plan, a new reform agenda was slowly cobbled together in response to the many macroeconomic policies that conservatives seemed unable to address. Central to this agenda was the reform and consolidation of the banking system, which would streamline access to household savings. This was a lynchpin reform, finally cutting through the recurring crises of state investment and placing the financial system on an entirely new foundation. Such a change had only become possible because rising incomes (now more often monetized) had ensured that personal savings had been increasing rapidly from 1978 onward. Soon, this mass of household savings would serve as the single most important

46 Naughton 1996, pp.280-283

47 ibid, pp.284-286, Table 8.1

source of investment, capable of replacing the declining contributions of the state-owned sector.[48]

At the advent of the transition period, there was no true banking system in China, and the only financial model readily available was a rough blueprint left behind by Soviet advisors in the 1950s. Nominally, there was a single bank: the People's Bank of China (PBOC), which was a sub-department within the Ministry of Finance, employing only eighty people in 1978 and serving almost none of the functions associated with banking. But the TVE boom in the 1980s both expanded demand for investment and made evident the need for an investment infrastructure outside the planning apparatus that would be capable of dealing with the dispersion and complexity of the emerging industrial structure. The result was a rapid, largely uncontrolled proliferation of financial institutions over the course of the 1980s, including everything from banks to pawn shops: "By 1988, there were 20 banking institutions, 745 trust and investment companies, 34 securities companies, 180 pawn shops, and an unknowable number of finance companies [including local 'banks' and credit unions] spread haphazardly across the nation."[49] All of this was done in the name of financial "modernization," with new financial institutions emerging at every level of government and thereby mirroring the decentralization of the planning infrastructure that had taken place in the middle of the socialist era.

Throughout this boom, it was actually local-level party cadres who held institutional power over the banking system and drove its rapid expansion. Throughout the decade, the PBOC,

48 Naughton 2007, pp. 430-433, Figure 18.2

49 Carl E. Walter and Fraser J.T. Howie, *Red Capitalism: The Fragile Financial Foundation of China's Extraordinary Rise*, John Wiley & Sons, 2012, p.35

for instance, had its senior branch managers appointed by the local party organs, rather than the central state. Just as in the decentralized planning apparatus of the socialist era, the structural interest of local party committees was to stimulate growth, since their political performance was measured by the economic output of their district. Now, however, growth was no longer measured in just sheer output, but often in value, and specifically "value-added" for export. At the same time, there was the added benefit of embezzling funds, signing lucrative contracts with Hong Kong (denominated in valuable HKD or USD), and profiting directly off the labor of workers within the new enterprises. In the past, similar structural pressures had encouraged cadres to exaggerate output, particularly in key industrial or agricultural products, in order to secure more material from the central state's investment apparatus. The same sort of exaggeration occurred in the 1980s, but now it had a more distinctly speculative sheen: every district's real estate and TVEs sectors were portrayed as unassailable growth industries, with each new wave of investors gaining an interest in maintaining the illusion, at least until they could sell their own shares. Rather than exaggerating output in order to secure additional investment from the central state, local governments set up their own inconsistent, speculative and extremely volatile financial infrastructure in order to attract the growing bulk of floating, non-plan profits and personal investment funds. Between 1984 and 1986, the number of loans grew more than 30 percent each year, then lowered slightly to just over 20 percent per year from 1987 through 1991. This, in turn, stimulated rampant inflation, and when the state attempted to impose some administrative control on the new financial system the result was a run on local bank branches, helping to stoke building unrest in the final year of the decade.[50]

50 ibid, pp.34-37, Figure 2.3

The conservative retrenchment, however, simply sought to clamp down on credit, stifling total investment in the hopes of shifting the economy back onto the planning infrastructure. But the state-owned sector was already far too dependent on the non-plan economy, and the attempt only accelerated its atrophy. Aside from the anemic plan and the volatile new banking system, there was simply no other infrastructure for investment. The initial revival of reform that followed the retrenchment, then, was both dependent on this extremely unregulated financial system and tasked with forcing it through a painful period of restructuring. Ironically, it was the new reformist regime that would burst the bubble. The events of 1989 had already proven how volatile rampant inflation and uncontrolled speculation could be. Now, with the SOEs falling into deficit and the banks that had financed them holding more and more bad loans, the need for widespread financial reforms became evident. In the same year as Deng's Southern Tour, a global recession hit and inflation again skyrocketed, threatening the revival of the reform agenda. But unlike in the '80s, reformists had at least formulated a rough solution to the problem. Now, rather than the vague blueprints left by Soviet advisors, the state turned to the American financial system as a model. The effort was led by Zhu Rongji, the former mayor of Shanghai who was promoted to vice-premier in 1991 for his successful management of the city. Concurrent to his term, Zhu also served as governor of the People's Bank, where he oversaw monetary policy. In this dual capacity, he began to impose nationwide financial reforms beginning in 1993, just when annual inflation in large cities had again surpassed twenty percent. The economy was pushed into another period of austerity—but this time it was imposed by the reformist faction, rather than by the conservatives.[51]

51 Naughton 1996, pp. 304-306

First, decentralization was addressed at multiple levels. The tax system, which had become a mess of locally negotiated tax rates, often specific to each enterprise, underwent sweeping reforms in 1994. These reforms were modeled on the federalist systems used in many Western countries, with tax categories clearly defined and apportioned between central and local governments. Given the level of decentralization that had become the norm both politically (from the 1960s onward) and financially (from the 1980s), the net effect of these fiscal reforms was to begin to recentralize fiscal authority, and thereby increase the ability of the central state to actually carry out its own policies.[52] At the same time, the financial system itself was centralized, with the proliferation of unregulated, vaguely-defined small investment mechanisms consolidated into a more coherent infrastructure dominated by the "Big Four" state-owned commercial banks: Industrial and Commercial Bank of China (ICBC), Agricultural Bank of China (ABC), Construction Bank (CCB) and Bank of China (BOC). Each of the Big Four were given a slightly different mandate, ICBC dominating lending and deposits in the cities, ABC doing so in the countryside, CCB providing project financing and BOC handling foreign trade and foreign-exchange transactions. Alongside the Big Four, three major policy banks were formed: China Development Bank, Export-Import Bank and the Agricultural Development Bank. These banks were tasked with implementing policy projects announced by the central state, such as large-scale infrastructure construction or the international promotion of Chinese exports. By the turn of the century, the Big Four alone would control more than half of all capital held by all banking institutions and the policy banks another quarter. The remainder was composed of smaller credit unions, the postal savings system, and joint-

52 Naughton 2007, Chapter 18

stock commercial banks, all of which were dependent on the Big Four, which still today dominate interbank lending.[53]

The double-collapse of the Hainan real estate bubble in 1993 and the Guangdong International Trust & Investment Company (GITIC) in 1998 illustrates the general arc of the era: severed from Guangdong and made into both a province and an SEZ in 1988, the poor tropical island province of Hainan saw a sudden influx of young speculators, with investment coordinated by twenty-one unregulated trust companies, the largest of which were effectively the financial wings of provincial governments. Though modeled on Shenzhen, the Hainain SEZ seemed to always push the development of export industry (and exploitation of local natural resources) off into the near future. Instead, the SEZ's policy permitting the sale of land-use rights encouraged the bulk of these speculators to go straight into real estate. In the space of a few years, "20,000 real estate companies materialized—one for every 80 people on the island." Even the port was purchased (by a Japanese developer) and turned into massive condo towers, since industrial land sold for far less than residential. After Deng Xiaoping's Southern Tour in 1992, reaffirming commitment to the reform project and the importance of Southern China in this process, it seemed that nothing could stop the ascent of Hainan's real estate values.[54]

But in reality, the very beginnings of Zhu Rongji's financial consolidation destroyed investor confidence in the Hainan bubble, which began to collapse as early as 1993. The burst bubble left a mass of bad debt that amounted to some ten percent of the national budget, accrued in a single SEZ over the course of five years—and Hainan was soon stripped of

53 ibid, pp.454-458

54 Walter and Howie 2012, pp.37-39

its SEZ status as well.[55] But despite this one collapse early in the decade, most of the country's larger financial problems persisted: the deficits in the SOEs had never been resolved and the accumulation of non-performing loans simply could not be ignored much longer. This became strikingly clear with the bankruptcy of the GITIC in 1998, during the Asian Financial crisis. This was "the first and only formal bankruptcy of a major financial entity in China," and GITIC had controlled much of the international borrowing that went into Guangdong, by then the country's richest province.[56] Compared to the national crises that struck most of its neighbors in Southeast Asia, the GITIC collapse was relatively contained. Nonetheless, the dual failure of Hainan and GITIC proved that a financial system driven these volatile trust and investment companies could threaten a similar financial crisis in China.

This further stimulated the centralization of the Big Four into the hands of the central government, but it also led directly to the implementation of the second major component of financial reform, again spearheaded by Zhu (though formulated by Zhou Xiaochuan, head of the CCB), and again modeled on the American system: the plan was to spin-off all the bad loans now held by the Big Four into a series of asset-management companies, which would then salvage what could be salvaged from the original investments over a number of years—essentially the exact same method used by the US in dealing with the Savings & Loan Crisis. This would repair the balance sheets of the Big Four and bring the Chinese financial system more generally in line with international standards. The process, however, was never completed, and its failure would leave the Chinese financial system both dependent on bank financing, backed by consumer deposits, and particularly

55 ibid, p. 38

56 Ibid, p. 39

prone to inflating ever-larger speculative bubbles for the sake of maintaining investment.[57]

Rural Boom & Crash

These national financial reforms had an equally devastating effect on the countryside, where a bubble had long been building. Initiated in the 1980s by rising rural incomes, the rapid growth of rural industry and the resurrection of rural markets, the 1990s would see the final stage of this rural bubble, capped by its collapse. The integration of the TVEs with the rapidly restructuring urban industrial sector (the SOE-TVE nexus, explored above), was one factor in this collapse. But beyond such external dependency, the rural bubble was riven with entirely endogenous contradictions that all but guaranteed an ultimate crash. Throughout, agriculture remained heavily shielded from the pressures of the global market and rural land remained nominally communal. These very protections provided the basis for rising incomes and relative stability. Paired with the rapid, largely unregulated growth of competitive rural industry, however, these conditions would create a boom and crash that would definitively destroy the socialist countryside.

After the wake of 1989's urban protests had settled somewhat, the state began re-implementing serious market reforms for urban food subsidies. These food subsidies, a holdover of the socialist developmental regime, had acted to reduce the cost of living of the urban working class. But attempts to restructure these programs had been put on hold because of the rampant

57 See ibid, Chapter 3. For our purposes here, the process of financial reform is mentioned only briefly. We will return to the topic in Part 3 of this economic history, when describing the formation of the contemporary financial system and the building economic crisis.

inflation caused by price reforms in 1988 and 1989 and the unrest that followed. Ironically, then, it was the violent and decisive suppression of these urban protests that made the unpopular reforms possible. The new reform package was a continuation of earlier attempts to reduce the impact of subsidies on state expenditures, which had risen again in response to late 1980s inflation. But, unlike in the early 1980s, this time the state attacked urban food prices instead of rural procurement prices. Urban grain prices were liberalized in 1991 (raising the urban price of grain by 35 percent) and 1992 (raising it by 25 percent), and by 1993 the official system for urban food rationing was ended. Rising agricultural prices likewise stimulated production, feeding into growing rural incomes and the expanding rural economy. Farm product prices, rural incomes, and rural purchasing power grew.[58] The loosening of credit in late 1990, following a period of retrenchment after the inflation and protests of the late 1980s, began a period of rapid rural economic growth.[59]

The booming rural economy soon took on independent, self-sustaining momentum, despite the state's attempt to rein in an overheating national economy. Inflation was again on the rise by 1992, peaking in 1994 at around 25 percent as it had in the late 1980s. In mid-1993, as part of national financial reforms the state instituted a sharp contraction of bank credit, but the credit contraction did not have the desired effect on the rural economy. High inflation continued through 1996 largely because of self-reinforcing rural economic growth, and the freeing of urban food grain prices led to an informal liberalization of rural grain markets followed by rising farm product prices. In response, the state had to raise grain procurement prices in

58 Albert Keidel, *China's Economic Fluctuations: Implications for Its Rural Economy*, Carnegie Endowment for International Peace, 2007, pp.55-57.

59 Ibid., p. 55.

1994 to maintain its market share.[60] Rural household incomes rose despite the state's credit crackdown, and rural consumer demand surged from 1994 through 1996. This demand fed rural industry. Rural self-financing continued to grow in the mid-1990s even as state financing contracted elsewhere.[61]

Fattened by this demand, the TVE sector continued to grow and employ more rural labor throughout this period, further expanding rural incomes. Rural industrialization, in other words, was another key factor in accelerated, independent rural economic growth, and the early 1990s constituted the fastest single period of TVE expansion. By 1996, the sector was contributing nearly 40 percent of China's gross industrial output, up from 10 percent in 1979, creating over five million new jobs each year.[62] As with agriculture, TVE growth continued even after the institution of credit controls in 1993. Though many TVEs participated in the SOE-TVE nexus or ultimately fed goods into the SEZs, just as many either produced for local demand directly or took on the character of pyramid schemes, growing without any clear connection to real demand in the domestic or export market. The result of this unchecked growth was that the rural economy was increasingly seen as uncontrollable, and thereby another source of potential social instability.

Beginning in 1996, however, the self-reinforcing dynamic of the rural economy collapsed, leading to a rural crisis that came to be known in China as the "three rural problems" (三农问

60 Ibid., pp. 55-59.

61 Ibid., pp. 88-89.

62 Li Hongbin, and Scott Rozelle. "Privatizing rural China: Insider privatization, innovative con-tracts and the performance of township enterprises," *The China Quarterly* 176, 2003, p. 981.

题). By destroying the basis of rural incomes, this crisis began the piecemeal destruction of rural, non-market subsistence that had defined the socialist-era countryside, resulting in a flood of out-migration. Those leaving the countryside would now join older generations of migrants and lower-class urbanites in China's growing proletariat. Central to this shift was the downfall of collective (as opposed to privately owned) TVEs, taking place alongside changes in the national structure of taxation and government finance and a renewed effort by the state to impel grain production. The fiscal decentralization of the 1980s had benefited provincial governments, but central state revenues as a proportion of total government revenues fell by the early 1990s. This negatively affected the central state's ability to shape the economy.[63] As part of the nationwide financial reforms helmed by Zhu Rongji, the state's reaction to this problem was to divide local and central finances, and to increase the center's proportion of the total beginning in 1994. As with the banking reforms reviewed above, this was an intentional attempt to "modernize" the fiscal system by mimicking the federal system: Instead of the central state taking a negotiated proportion of taxes collected at the local level, as had been the practice, different fees and taxes were now designated as either local or central revenues. This hurt the rural economy, especially in regions that depended heavily on agriculture, as more revenues were allocated to the center in the process. Meanwhile these reforms caused the gap in revenues between richer and poorer provinces to widen even further. The most important factor, however, was the dramatic restructuring of rural industry.

63 Wang, Shaoguang and Hu Angang. *Zhongguo guojia nengli baogao* [A report on China's state capacity], Hong Kong: Oxford University Press, 1994.

The central state had begun to regard TVEs as an uncontrollable source of inflation, since insolvent TVEs, run as collectives, were increasingly financed by local state subsidies (especially after the restriction of other sources of credit), indebting local governments and spurring price increases. As early as 1993, Zhu Rongji had called to limit the sector's growth "so that resources could be freed up for the expansion of the export sector."[64] At the same time, the center's increased control over local revenues began to make the promotion of TVEs less attractive investments for local officials, since the central state took control of more of the tax revenues that they generated.[65] When the initial credit controls failed, the state put further restrictions on lending to TVEs in particular, making the rural debt crisis even more severe and thereby justifying the central state's aggressive move in 1996 to force many collective enterprises to close down or privatize. Though already operating on the market, privatization of collective enterprises entailed the transfer of ownership from the village or township collective (whose members were generally supposed to all receive dividends), to one or more individuals (usually existing managers but often non-local capitalists) who would in principle be more responsive to market forces and less restricted by nepotism, petty corruption and collective regulations, such as the requirement to employ local residents instead of cheaper migrants from elsewhere.

Since the central state had been failing to bring this source of inflation under control for so long, privatization was now seen to be the only alternative. But the ownership structure

64 Hung, Ho-fung. *The China boom: Why China will not rule the world*, Columbia, 2016, p. 71.

65 Kung, James Kai-sing, and Yi-min Lin, "The decline of township-and-village enterprises in China's economic transition," *World Development* 35(4), 2007, pp. 569–584.

had already been trending in this direction for more than a decade: As discussed above, one reason for the official change of terminology from CBE to TVE in 1984 was to include the increasing variety of ownership structures, including rural enterprises owned by individual households and partnerships of multiple private or public investors. The Wenzhou Model of TVEs was defined by private ownership, but the 1981 study of Sichuan quoted above, for example, shows that private or quasi-private ownership of industrial enterprises was already becoming common throughout rural China, and another study showed private TVEs to be the fastest growing type by the end of the 1980s.[66] This trend seems to have been mainly driven by market forces, with state policy initially discouraging private ownership, then in 1984 merely trying to regulate it through official recognition, and finally, by 1996, changing with the tide of marketization (and in response to the new problem of rural inflation) to adopt the opposite position: actually pressuring many of those collectives that had not already privatized or closed in response to market forces (many of which were surviving on massive debt to local financial institutions) to do so by state fiat. Such political closures coupled with competition from the independently growing private sector to create a general crisis for collective rural enterprises, and both the absolute number of TVEs and their employment fell in 1997.[67] This coincided with the central state's shift in national development strategy toward export-oriented, foreign-invested private enterprises in the coastal regions, which relied on migrant labor from the very rural areas whose sources of development over the previous two decades were now imploding.

66 Griffin and Griffin 1984 ,p. 216; Byrd and Lin 1990, p. 11.

67 Li and Rozelle 2003, p. 981.

The downturn in rural areas (especially those dependent on agriculture) was reinforced by a renewed state intervention into grain markets, depressing incomes in the countryside. Rural consumption growth was negative between 1997 and 1999, and the rural-urban income gap began to rise again.[68] Rural-urban terms of trade deteriorated for both industry and agriculture.[69] However, in the midst of SOE reforms (discussed below), the state was more worried about urban unrest than rural. Fearing the return of the urban protests of the late 1980s, the state attempted to push some of the burden of SOE reforms onto the rural population by again forcing peasants to grow cheap grain for urban workers. With a new policy of provincial grain responsibility instituted in 1995, grain supplies grew in 1996 and prices dropped, suppressing the agricultural component of rural household incomes.[70] All of this naturally starved village and rural township governments of revenue, especially in agricultural regions that had recently lost their income from local TVEs. These governments became increasingly predatory on their peasant population, sparking a sharp increase in peasant protests against taxes and miscellaneous fees.[71] Meanwhile, rural outmigration continued, especially among the young, building the ranks of the urban proletariat. Overall, the contradictions of the era were

68 Keidel 2007, p. 92 figure 4.11.

69 Ibid., p. 90 figure 4.10.

70 Alexander F. Day & Mindi Schneider, "The end of alternatives? Capitalist transformation, rural activism and the politics of possibility in China," *The Journal of Peasant Studies*, 2017, p. 7; Food and Agriculture Organization, *Poverty alleviation and food security in Asia: Lessons and challenges*, 1999 <http://www.fao.org/docrep/004/ab981e/ab981e00.htm#Contents>; Jack Hou and Xuemei Liu, "Grain policy: Rethinking an old issue for China," *International Journal of Applied Economics* 7(1), 2010 pp. 1-20; Hou and Liu 2010; Keidel 2007, pp. 57 and 89.

71 See "Gleaning the Welfare Fields: Rural Struggles in China since 1959," *Chuang*, Issue 1, 2016. <http://chuangcn.org/journal/one/gleaning-the-welfare-fields/>

most clearly expressed in a new economic geography: Inland agricultural regions fell into recession, and the gap between rural and urban grew. In many coastal areas, in contrast, rural areas were increasingly intertwined with industrial and export markets. Urban reforms charged ahead while agriculture and the rural economy stagnated. While this led to a brief series of ameliorative rural reforms in the early 2000s, most notably the abolition of the agricultural tax in 2006, market reform of the rural sphere began to accelerate again around 2008, although it remained somewhat behind the pace of urban reforms.

Smashing the Iron Rice Bowl

The third and final component of Zhu's financial reforms was aimed at the SOEs themselves. The ultimate goal was to make Chinese firms outside the light-industrial export sector both globally competitive and open to foreign investment (albeit restricted to a minority share of ownership). By listing the Big Four financial institutions and many of the major SOEs on global markets, the "internal" state-owned economy (体内制) could successfully attract large amounts of new capital and foreign reserves, helping to modernize production and decrease the risk of future deficits. The first IPOs for Chinese SOEs were held on the Hong Kong Stock Exchange as early as 1993, and "by the end of the decade, hundreds were listed companies on the Hong Kong, New York, London and Shanghai stock exchanges."[72] Between 1993 and 2010, $262 billion USD would be raised on international capital markets in this fashion—a number just below China's entire GDP in 1985.[73] Meanwhile, this process required the reinvention of

72 Ibid, p.13

73 This is in addition to the $943 billion from FDI over the same years, as well as $389 billion raised on domestic capital markets via the

amorphous, often extremely disaggregated planning units into something resembling modern corporations. The massive SOEs that emerged—and which today populate the Fortune 500—were the success stories, dreamed up by Chinese reformers like Zhu and made reality by American investment bankers over the course of the late 1990s and early 2000s. These new monopoly corporations were called *jituan* (集团) or "conglomerates," functionally similar to Western monopolies, Japanese *zaibatsu* and Korean *chaebol*.[74] But such successes were the product of a violent economic restructuring that would see poorly-performing SOEs closed down across China's Northeastern Industrial Belt, generating a final wave of unrest that marked the completion of China's capitalist transition.

The 1990s had seen the further erosion of the socialist era class system, with industrial production increasingly staffed by an increasingly proletarianized, largely migrant workforce. The *hukou* system, once a tool for fixing population to the land (and thereby securing the urban-rural divide), now proved useful as a way of stripping newly-arrived workers of any welfare rights in the sunbelt industrial zones. The system also gave a legal justification for deportation if unrest got out of hand. This is the classic example of a socialist-era institution being exapted into the capitalist accumulation regime, and the *hukou*, now used as a form of labor-management, would become integral to the rapid growth of the Chinese economy after the turn of the millennium. Structurally, it bears a strong resemblance

same means. See ibid, pp.11-15.

74 It is common in the Western literature to simply continue referring to the *jituan* as "SOEs," despite the fact that they resemble the variety of capitalist monopolies far more than socialist-era enterprises. We choose to refer to them as *jituan*, or *jituan* SOEs, in order to emphasize their similarity with their *zaibatsu* and *chaebol* predecessors. The details of their operation will be explored in Part 3 of our economic history.

to any number of labor management institutions (*de jure* and *de facto*) long used in capitalist countries, and has often been compared to apartheid or Jim Crow.

The *hukou* system's continuing classification of migrant workers as "rural" residents also tended to make the process somewhat opaque in official statistics. Estimates of the total number of migrant workers range from between eight and forty million in 1989-1990 to between twelve and one hundred million in 2000.[75] Some local governments (namely in Guangdong) performed their own local surveys and provided more coherent data, but the exact magnitude of nationwide migration in this period remains unclear. What is clear is that the migrant population underwent fairly rapid growth and, as the primary workforce used in the export zones and new, market-driven industries, this labor force composed greater and greater shares of the total industrial workforce. By the mid-2000s, migrant workers almost certainly numbered more than one hundred million, and this massive workforce accounted "for 57.5 percent of China's industrial workforce and 37 percent of its service sector employees." In the garment, textile and construction industries, in particular, these migrants comprised seventy to eighty percent of the total.[76] They often constituted the majority of the population in many newly industrialized areas, and cities such as Shenzhen would soon find themselves with an urban population some seventy to eighty percent composed of "rural" residents, many registered in villages scattered across far-off provinces such as Sichuan. All in all, the proletarianization of the Chinese labor

75 For an overview of some of these estimates, see: Zhong Zhao, "Migration, Labor Market Flexibility, and Wage Determination in China: A Review," *The Developing Economies*, Volume 43, Number 2, December 2004. <http://econwpa.repec.org/eps/lab/papers/0507/0507009.pdf>

76 Ching Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt*, University of California Press, 2007, p.6

force stimulated what was probably the largest mass migration in human history.[77]

A strong generational divide defined the new proletariat from the socialist-era working class. Migrant workers tended to be young, and the first two generations were predominantly female. Most had been born and raised almost entirely outside the socialist developmental regime, with language of "reform and opening" a constant feature of their upbringing. By contrast, the remnants of the socialist-era working class tended to be older and majority male, many having experienced the various ups and downs of the developmental regime while always holding a position of privilege relative to the tumult experienced by students, intellectuals, female workers and the peasantry. Younger SOE workers had effectively inherited their positions from their parents. The oldest had fought in the revolution or lived through it as children, giving them an almost sacrosanct status in the class hierarchy inherited from the socialist era. [78]

This special status helps to account for the long, drawn-out nature of privatization within the state sector in the course of the transition. The events of 1989 proved just how volatile urban unrest could be, and the state still relied on many of the patronage networks that connected it to key enterprises nationwide. These networks were composed, in part, of very real material benefits allotted to the enterprise, including both management and many of the workers, particularly those with seniority. Privatization could only occur if this population was itself divided, and even then only when driven by the

77 Kam Wing Chan, "China, Internal Migration," in Immanual Ness and Peter Bellwood, eds., *Encyclopedia of Global Migration*, Blackwell Publishing, 2013.

78 Lee 2007, p. 36

stimulus of a massive regional economic crisis. The division of the political loyalties of SOE workers and management was achieved through the process of consolidation: enterprises used everything from political leverage to actual productivity numbers in order to win spots within the new, massive *jituan* SOEs created at the demand of international investment bankers, launching extremely profitable IPOs on global stock exchanges throughout the 1990s and 2000s.

But those who lost out on inclusion into the *jituan* were not immediately shut down. Instead, they continued to operate, and, despite the early IPOs, by 1996 the SOE sector as a whole reported a net deficit for the first time since its inauguration, with a drastic fall in the quantity of enterprise profits remitted to the central government.[79] Overall, SOE profits plummeted from 15 percent of GDP in 1978 to below 2 percent in 1996-1997.[80] The problem was evident, as the majority of SOEs still seemed incapable of running at a profit, and thereby tended to drag down value accumulation generally. But this problem alone was not enough reason to risk another wave of unrest like that experienced in 1989. Instead, justification would come in the form of the Asian Financial Crisis, which crashed almost all the major economies surrounding China, including the vast majority of its regional competitors in manufacturing. China emerged from the crisis unscathed by comparison, though the collapse of GITIC (see above), convinced the Party of the risks threatened by unregulated exposure to the global market.

When Zhu Rongji ascended to premier in 1998, he was immediately tasked with cleaning up the after-effects of the crisis. On the one hand, he used the opportunity to

79 Jeffrey Sachs and Wing Thye Woo, "The SOE Sector Under Reform," in Garnaut and Huang 2001, p.285

80 Naughton 2007, p.105

decisively shut down GITIC and finally put into place his plan for dealing with the bad loans accumulated in the previous decades—many now the result of SOE underperformance after the retrenchment in 1989. A series of asset-management companies were spun off from the major banks, and the banks themselves were thereby able to launch IPOs by the early 2000s, often selling minority shares to major Western financial institutions.[81] On the other hand, Zhu used the crisis as a stimulus to finally launch a full privatization campaign on the underperforming SOEs, echoing the state's privatization campaign on collective TVEs two years earlier. In part, this was undertaken in the hopes that the source of many of the bad loans within the financial system could be uprooted, preventing a future financial crisis. But the policy was also meant to accompany financial and fiscal reforms that would bring China more in line with international standards—necessary for WTO membership, an important prerequisite for the scaling-up of marketization. With other regional manufacturers still reeling from the crash, China had a brief window in which it could assert an almost unchallenged dominance within global manufacturing markets.

Domestically, the clearing-out of unprofitable SOEs was a tumultuous process. Throughout the early 1990s, the percentage of industrial workers employed in SOEs underwent only a slight decline, from 68 percent to around 65 percent by 1997. But beginning in 1998, the number began to plummet, falling to a mere 36.3 percent by 2003—this share now largely accounted for by employment in the restructured *jituan* monopolies, designed to accord with global standards.[82] The demographics of the unemployed population also underwent a marked shift.

81 For a detailed history of the process, see: Walter and Howie 2012

82 Lee 2007, p.40, Table 2

While historically it was women workers and the younger population, at the bottom of the seniority system, who had experienced higher rates of unemployment, the wave of layoffs beginning in the 1990s hit the older permanent state sector workers the hardest. The magnitude of the restructuring was substantial: "In a matter of seven years, the laid-off population mushroomed to a staggering eighteen to twenty million in 2001, from less than seven million in 1993."[83] This accounted for some forty percent of the total SOE workforce, with the urban collectives (smaller, less privileged public enterprises, similar to their rural counterparts) shrinking even more.[84] Overall, the process saw the total share of the workforce employed in manufacturing dip from some 14 percent to a trough of less than 11 percent.[85] Though recovering slightly after 2001, the share has never again reached its previous peak, the restructuring of the SOEs serving to deindustrialize much of the Northeast, creating a massive rustbelt.

But unemployment in the old socialist industries did not simply mean loss of access to the wage. For younger SOE workers, unpaid wages tended to be the most important issue, since the implementation of contract systems and various other reforms had convinced many to not expect much in the way of continuing welfare benefits. Older workers, by contrast, had long lived off of the extra-wage compensation that came with membership (编制) in a large industrial enterprise. This included housing and healthcare allotted through the *danwei* system, and many could remember times when food, entertainment and a number of consumption subsidies would

83 Ibid, p.73

84 Naughton 2007, p.301

85 See "No Way Forward, No Way Back: China in the Era of Riots," *Chuang*, Issue 1, 2016, Figure 5, <http://chuangcn.org/journal/one/no-way-forward-no-way-back/>

have been included in employment as well. Most importantly, retirement benefits were often funded through the enterprise, and restructuring threatened to not only deprive workers near retirement of their benefits, but also to strip many recently retired workers of their only source of income. Similarly, public infrastructure such as roads, housing and utility networks all began to decay as investment into SOEs declined.[86]

Discontent was partially muted by the isolated, "cellular" character of the enterprises themselves, combined with buy-ins offered to many former workers, particularly in the form of real estate: By the early 2000s, "42 percent of households in which the household head is a worker ha[d] purchased their homes from their work organizations," often paying extremely low prices, "about 40 percent of the market price," to purchase their old *danwei* housing unit. In some locations, this would prove incredibly lucrative, as the families of former workers could ride the skyrocketing real estate prices that accompanied the next speculative bubble. But even in poorer provinces, many workers became landlords, and old factory managers and local cadres used the opportunity to allot themselves more housing of better quality prior to privatization, allowing them to dominate local real estate markets afterwards.[87] But these buy-ins were only partial, and old hierarchies translated into a new era of corruption, ensuring that many unemployed workers were left in over-populated housing units, relying on savings and informal employment to survive.[88] The immediate response to the restructuring was often direct protest: "In Liaoning province alone, between 2000 and 2002, more than 830,000 people were involved in 9,559 'mass incidents.'" Though concentrated in the Northeast, "nationwide, the

86 Lee, pp.70-73

87 Ibid, p.126

88 ibid, pp.128-139

Ministry of Public Security recorded 8,700 such incidents in 1993, rising to 11,000, 15,000, and 32,000 in 1995, 1997 and 1993 respectively." By "2003, some 58,000 incidents were staged by three million people," a number that included "farmers, workers, teachers and students," but with its largest share being "1.66 million laid-off, retired and active workers, accounting for 46.9 percent of the total number of participants that year." By 2004, the number had jumped to 74,000, and by 2005, 87,000, with the unrest in the countryside[89] and the new coastal industries[90] adding to continuing protests against deindustrialization in the Northeast.[91]

Though often retaining the language of a "socialist" system, this period of restructuring was a wave of mass privatization. For the first time, the central state (in the Fifteenth Party Congress in 1997) allowed local officials to induce bankruptcy on unprofitable SOEs and proceed with sales and auctions, as well as the many mergers and acquisitions that had already been occurring in the process of SOE consolidation. Privatization also continued in the urban and rural collective sectors in these years, with smaller enterprises often bringing formal ownership into alignment with reality through a management buyout.[92] The SOEs that remained were first corporatized according to the Company Law of 1994, which opened the door for hybrid forms of ownership, consolidation into the new *jituan*, and full privatization. The intent of the policy, phrased as "grasping the large, and letting the small go," was simultaneously to devolve responsibility of the "small" firms to local governments, who were free to restructure them as they saw fit, and to hand control over the newly expanded *jituan* SOEs to the central

89 "Gleaning the Welfare Fields."

90 "No Way Forward, No Way Back."

91 All numbers and quotations taken from Lee 2007, p.5

92 Naughton 2007, pp.105-106

state, which could control their introduction to the global market. The State Asset Supervision and Administration Commission (SASAC) was founded in 2003 to administer the central government's ownership over these nonfinancial firms, and was followed by the establishment of several provincial and municipal SASACs to manage slightly smaller *jituan*. The *jituan* that remained under central control were mostly large-scale, capital intensive firms in "strategic" sectors such as oil, utilities, military industry and telecommunications.[93]

The combined processes of SOE privatization, including mass bankruptcy and financial reform, allowed the debt-equity ratios of SOEs to decline and then stabilize by the mid-2000s, at least on paper. From a peak of 2.11 in 1994, SOE debt-equity ratios dropped to under 1.50 by 2004, well under the regional average over the previous decade.[94] Some of this was accounted for by debt written off with the bankruptcy of underperforming SOEs, but a large share was also simply a shell game in which the non-performing loans were funneled into Zhu's asset-management companies with the help of massive funds injected into the financial system by the state. These asset-management companies were themselves poorly structured, leaving the Big Four banks and the state itself still exposed to the bad loans when the bonds used to fund the asset-management firms matured after a decade.[95] The bubble created in the 1980s and 1990s was therefore not decisively popped by the restructuring, though it was arguably deflated somewhat.

Instead, the ultimate effect of the process was the full proletarianization of the remaining socialist-era working class,

93 ibid, pp. 301-304

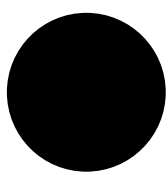
94 ibid, p. 307, Table 13.4

95 See: Walter and Howie 2012.

concomitant with the destruction of the socialist countryside and the more piecemeal proletarianization of the peasantry. Combined with out-migration and marketization in rural areas, the vast majority of China's workforce was now dependent directly or indirectly on the market, their fate thereby yoked to the dictates of value accumulation. Meanwhile, the economy itself grew ever more dependent on constant injections of large investment packages and waves of new speculation, alongside the quarantine of local collapses in real estate markets, in order to push the building crisis out a few more years—a process that tended to only inflate the bubble and to begin to diminish returns on investment. The bottom of the new class system was now fully composed. By the early 2000s, then, the transition to capitalism in China had reached completion.

In a way, the industrial evolution of China had also come full circle. This story began, after all, in occupied Manchuria, where the material community of capital had descended in the form of the Japanese occupation, the dust of industry specked red with blood. Seized in the course of the revolution, the northeast had become the beating heart of the developmental regime, imagined as a bulwark capable of staving off the encircling power of the global capitalist system. Now, almost a century after its inauguration, the great industrial heart of the revolution had been reduced to rust and the material community had returned, red dust rising in the river deltas and grey smog weaving through forests of construction cranes. Beyond and beneath the glittering coasts, the landscape could only be described as apocalyptic: fields and workshops abandoned as youth emptied out of the collapsing countryside, local government reduced to little more than a predatory machine helmed by officials fattened through barely-disguised theft; the vast factories of Manchuria hollowed of workers and machines, their skeletal forms looming over the landscape like the crumbling pillars of a fallen world; and in the red dust

of those new cities, masses of people fleeing these collapsed histories huddled into crowded factories, living in the spaces squeezed between the glittering new skyscrapers that they themselves had built, moving constantly between jobs, between cities and between lives in the service of the inscrutable, inhuman logic of the material community of capital.



A State Adequate to the Task

Conversations with Lao Xie

Members of *Chuǎng* have been living in and travelling throughout mainland China since the late 1980s. In addition to trying to understand the dominant trends of capitalist development and struggles within mainland society as a whole, we've also of course been on the lookout for people who share political perspectives with our own. Over much of this timespan, the results have been sparse. We've met a handful of anarchists, but their interest in society has generally been limited to informal conversations, the realm of art and its attendant subcultures, and occasional acts of protest. We've also met a few remnants of the Cultural Revolution's "ultra-left" who either became liberals or continue trying to justify

their anti-state positions among more mainstream Maoists by citing exceptional quotations from the Great Helmsman, rather than examining the structures and struggles of the present. But in recent years, this situation has undergone a subtle change. The mainlanders from whom we've learned the most tend to be involved in small groups that emerged from the strike wave of 2010, when activists (mainly students and recent graduates, along with a few older leftists) from cities throughout China "discovered the new working class," moved to sunbelt industrial districts and got jobs in factories there.

Most of these activists have since moved on to the lifestyles expected of university graduates, at most occasionally participating in online discussions. Others have undertaken the "long march through the institutions," becoming academics or social workers. Only a handful continued trying to participate directly in class struggle, investigate its changing terrain, learn about history and develop their theory in conversation with small groups they've maintained over the years. In the first issue of *Chuǎng* we shared translations from one of these groups, known by the name of their magazine: *Factory Stories*. Below, we translate excerpts from a series of conversations we conducted in 2017 with one member of another such group, using the moniker Lao Xie. As will become clear from the nature of our dialogue toward the end of these excerpts (as well as from our other writings), we disagree on some key points, such as Lao Xie's prioritization of workplace struggles among certain types of wage-laborers over other proletarian struggles, or his belief that such workplace struggles will eventually coalesce into something resembling the historical workers' movement—or that such a movement would be necessary and sufficient to usher in a communist revolution. On the other hand, we find his observations about developments in China since around 2012 to be among the most sophisticated and thought-provoking we've encountered.

The title we've chosen refers specifically to Lao Xie's theory that the Xi Jinping regime is fundamentally characterized by the project of building a bourgeois state adequate to the task of governing capitalist society for many years into the future—in contrast with previous regimes (from Deng Xiaoping to Hu Jintao), which "provisionally" made do with the remnants of socialist-era institutions for short-sighted aims. However, the conversations also address several other topics that should not be missed. Another recurring theme that overlaps with this first one is a question of particular concern to us and most of our readers, as communists from abroad seeking to understand contemporary China, its recent history and its lessons for struggles elsewhere: why focus our energy researching this country in particular? Common answers to these questions include China's socialist history, its growing economic and political importance on the world stage, and the size and militancy of its industrial working class. When we mentioned to Lao Xie that we had our doubts, especially about the last point and its usual political interpretations, his response was interesting enough to merit a lengthy translation—which may also serve as fitting introduction to the interviews themselves:

> I think the main thing is not the size of China's working class or the number of strikes. In the early twentieth century, there were many more industrial workers and strikes in the US than in Russia, yet it was only in Russia that a social revolution took place. I think China's value lies in its situation where multiple factors are in play at the same time. Its various social forces and classes are still taking shape and the boundaries between them, the rules for distributing interests and their understandings of one another are all still in flux. The bourgeois state and its ideology, including "civil society," are still just being built.

[…]

The group at the core of China's ruling class has clearly expressed its intention to continue monopolizing state power into the foreseeable future, determining that its contradictions with other fractions of the class cannot be smoothly worked out through the principles of "political pluralism." At the same time, this group is actively attempting to learn from the old capitalist world. And like the rest of that world, China is entering a period of retreat from "globalization." International interests are being reorganized.

All these factors are generating multiple levels of internal tensions across Chinese society. Society has not yet settled into a condition where everything follows rules that people regard as natural and unassailable. I think this is the reason that China has a special, perhaps unique value for the class struggle. If it were just a matter of the number of workers or strikes, then India, Indonesia or Vietnam might be more important, but no other country has quite this combination of factors at play as we see in China today.

I
February 2017

This initial conversation, focused on the various political tendencies active in contemporary China, functions as a background to the more in-depth interviews below about the structure of Chinese society and the political changes since 2012. It started partly in response to our question about Wang Jiangsong, a self-described "social democrat" academic beloved by certain labor NGOs and their funders.Wang often gives lectures warning against the risk of "ultra-leftist" influences on Chinese workers, fearing such radical elements in labor circles will lead China's "labor movement" onto a path of destruction and chaos. It is thus the duty of labor NGOs, Wang argues, to direct workers onto a peaceful path toward social democracy via collective bargaining and the formation of moderate unions.

Chuang: How influential is Wang Jiangsong? [A friend] is worried that he's exercising a pernicious influence in labor circles.

Lao Xie: *(Laughs)* Wang and a few of his followers think they're really important, but they have very little influence anywhere, even in China's already miniscule labor circles.

If you want to understand bourgeois ideology in China, you should focus instead on those groups with the ability to put their ideas into practice. Those consist mainly of more successful capitalists and their intellectual affiliates.

Chuang: You've said that an important point of contention is between those inside the [party-state] establishment (体制内) and those outside it. My understanding is that those inside it basically support the CCP while those outside tend to be

liberals, advocating some form of multi-party democracy that would allow them greater representation in the state?

LX: That's one way of putting it, but maybe too simplified. Actually all of China's successful capitalists are to some extent "inside the establishment" – through either kinship or relationships they've cultivated with officials. It's just a matter of degree, and that roughly corresponds to their amount of wealth. The better one's connections in the establishment, the easier it is to succeed in business.

Among those capitalists discontent with the status quo, their two main types of ideology are:

> 1) Reformism: those who defend the existing system but call for some degree of adjustment. They support CCP rule but wish they had more freedom, e.g. for lawyers. This perspective corresponds mainly to the wealthiest tier of private capitalists, those at the helms of companies worth at least a trillion yuan [155 billion USD].
>
> 2) Those who want to destroy the system. They demand more thorough change because the system seems to be preventing them from getting richer. Among these, there are a variety of political programs, but the main point is that the CCP would have to step down. These are mainly the small and mid-scale capitalists.

Among the latter, there are active discussions about what should replace the present political system. Two basic models could be outlined:

> 1) Liberalism, which here means to split the CCP into multiple factions or parties and then have elections

according to one of various models. This is the more common position.

Chuang: What about those who advocate the formation of new parties unrelated to the CCP, or who support one of the underground pro-democracy parties?

LX: No one with any influence to speak of advocates the formation of new parties with no connection to the CCP. The underground democracy parties are smaller than ants, with no independent strength.

The second model for change advocated by many of these mid-scale capitalists is:

> 2) Conservatism, meaning the revival of traditional culture: increasing men's rights over women, outlawing divorce, legalizing domestic violence and filicide, establishing a stricter hierarchy in society – for example requiring students of lower grades to bow to those of higher grades, as in Japan and Korea a few decades ago. Reviving something like China's traditional caste system: if you're a peasant then your children can only ever be peasants. An extreme position in this spectrum is advocating the restoration of monarchy.
>
> In a broad sense, such conservatism includes Bo Xilai,[1] who was a "celebrity politician" like Modi or Trump,

1 Bo Xilai was party secretary of Chongqing and hero of many on China's reformist Left (including much of the academic "New Left") from 2007 until his high-profile arrest for corruption in 2012. On Bo and his "Chongqing Model" of governance, see "The Chongqing Model: What It Means to China Today" by Joseph Cheng in *The Use of Mao and the Chongqing Model* (edited by Joseph Cheng), City University of Hong Kong Press, 2015.

using personal charisma. Although Bo mobilized popular support around the claim to be restoring socialism, actually he is better understood as a right-wing conservative.

Of course there's some overlap between these two sets of positions.

Chuang: How are these oppositional bourgeois political ideas being articulated? How do you know about them?

LX: The bourgeoisie is becoming increasingly organized. They have social clubs and business associations that sometimes display political features. For example the Taishan Club (泰山会) is a small club of major figures in industrial-commercial circles. Zhenghe Island (正和岛) is another one. A researcher at the Chinese Academy of Social Sciences published an article about these organizations.[2]

These organizations aren't exactly outside the establishment. They're like "white gloves" (白色手套): representing establishment interests outside of the establishment, but also with their own independent interests.

Chuang: But you say these aren't parties exactly, and none of the underground parties are important – neither the

2 That article is "非公有制经济领域意识形态工作问题及对策" by Zhu Xudong (朱继东), 红旗文稿, 2016/07. For an English source on the "Taishan Club" (the Taishan Industrial Research Institute, founded in 1994), see *Chinese Politics in the Xi Jinping Era: Reassessing Collective Leadership* by Cheng Li (Brookings Institution Press, 2016), pages 174-175.

democracy parties nor the left-leaning ones, such as the pro-Bo Xilai "Constitutionalist Party"?

LX: Those parties are just independent projects by small groups of people without any social basis, and they don't represent any particular class interests. They're marginal.

Chuang: What about the proletariat then?

LX: The proletariat has no organizations of its own.

Chuang: What about hometown associations (同乡会)?

LX: Nowadays hometown associations mainly serve the interests of small-scale capitalists and intermediate strata. They have no connection to traditional hometown associations, which sometimes did actually serve the interests of poor migrants.[3]

Chuang: Setting aside the question of class organization(s) for now, what are China's main left-leaning political perspectives nowadays?

LX: On the left there are basically two groups:

3 Here we did not get into political perspectives among the proletariat as such, but in the August 2017 interview below Lao Xie says that Chinese proletarians rarely have coherent political perspectives nowadays. When they do become politicized, they are more likely to adopt bourgeois positions such as liberalism, since those are the only coherent perspectives to which they are likely to be exposed. When we pointed to other Chinese proletarians we know with radical left perspectives, Lao Xie emphasized that these are marginal exceptions to the rule, and also that such perspectives are divorced from a social context that could turn them from "abstract radicalism" (see below) into something concrete or substantial.

> 1) People with connections inside the establishment. These are what's known as "the old left." Many are former or active low-level officials or academics.
>
> 2) People outside the establishment, who are mainly college graduates with white-collar jobs working for companies.

The latter, extra-establishment leftists can be divided into reformists and revolutionaries. Reformists support people in the party who they think will put China back onto a socialist track, such as Bo Xilai. Revolutionaries can in turn be divided into:

> a) those who advocate organizing revolutionary organizations, starting with small groups of people clarifying their theory, rather than doing propaganda among the masses; and
>
> b) those who focus on "mass work" or "cultural work," including activism among workers, but also among students and peasants.[4]

4 Another, younger Chinese Marxist we talked to made a similar but different analysis of the contemporary left. He also divided the left into reformists and revolutionaries, but he said each category tended to be aligned with another characteristic: reformists tended to be nationalists and revolutionaries tended to be internationalists. (By contrast, Lao Xie considers all nationalists – even Maoist ones – to be right-wing.) He said this distinction is far more important than those among factions within each of these two main camps, for example between Maoists and Trotskyists in the revolutionary/internationalist camp, and between Maoists and New Legalists in the reformist/nationalist camp. When the contemporary left emerged in the late 1990s (as Lao Xie recounts below), these two tendencies coexisted, often within the same individuals, and it was not until around 2012 that they became clearly articulated in opposition to one another. 2012 became a turning point because a number of factors came together that year, pushing leftists to choose a side, including: the

Chuang: Among those, how many are Maoists and how many have other coherent perspectives? Most of the Chinese leftists I know don't seem to have very coherent perspectives, but many seem to have some kind of vague admiration for Mao or nostalgia for the Mao era.

LX: Probably at least 99% of leftists in China are Maoists, and this includes all of these categories I've mentioned. There are many types of Maoists, but the main division is between left and right.

Chuang: Some Maoists identify as "right-wing"?

LX: They would probably identify as "left," if anything, but objectively they're on the right – just like Bo Xilai. In fact, many of them were fans of Bo Xilai. Later most of these became supporters of Chairman Xi [Jinping].

Right-wing Maoism seems to be a phenomenon unique to China, but it's extremely common here: the combination of Maoism and capitalism, using Maoism to develop capitalism. Basically this means a form of nationalism.

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anti-Japanese protests and riots, in which Han Deqiang (founder of Utopia, the most important "pan-left" website and bookstore since the late 1990s) slapped an elderly man in response to the latter's criticism of the Mao placard Han was carrying; the arrest of Bo Xilai, who had become a hero for many leftists with a more reformist orientation; the formation of several labor activist groups and media collectives after many young leftists had become interested in direct action and "the new working class" following the strike wave of 2010; the rise of Xi Jinping, whom many nationalists embraced, to the disgust of even some leftists who had supported Bo (thus pushing them further away from the reformist camp). When asked, Lao Xie expressed agreement with the gist of this analysis and periodization.

Chuang: What about Trotskyists, anarchists, left-wing social democrats…?

LX: *(Laughs)* Probably about one in 10,000 leftists in China are Trotskyists, if that many. But at least Trotskyism has taken root. Anarchism has not. Anarchists in China are mainly just cultural liberals. Very few of them are interested in society. They're too marginal to include on the political map of today's China. The same could be said for so-called "social democrats"—whether on the right, such as Wang Jiangsong, or on the left, such as some of the "New Left" academics.

Chuang: But it seems like quite a few influential intellectuals publicly identify as social democrats. Surely that counts for something?

LX: Social democracy rejects revolution in favor of reform. It's incapable of influencing Chinese society, because the condition of social thought in China (中国社会思想状态) cannot accept any reform from the bottom up. One of the tools used by Bo Xilai was reform. That was an example of top-down reform, but there's no support for bottom-up reform. Post-socialist countries all have a common problem of individualism and low public-mindedness (公共意识). To be a "moderate socialist" in today's China essentially means to defend capitalism while advocating some minor reforms, such as improving welfare for the poor.

"Social democracy" is associated with Scandinavia, which sounds good to both the left and the right as an imaginary for *xiaoshimin* [lower-middle strata urbanites].[5] Such social democrats are not

5 *Xiaoshimin* (小市民) literally means "small urbanites." It is historically linked through translation to the European terms *petit-bourgeois* and *Kleinbürger*, which originally meant lower strata citizens of medieval self-governing towns, until these terms eventually settled into their pres-

even reformists, because to be a reformist you need to be an activist and have a social movement to support your position. For example, many of these social democrats advocate controls on housing prices and rent, but they don't have any power to implement such proposals.

Chuang: How about in labor activist circles?

LX: In labor circles, most people with a political perspective are left-wing social democrats, likewise pointing to Scandinavia as a model. Most labor NGO staff don't have any coherent political perspective at all – it's just a job for them, and at most a way to feel good about helping the downtrodden, but they take the system for granted and don't advocate any kind of systemic social or political change.

Almost all NGOs based in Hong Kong, on the other hand, have political positions, and they're almost all left-leaning. But often these positions are mere performances used for professional purposes. Most of their staff don't really believe in the positions

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ent sense as lower tiers of the modern bourgeoisie. These two very different senses of these terms were translated into different Chinese words: *xiaoshimin* for the former and *xiaozichanjieji* for the latter. China never had a *petit-bourgeoisie* in the former sense, but the term *xiaoshimin* is now widely used to refer to lower-middle strata urbanites, with the term for "middle class" (中产阶级) generally referring to upper-middle strata. Different Chinese Marxists interpret these concepts in different ways, some using them interchangeably as referring to a fully-fledged class between the two major classes, others thinking of *xiaoshimin* as upper tiers of the urban proletariat and "middle class" as lower tiers of the urban bourgeoisie, for example. Lao Xie considers *xiaoshimin* to be an intermediate stratum between proletariat and bourgeoisie (rather than a fully-fledged class with its own coherent interests), whose individual members might end up siding with either of those two classes in the context of a social upheaval, depending on personal factors. By contrast, the Chinese term for "middle class" refers not to an objective reality but an ideal status everyone aspires to, linked to images of "middle class" lifestyles in Western countries. Even successful capitalists say they hope one day to become "middle class," he says.

they present to the public. Political performance is just part of their job. Many of these NGOs' directors became politicized in Hong Kong's youth radicalization movement of the 1970s. At that time, they believed in their politics, but now it's just a show, a business model. For example, in order to get money from funders and to get support from the international media, from the European left – not only money but also spiritual support….

Chuang: What about you?

LX: *(Laughs)* We're the best, of course! We're pro-revolutionary (主张革命的). We don't say "revolutionary" because that would be exaggerating—there's no revolution for us to be part of. We're not typical leftists. We don't like debating programmes. We don't yet have a clear programmatic sense of belonging (归宿感). We've been focusing on labor-related activities (工人工作) for many years now. If we were leftists we would have fallen apart long ago because of internal debates—that's why we can work together.

Chuang: What is your critique of the other pro-revolutionary left-wing perspectives you mentioned, other than the fact that they tend to get bogged down in debate?

LX: The biggest problem with Maoists is that they've given up on class struggle. Even the pro-revolutionary left-wing Maoists have given up on class struggle. Lenin said, "A person who recognizes the necessity of class struggle but not the necessity of revolution cannot be called a socialist." But today's Chinese Maoists are even worse: they're not mature enough to be clear about who they are and what they want. What they call "revolution" is just abstract radicalism. I'm worried that there might be seedlings of fascism in this sort of radicalism. I heard that in Russia, some people who were Stalinists and Trotskyists

in the 1990s have ended up becoming fascists over the past few years. And I see that possibility here among some of these Maoists, but not yet.[6]

Excerpt from a related conversation in October 2017 on the contemporary Chinese Left:

LX: In most countries, the historical thread of private property was never broken, nor the thread of resistance against the bourgeoisie, so there has been a living logic that is inspired by the history of rebellion. In China, that thread was broken. You have to be aware of this if you want to understand the Chinese Left.

For instance, Chinese people are still in the process of relearning what "class" means after the strange things that term came to be associated with during the Mao era. It might take another twenty years for people to relearn what it really means through their own experiences of class struggle in the market economy….

The most basic characteristic of today's Maoists is defense of the existent (维护现状).

Chuang: How could that be? Aren't many of them calling for something like a return to how things were during the Mao era?

LX: Yes, but I mean their *spiritual condition* (精神状态) is one of inertia (惯性) rather than of subversion. It's essentially conservative. In Chinese political discourse this is associated

6 See the end of the August interview below for more on LX's critique of other left-wing perspectives and 20th century revolutionary thought in general.

with the term "constructive" (建设).[7] Their emergence derived from the destruction of what existed before, and they aim to restore what's been destroyed—that's why I say they're conservative. This contrasts with us, who emerge from present conditions, aiming to destroy them and create something new.

Their attitude toward mass rebellion and even towards the masses themselves—especially toward workers—is one of contempt and fear. This derives from the experience and habits of CCP bureaucrats. It is the attitude of *xiaoshimin* in a tranquil society toward the destruction associated with workers' actions.

Chuang: When and how did this new Maoist Left take shape?

LX: The immediate impetus was the death of Deng in 1997 and the deepened restructuring of SOEs in the subsequent years. Chinese society was in a political crisis. On the right, the Democracy Party had formed, and this stimulated people with views to the left of them to start coming together and try to do something themselves. They were united by the need to oppose the new bourgeoisie that was growing at the time and attacking workers—mainly workers at SOEs and former SOEs that were privatized or closed down. (Only later, in the 2000s, did a few leftists start paying attention to the new working class emerging in the foreign-invested private sector along the coast.)

7 During the New Culture debates of the 1910s-1920s, this term "construction" or "constructive" was contrasted with "revolution" (革命), which was considered destructive, violent, etc. The famous liberal reformer Hu Shih famously mobilized the former term in a debate with Chen Duxiu (editor of *New Youth* magazine and eventual founding leader of the CCP), who did not shy away from the destructive aspects of revolution. Upon the CCP's assumption of power in 1949, it began to frame its primary task as "socialist construction" until the idea of "continuing the revolution" rose to prominence in 1966, the two terms continuing to be juxtaposed in political debates up to the present.

There were a few landmark events, such as the productions of the play *Che Guevara* (切·格瓦拉)[8] in Beijing and other cities [starting in 2000]. That played an important organizational role.

Chuang: You mean the play by Huang Jisu?

LX: Yes, but I don't want to give him too much credit. A lot of other people were involved. Not only leftist intellectuals like him but also many ordinary people who were discontent with capitalism, such as students, workers and old CCP members. Only a minority of intellectuals were involved in such leftist activities at that point.

Another landmark event was a Maoist Left conference in Zhengzhou with over a thousand participants. That was [some time around the turn of the millennium].

Already at this time, a debate emerged about whether and how to participate in politics—by forming a new party or by working through the existing system. This quickly led to splits until the movement dissolved into multiple little circles. So its zenith was right at the beginning, and it hasn't recovered since. Some of the best people left, including some workers who had called for direct action and felt frustrated with all the empty talk. No direction was found that could unite the majority of opinions.

Then, around the time China entered the WTO in 2001, the nation entered a period of industrial prosperity. This

8 See "*Che Guevara*: Notes On The Play, Its Production, and Reception" by Huang Jisu (translated by Xie Fang), in *Debating the Socialist Legacy and Capitalist Globalization in China* (edited by Xueping Zhong and Ban Wang), New York: Palgrave Macmillan, 2014.

transformed the whole atmosphere from a widespread sense of crisis to one of political tranquility. Or maybe you should say, everyone became distracted by the prospect of getting rich through new business opportunities. Most people with a university education got high-paying jobs at companies, forming the core of a new middle class, and they lost interest in political questions.

It was at this time that the Maoists' conservative characteristics became more pronounced. For many years, all they did was what they called "cultural work." You know what that means: basically just singing praises to Mao and the glories of his era, the glories of China, the glories of labor. Maoist intellectuals and students and a few retired SOE workers and party members did this among themselves in public parks. Some went to the countryside and the new industrial zones to do this together with peasants and new workers, but still it was basically just self-entertainment (自娱自乐). Some of them launched a campaign petitioning the government to turn Mao's birthday into a national holiday. This was the sort of thing they considered important.

Meanwhile, China's class structure was changing. The new working class was emerging through struggles in places like the Pearl River Delta (PRD). Various political groups, including some of the Maoists, tried to take advantage of this new social force and win it over to their respective causes. The Maoists have failed to truly influence the workers because of that conservatism I mentioned. That has prevented them from helping the workers to fight and increase their power.

But to say they've failed implies that they have the same goals as us, which I don't think is really true....

II
July 2017

Chuang: Before we get to the present, let's clarify your perspective on the past. How would you characterize China's social formation in the 1960s? Did it have a ruling class?

Lao Xie: I basically agree with certain Trotskyist accounts of this history. By the late 1950s, the previous ruling classes had been basically exterminated—socially and in many cases physically. The party-state bureaucracy (党政官僚) never formed a ruling class in the strict sense, but it was a group with special privileges (特权). It effectively controlled the means of production. And as time passed these bureaucrats became increasingly aware of their collective interests. You could say it wasn't a "class-for-itself" (自为的阶级) but a "group-for-itself" (自为的群体). By the 1970s, after the turmoil of the Cultural Revolution, this group increasingly desired to consolidate its power and become a ruling class. In the context of global capitalism, that could only mean that it had to become a bourgeoisie.

Chuang: How about the social formation? Was there a distinct mode of production? Was it a form of capitalism?

LX: I disagree with the theorists who say it was a form of capitalism. It functioned differently. For example, development was driven by state planning rather than by private interests or the profit motive. I'm not sure if there was a coherent mode of production operating, though. It was always very unstable.

Chuang: Our article ["Sorghum & Steel"] argues that "the socialist developmental regime" from about 1956 to the 1980s

wasn't a mode of production as such because it didn't have a single internal logic or a way to reproduce itself, so it relied on state efforts to hold different sections of the economy together, each of which operated according to different logics. Does that make sense?

LX: In the past I would have told you my theory about this, but nowadays I'm hesitant to make such grand statements….

Chuang: When did the transition to capitalism begin and end, and how did the new bourgeoisie form?

LX: The earliest steps began in the early 1970s, after the conflict with the USSR.[9] There was Kissinger's secret visit in 1971 and then Nixon's official visit in 1972. But more important were the children of high-ranking officials who went to university in the US. The real purpose of their visit was to learn more about the capitalist system and consider whether to adopt elements from it. They also played an important role in building ties between China and the US, and to the capitalist world as a whole.

But of course the actual transition didn't begin until the 1980s. I disagree with the idea that it was all because of Deng Xiaoping, or that he consciously wanted to restore capitalism. He was just responding to deeper concerns among the bureaucracy as a whole to consolidate its power and benefit materially in the face of its crisis in the 1970s. In the context of global capitalism, adopting market reforms and using state power to go into business was the most obvious way to do that.

The transition to capitalism was completed in the late 1990s,

9 This apparently refers not to the Sino-Soviet split in general (which started in the mid-1950s) but specifically to the border conflict of 1969—addressed in our article "Red Dust," also in this volume.

along with the bureaucracy's transformation into a bourgeoisie. This completion was marked by two developments: the restructuring of state-owned enterprises (SOEs), and the bourgeoisification (资产阶级化) of the entire bureaucracy down to the lowest levels. At first, in the 1980s, it was mainly just the higher-ranking officials who went into business, but by the late 1990s, even the lowest levels had also become capitalists.[10]

Chuang: So the entire bureaucracy turned into a bourgeoisie? There were no bureaucrats who didn't become capitalists?

LX: Yes, if we limit the term "bureaucracy" to those state officials with any degree of real power—those in charge of some state office, from the head of a ministry down to the mayor or party secretary of a township. All of them became bourgeois in the literal sense of becoming capitalists, of running businesses for profit. Of course, it's usually not the bureaucrats themselves who own businesses, since that's illegal in China, but they run them through their relatives and cronies.

But not all capitalists are officials, of course. In fact most are not. To put it more precisely: the first new batch of big capitalists became capitalists through their access to state power, but eventually many other entrepreneurs obtained wealth without much direct access to state power. China's richest capitalists all have some deep connections to state power, but many of the others do not. And that's an important source of tension within China's bourgeoisie. Some of Chairman Xi's policies can be understood as a response to this tension.

10 This description contrasts with our account in "Red Dust," which shows that most of the first bureaucrats to go into profit-oriented business oriented toward both domestic and international markets were the rural officials in charge of township and village enterprises (TVEs) in the 1980s.

Chuang: Some people say that China has two overlapping but distinct ruling classes, each with its own interests: a party-state bureaucracy and a bourgeoisie. Do you agree with that?

LX: No. China has only one ruling class: the bourgeoisie. There are no state bureaucrats who aren't also capitalists. Some people may be confused about the term *guanliao* (bureaucracy or officialdom). It doesn't include civil servants (公务员), who don't have any real political power, just a stable job and some prestige. The lowest level of the state bureaucracy is *kezhang* (科长), the head of the lowest level of a state ministry. State employees below that level are not bureaucrats in this sense but merely civil servants. And I think it would be impossible to find any *kezhang* or higher-level bureaucrat who doesn't run a business. This seems to be different from some other countries, where bureaucrats are merely state employees with a little more power than civil servants. In China bureaucrats control the means of production, and they use these for either private or public for-profit enterprise, so they're capitalists.

Chuang: If the transition to capitalism and the formation of the new bourgeoisie was already completed by the late 1990s, then what has changed since 2012?

LX: From 1976 all the way up until 2012, you could say that the Chinese government was merely a provisional (临时) government. It really *was* "crossing the river by feeling the stones" [as Deng Xiaoping said]. It didn't have a coherent long-term strategy. When the transition to capitalism generated problems, leaders basically dealt with them one at a time. When Chairman Xi came to power, his government finally put the long-term interests of capitalist accumulation on the agenda. As with Deng, it's important to avoid attributing too much agency to Xi alone. He didn't fall from heaven, but is merely a

manifestation of the Chinese bourgeoisie's deep-seated desires. This isn't a matter of a few individuals but something propelled by the common interests of the ruling class as a whole.

Chuang: In a previous conversation you mentioned that these changes actually started before 2012, for example with the local policy experiments of Bo Xilai and Qiu He[11] which the Xi regime later adopted while throwing their authors into prison. Were these the earliest manifestations of the coming changes?

LX: First of all, it's important to distinguish between Bo Xilai and Qiu He. Qiu was merely a pawn on the chessboard (小卒), whereas Bo attempted to be the hand that moves the pawns (棋手). Qiu's experiments [in Suqian and Kunming] were more technical and specific to the locale, whereas Bo's experiments were attempts to articulate an entire new national strategy.

Meanwhile, at the central level, Hu Jintao's government also began some initiatives that later became central to Xi's strategy. For example it was Hu's regime that began expanding China's presence in the South China Sea and building artificial islands there.

Chuang: What exactly did Qiu He and Bo Xilai do? Which of their initiatives were adopted by the Xi regime, which were rejected, and why?

LX: Qiu He has been called "China's Pinochet," since his experiments included neoliberal reforms. For example he sold off local schools, hospitals and SOEs to private investors. But that was about the extent of his neoliberalism. His other

11 Qiu He was party secretary of Suqian Prefecture, Jiangsu Province from 2001 to 2006, party secretary of Kunming (the capital of Yunnan Province) from 2006 to 2011, then deputy party secretary of Yunnan until his arrest for corruption in 2015.

reforms were similar to those of Bo Xilai, just on a smaller scale. For example he tried to increase administrative efficiency through top-down pressure on state employees, including selective crackdowns on corruption. He also invested state funding heavily into the improvement of basic infrastructure—roads, water, electricity, etc. This differed somewhat from Bo's infrastructure projects in that Qiu's projects were focused exclusively on attracting private investors, which he successfully did, to some extent: a few companies came and opened factories in Kunming while Qiu was in office.

Bo's experiments in Chongqing were similar to Qiu's in their focus on increasing administrative efficiency, selectively cracking down on corruption, improving infrastructure, and attracting private investors. But this was all done on a much grander scale, not only because Chongqing is a provincial-level municipality, but also because Bo was allied with Chen Yuan, son of Chen Yun[12] and head of the China Development Bank, so he had a basically unlimited line of credit for large-scale loans.

Another major difference from Qiu's experiments was that Bo actively sought out popular support, including the support of low-level civil servants.

Chuang: Sure, you've said that instead of thinking of him as a leftist social democrat,[13] it's more accurate to think of him as a conservative populist along the lines of Modi in India.

LX: Actually I don't like the term "populism" (民粹主义) because, in Chinese anyways, it can be misleading, and

12 Chen Yun was one of the "Eight Elders" of the CCP and a main architect of China's marketization in the 1980s and 1990s.

13 On Bo's "red culture" campaign and his popular representation as a sort of leftist social democrat, see Joseph Cheng (2015).

it obscures important differences among various so-called populist strategies. Let's just say Bo was a political speculator (投机者).

Chuang: With his "red culture" campaign, for example?

LX: That too has been over-emphasized by the media. The main reason people supported Bo was a series of measures that he took with concrete effects on people's lives: cracking down on street crime, ending the influence of *heishehui* [criminal syndicates or gangs] on the economy and their collusion with basic-level administration, uprooting local government's sources of power other than himself. Previously the collusion between gangs and local officials had constituted a separate underground government. Actually the *heishehui* in Chongqing hadn't been particularly big compared with those in other cities. At the time, the central government sent someone to investigate, and Wang Lijun [the police chief of Chongqing] pointed that out. Bo's crackdown on organized crime caused such an uproar not because of the scale, but because it violated what had been the universal norm of government collusion….

The goal of the crackdown was to increase administrative efficiency by cutting down on corruption and increasing discipline. Another goal was to increase control over the local bourgeoisie. An important part of the relationship between gangs and the bourgeoisie is in the area of money-lending and extortion.

The Xi regime hasn't directly adopted this experience of cracking down on *heishehui*, since that would be hard to do on a national scale, and it's not necessary: the main aspect of organized crime that concerns Xi is its role in [government] corruption, in administrative efficiency, so that's what he's focused on instead.

The main difference between Bo Xilai and Qiu He was that Bo concretely benefitted the common people of Chongqing. Besides cracking down on organized crime, the increase of administrative efficiency benefitted not only investors but also ordinary people. This point is important. The people of Kunming did not feel such effects from Qiu's reforms. In Chongqing, on the other hand, it became much easier for common people to have all sorts of problems solved quickly just by going to the government and asking for help.

Then there was Bo's public housing policy….[14]

But the other side of Bo's housing experiment was the privatization of land, where the government took ruralites' land in exchange for "land tickets" (地票) and forced them into high-rise apartments. I haven't heard of any collective resistance to this, but it was the only sphere where the Chongqing Model promoted privatization. In contrast with Qiu He, Bo didn't privatize schools, hospitals or SOEs.

Chuang: So which aspects of these two experiments did the central government adopt?

LX: All of these policies I've just listed were adopted except, on the one hand, the central leaders abandoned Qiu He's strategy of complete marketization, while on the other, they also rejected Bo's strategy of trying to placate the masses through measures such as building public housing. Indeed,

14 Bo's government forced developers to build subsidized housing for the poor, attempting to counter the nationwide trend of real estate speculation and rising prices for housing. For details, see Cheng, (2015), page 188.

Chairman Xi's policy has been to actually prop up housing prices. But more generally, the state could simply not afford such spending to placate the poor on a nationwide scale. Bo was able to do that because it was just one city and he had an unlimited line of credit. Finally, the Xi regime also hasn't imitated Bo's crackdown on organized crime as such, again because it would be hard to do that on a nationwide scale, but also because the relevant aspects of that crackdown are already included in Xi's anti-corruption campaign.

Of course, the Xi regime is trying to do much more than just adopt lessons from those experiments in Chongqing and Kunming. One of the main things the regime has been trying to do is to rectify and consolidate (整顿) the party-state apparatus. Bo and Qiu had also tried to do this on a smaller scale, but mainly with regard to administrative efficiency. The Xi regime has already gone much farther in this regard, and it has put a lot of effort on trying to transform the state's ideological apparatus. It's trying create an ideological system capable of justifying the long-term existence of capitalism in China. The emphasis has been on digging through traditional Chinese thought and reviving ideas such as *ge an qi wei* (各安其位): everyone should accept their fate and take it as a moral obligation to play the role they're assigned in a hierarchy. Women should obey men, children should obey their parents, workers should obey their bosses, etc.

As for the regime's economic strategy, this has two main aspects. One is the assertion of more direct control over the central SOEs, opposing those in the party who have advocated privatizing them and instead reaffirming their role as the central state's most important source of income. The current campaign to reduce excess capacity in the steel and coal sectors needs to be understood as part of this broader strategy.

The second is the localization (本土化) and upgrading of manufacturing: moving from the mere supply of products for foreign companies to the development of Chinese brands, doing our own research and development, and moving up the industrial chain to higher value production.

Chuang: How do you interpret the Xi regime's political repression beyond the sphere of party-state rectification, such as the crackdown on civil society?

LX: Chinese capitalism seems to be in a preliminary stage of democratization.[15] It is no longer possible for the CCP leadership to ignore the other bourgeois interest groups active in Chinese society, such as lawyers, the cultural sector,[16] the religious sector, and [ordinary mid-scale] private

15 Lao Xie uses this term "democratization" in an unusual sense. As explained below, he actually means the formation of mechanisms whereby the party-state bureaucracy can share power with other fractions of the bourgeoisie and, on the surface, with other groups in a way that staves off rebellion by obtaining popular consent. Democracy (in its usual sense of electoral politics) would be one method for trying to achieve this, but it is clearly not the one preferred by the regime's current leaders. An alternative being discussed in Chinese think tanks, according to Lao Xie, is Hong Kong's current system of "functional constituencies" devised by the British colonial regime in the 1980s.

16 In a later interview transcribed below, Lao Xie provides some clarification about this concept of "the cultural sector" or "cultural circles" (文化界) as a specific bourgeois interest group. In a broad sense it could include "the media" (often mentioned separately and apparently referring specifically to the news media) and "the religious sector" (宗教界), but in a narrow sense it refers primarily to the combination of (a) the entertainment industry (娱乐界) and (b) academia (学术界). When pressed, Lao Xie acknowledged that the people comprising all these sectors or "interest groups" are internally differentiated into bosses, workers and intermediate strata, but he regards them as generally functioning as coherent entities promoting the sectoral interests and ideologies of their bosses, such as religious leaders, influential film producers and the heads of major media companies. Even many lowly workers in these industries have internalized their sectoral ideologies. This contrasts with more purely commercial sectors such as textiles or logistics, where there is a clearer divide between bosses and workers and little distinction of interests or ideology from the

bosses [without effective connections inside the party-state establishment].[17]

Chuang: And NGOs, right?

LX: They're not significant enough to constitute a distinct interest group. They're basically part of the Chinese and foreign bourgeois cultural apparatus.

The point is that the CCP is now in a situation where it needs to come up with some way to share power with these other bourgeois interest groups. That's what I mean by "the preliminary stage of democratization."

One proposal that was popular for a while was to allow these interest groups to interact directly with the masses and then obtain a share of state power through electoral politics. For

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basic profit motive shared by capitalists in general—and thus a less complicated conflict of interest with the party-state bureaucracy.

17 Lao Xie later remarked that this use of the category "private bosses" (私人老板) or "private bourgeoisie" (私人资产阶级) could be misleading, since many private capitalists are themselves close relatives of party-state officials, and those who are not must establish close relationships with them if they are to succeed in business. It is true that the need to pay monetary and affective rent to bureaucrats can be a source of discontent among bosses based outside the establishment, but this is usually accepted as merely one among several ordinary costs of doing business, comparable to taxes, interest on loans, etc. The more important source of enmity is the inability of *some* private capitalists to make effective connections with the appropriate bureaucrats. This is the main source of political conflict that drives some of those relatively unsuccessful capitalists to adopt anti-CCP positions, turning them into a potential threat—and thus a target of the state's "democratization" efforts. For this reason, Lao Xie later clarified that it would be more accurate to juxtapose the bureaucracy not from private bosses in general (since those two categories overlap, and any boss who is relatively successful must already have close ties with the bureaucracy) but specifically from those bosses who think their businesses are being held back by their inability to make effective connections with the bureaucracy—what he calls "mid-scale capitalists."

example in 2011, the Wukan Village Incident[18] was widely exploited by the media and mainstream academics linked to the private bourgeoisie in order to advance this agenda. That was also around the time when private capitalists were increasing their efforts to link up with one another (串联), forming organizations such as Zhenghe Island.[19]

Something to understand about private capitalists is that, within the same individual, they embody both the independent interests of a private entrepreneur and the desire to control or influence establishment interests derived from state power. For each type of interest there is a different way that power is expressed. Their interests as private entrepreneurs make them more inclined to seek out legalized affirmation by voters through elections, whereas their interests within the establishment make them more inclined to seek out affirmation of their status by a higher level of the state. And what those representations of Wukan emphasized was that power could achieve legal affirmation through elections.

Since Xi came to power, however, things have changed. The regime has more clearly affirmed the interests of various factions of the bourgeoisie, trying to convince them that their interests can be secured through top-down arrangements and cooperation. At the same time, it has closed off the path of achieving a share of state power through popular elections. The regime is trying to convince even the biggest private companies

18 See our account of the Wukan Village uprising in "Gleaning the Welfare Fields" and our interview with a participant in the first issue of *Chuāng*. For a different analysis more closely related to Lao Xie's comments here, see "Looking Back at Wukan: A Skirmish over the Rules of Rule" by Shannon Lee, <Wolfsmoke.wordpress.com/2017/07/14/wukan/>.

19 Zhenghe Island was founded in 2011, the same year as the Wukan uprising. See "China's business elite have their own private social network called Zhenghe Island" by Jake Watts, Qz.com, July 25, 2013.

that the only way to secure their interests is through long-term cooperation in which the state continues to play the dominant role.

The private bourgeoisie is already fully mature, and it has been advocating electoral politics for many years. So this effort on the part of the central government to co-opt them is still far from complete. The two sides are locked in a sort of tug-of-war. And it wouldn't be sufficient for the regime to merely dominate the private bourgeoisie in a repressive manner. Instead it hopes to devise more sophisticated methods to secure their interests, to establish a long-lasting "republic" (共和) of the propertied, with institutions for facilitating consultation among different fractions of the ruling class. In this, however, the key is still that the CCP must maintain its dominant position and get the biggest slice of the pie.

Not only is this project of the Xi regime to co-opt such interest groups far from complete, but in each of these groups there are strong and widespread voices of opposition.

Chuang: What sorts of political programs are articulated in these voices of opposition? Are they mainly liberal, calling for electoral democracy as you mentioned before?

LX: Nowadays fewer and fewer mainstream intellectuals are willing to call themselves "liberals." Instead it's become more popular to call oneself a "conservative." I think this is part of a global trend, but it's become especially pronounced in China.

For example in their discussions about Wukan, although intellectuals praised the villagers' goal and practice of electoral politics, some of them harshly criticized the villagers' use of so-called "insurrectionary tactics" (暴民政治) in order to obtain the right to hold such elections.

The main expression of such conservatism is the elevation of property rights over other rights, of the freedom of property over any other freedom. Such voices existed before, but now they're more prominent. For example, Chinese liberals have been reading Hayek for years, but only recently have they developed a deeper understanding. Now intellectuals tend to emphasize the primacy of developing a sociopolitical order and stability capable of protecting private property at the expense of other freedoms.

Even people within the establishment are worried that their private property is not secure enough. So this desire for order is something shared by the bourgeoisie as a whole. But private capitalists also want more political power, so in addition to order, they also often sing praises to freedom and democracy.

It's basically impossible for us to know details about political programs popular among private capitalists as such, but by proxy we can look at those discussed in the media and among intellectuals, who often operate in collusion with such capitalists, or are close to them personally. Recently, their programs can be roughly divided into two categories: the majority who advocate electoral democracy, and the growing minority of more extreme conservatives who are pessimistic about elections, instead advocating a collegiate system (合议制) for negotiating interests among the various propertied groups. One model they point to is the system of "functional constituencies" in Hong Kong's Legislative Council. Many regard Hong Kong as China's most important political laboratory, in more ways than one.

Chuang: In previous conversations you've also mentioned other aspects of conservatism among China's private bourgeoisie, such as the resurgence of interest in Confucianism

and even calls to restore the monarchy. How influential are such perspectives?

LX: Well monarchism seems to be pretty rare, but Confucianism is extremely widespread, and not just among the private bourgeoisie. If anything it was the CCP that initiated the revival of Confucianism in mainland China. Although the Xi regime has gone further in incorporating this into the CCP's propaganda videos, posters, etc., this goes back at least to the era of Jiang Zemin in the 1990s. Already at that time, the state began inviting ideologues of New Confucianism such as Tu Weiming to serve as high-level advisors.

Chuang: Despite these commonalities across different sections of the ruling class, such as growing conservatism, you've mentioned widespread opposition to the Xi regime among major fractions of the private bourgeoisie, and in previous conversations you've mentioned a growing tension between those capitalists inside and those outside of the party-state apparatus. For example, just a few months ago [March 2017], the Minster of Supervision publicly warned that "some entrepreneurs hope that after obtaining economic power they can then go on to win political power; this is extremely dangerous."[20] How might this tension play out over the next few years?

LX: First of all, it's not only people outside the establishment who are discontent with the Xi regime. Of course there are rival factions within the CCP, but even many bureaucrats who haven't been directly attacked seem rather uneasy about how extreme his measures have been and how rapidly they've been carried out.

20 《监察部长杨晓渡：有些企业家希望谋取政治权力很危险》，代睿著，18 March 2017, <https://view.inews.qq.com/a/20170318A04TXR00>.

He has also offended those who supported Hu Jintao's policies. For example, someone in the Xi administration recently said that the previous regime "made some unrealistic promises" about Social Insurance….[21]

The reason he's offended many people with vested interests is that the preceding period of "provisional government" [from 1978 until 2012] saw the formation of some deep-seated habits for survival, rules of the game and conflicts of interest took shape among the top layers of society, and Xi is trying to smash all of these.

His reforms have struck a nerve among the majority of China's rulers with regard to their interests. The entire class is watching eagerly to see what will happen next. This state of uncertainty and these tensions between sections of the ruling class represent an opportunity for workers. However, if the reforms succeed in "making China great again" (让中国再次伟大起来 [Chinese translation of Trump's slogan]), in turning China into a superpower, even many of China's subordinate populations (被统治者) may get to enjoy a small share of the profit generated from imperialism. If so, then this opportunity may be lost.

21 The significance of these closing fragments becomes clearer in the August interview below.

III
August 2017

Part 1

Chuang: Could you clarify which classes and interest groups exist in China today? Who are the rulers and who are the ruled?

LX: An important thing to emphasize here is that all of China's rulers already carry out exploitation through the capitalist mode of production, rather than through non-economic means. On the surface it may often appear to take the form of raw, direct expropriation, but on a fundamental level, it is through trade on the capitalist market and through the exploitation of labor-power that these rulers acquire their wealth.

Take, for example, the restructuring of SOEs [in the late 1990s]. This often took the form of fraud and the violent plunder of material resources, but even when these resources were not directly put to use for capitalist production, they created wealth for the plunderers only by being sold on the market, through a commercial activity. It's important to emphasize this because many new capitalists like to distinguish themselves from the state by pointing to such phenomena and calling the state a "thief."

Chuang: Speaking of "new capitalists," the last time we talked, you often used the term "private bosses." Does this mean private bosses *outside the establishment*? Because a lot of state bureaucrats also run private enterprises through their families, right?

LX: Actually the more important difference is between private capital and state-owned capital. Even if a private boss is, for example, a mayor or a provincial party secretary whose son or daughter owns a private enterprise, that family still functions as a relatively independent proprietor with private interests of its own. But state-owned capital functions differently. It's more integrated.

Chuang: So if we're going to classify the rulers into different groups, they can be divided according to their control over private capital vs. state-owned capital?

LX: I wouldn't write that as a theory, but as a rough heuristic device. Actually there's a lot of overlap between these two categories.

Chuang: Then what are the differences between the two and how do they relate to one another? You say state-owned capital is more integrated?

LX: Yes, roughly speaking, it constitutes a community of interest, an organic whole. Private capital, on the other hand, regardless of how close a relationship it has with state bureaucrats, or even if an enterprise is directly owned by bureaucrat's family, its interests are independent from those of other private enterprises.

Chuang: So among private enterprises, it doesn't make much of a difference whether the boss is inside the establishment or outside of it?

LX: Correct, it really doesn't make much of difference. Especially when it comes to enterprises with any real wealth to speak of, they nearly always have close relationships with specific state officials.

Chuang: But last time you said there was a contradiction between capitalists inside and outside of the establishment, with the latter seeking to increase their political power, so there seem to be two levels of analysis: a contradiction between bosses inside and outside of the establishment, and a contradiction between state-owned capital and private capital?

LX: Yes, you could say that. Even if a private enterprise is owned by the family of a high-ranking bureaucrat, it's still at a disadvantage relative to state-owned capital.

Chuang: Then what is the relationship between these two contradictions? Could we say one is on the economic level and the other on the political?

LX: Competition (争夺) for state power can be divided into at least two aspects (点). The real owners of state-owned capital cannot be understood as simply "within the establishment." It's an extremely small group of people who actually control it. Especially over the past five years, Chairman Xi has opened up everyone's eyes about this. The overwhelming majority of people in the establishment, even the heads of provinces and the central ministries, are merely the servants (家奴) of this smaller inner circle.

Chuang: I thought the heads of ministries were the main people who controlled state-owned capital.

LX: Nope. You know those butlers that European aristocrats used to have on their manors? Ministers are like butlers. What can butlers do? They can take advantage of their position to steal a few things here and there, embezzle, you know, but they're far from the real masters of the house. Or you could liken them to the managers of capitalist enterprises in America, for example,

where the traditional great families, like the Rockefellers, long ago retreated from the frontlines of production. Now they've hired professional managers to deal with that. Although those managers receive high salaries, they're not the true bosses. But actually China's ministers are not nearly as free as the managers working for the Rockefellers. For example, if the Rockefellers discover you've been embezzling, they can't just throw you in prison for eighteen years.

Chuang: Then who are the real bosses of state-owned capital in China? Zhongnanhai?

LX: Not entirely. Zhongnanhai refers mainly to the current Standing Committee of the Politburo, but most of the people with real power have already retired, and some never even served as officials in the establishment. For example there's a man named Song Ping, a former member of the Standing Committee. He just turned one hundred years old, but he's still an important member of this inner circle.

Chuang: About how many people are in this inner circle?

LX: (*Laughs*) No clue! Definitely more than Zhongnanhai, because Jiang Zemin also left Zhongnanhai long ago, for example. But much smaller than the Central Committee of the CCP. And it's not as if the two overlap. Almost all the members of the Central Committee are just servants. The real bosses aren't in the Central Committee.

Chuang: How do they exercise control?

LX: Of course this is a secret only the rulers could know in detail, but observing from the outside, there are at least two ways. One is through clientelism, as an elder (长老) controls a group of people through personal loyalties, but in this case

through the workings of the state, but similarly ensuring those loyalties by intertwining their interests with his own, and in this way exercising control over state-owned capital. The second way is through family. The latter has more of a legal basis, the former is less formal….

Chuang: So the ruling class can be divided into at least two main fractions: this inner circle who control state-owned capital, on the one hand, and the bosses of private enterprises, on the other.

LX: But the bosses of private enterprises, such as Jack Ma, are often significantly influenced by the bosses (*laughs*)—and essentially they *are* bosses—of state-owned capital. If Jack Ma had no support from the highest levels of the establishment, there's no way his business could have grown as big as it has. So it's not as if there's a clear line between private and state-owned capital, as if your property is yours and mine is mine….

Chuang: How do you know all of this?

LX: It's a basic fact that in China, if your business becomes extremely big, you've either got support from abroad—such as Foxconn's Terry Gou, he may not be the servant of these domestic elders. It's very likely that he's got some powerful foreign backers—

Chuang: Isn't Gou from abroad in the first place?

LX: That's just where he came from. It was in mainland China that he got rich, in Taiwan he was nothing. He never even opened a factory in Taiwan. But it's not clear who his backers are. The point is that in China, it's impossible to "pull yourself up by own bootstraps" (白手起家). I imagine that's true all over the world. If your business succeeds beyond a certain

point, that means you have the support of some powerful capitalist backers….

Chuang: What you've described sounds the opposite of America. There state bureaucrats are the servants of private capitalists.

LX: That's true. Capitalist development in China is upside down. It's always been that way, ever since the Republican era….

Chuang: I'm confused now. At first you said there was a contradiction between private and state-owned capital, but then you said that the two are intertwined and ultimately controlled by the same inner circle.

LX: Well private capital also includes a large number of small and medium-scale capitalists, and many of them actually are at quite a distance from the establishment, but this doesn't necessarily mean that they're opposed to it, just that they haven't managed to curry favor.

Chuang: But is it accurate to say that the true owners of private capital are the same people who control state-owned capital?

LX: As you know, at this point in the development of capitalism, it's impossible to say who are the true bosses of especially large firms, but I think China is different: control really is concentrated in the hands of a few specific individuals. That isn't to say that a private capitalist like Wang Jianlin[22] is

22 Forbes ranked Wang Jianlin the richest person in China and the eighteenth richest person in the world in 2017, with a net worth of 31.3 billion USD. (Later Jack Ma overtook Wang to become the richest person in China.) Unlike Ma, Wang is more typical of private capitalists who

merely a manager. For his business to grow as big as it has, of course he's got to enjoy a piece of the pie. Moreover, one of the traits of contemporary capitalism is that even managers often possess a great deal of power—that's especially clear in the West. They can basically allocate capital as they see fit and then justify it to the board of directors with a few reports. And the same is basically true in China: managers act like bosses, until periodically they come into conflict with the real bosses….

Chuang: So the contradiction you discussed last time, between bosses inside and outside of the establishment, is essentially a contradiction between smaller-scale capitalists and the establishment itself—not that they're opposed to the establishment, but they want more access to state power and the resources they hope that would bring?

LX: You could say that.

Chuang: What about those other interest groups you mentioned. Are they attached to this group of smaller-scale capitalists outside the establishment?

LX: Not necessarily.

Chuang: So in terms of groups with conflicting interests, the ruling class could be divided into the inner circle who

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emerged from the state bureaucracy, as well as being a "red engineer" by training. His father fought with the PLA during the Long March and became an officer. Wang Jianlin likewise served as a PLA officer in his youth, then as an official in the city government of Dalian, where he became manager of a state-owned residential development company in 1989 before becoming CEO of the privately-owned Wanda Group in 1992—now the biggest property developer in the world and owner of the world's largest cinema chain (Wanda Cinemas), the US-based cinema chain AMC, the US-based media company Legendary Entertainment, etc.

control state-owned capital, smaller-scale capitalists outside the establishment—

LX: No, that's too muddled. It would be better to say there are three groups—and keep in mind this is just a rough outline: First is the inner circle, as you said, who both control state-owned capital and have a major influence on large-scale private capital. Second is the intermediate stratum within the establishment. These people are often the managers of state-owned capital and, at the same time, they're often closely connected to large-scale private capital. By managers I mean both direct and indirect management, so these aren't necessarily the general managers of state-owned enterprises; provincial party secretaries also play roles as indirect managers of state-owned capital.

Chuang: Is the only difference between these two groups their position in the political system? Are they connected to the same type of enterprises?

LX: Not necessarily. For example, I feel certain that Jack Ma is directly working for some family of the state's inner circle, whereas the heads of provinces or ministries control a different set of enterprises. The private enterprises they can control aren't the most successful ones. Those are almost always gobbled up by the more powerful families, as far as I understand.

Chuang: And the third group?

LX: The bottom rungs of the establishment and the smaller-scale capitalists.

Chuang: Those smaller-scale capitalists—should we say they're outside the establishment or—

LX: Just say private capital. At least in form, it consists of independent private enterprises: they're not controlled by state bureaucrats, they don't belong to the state. Actually they're not fully independent, but they're further away from state power.

Chuang: How do those other interest groups you mentioned, such as lawyers, relate to these three categories? Do they all belong to the last one?

LX: Not necessarily. For example the media, cultural circles, religious figures—many of them have various *jibie* (official rankings) within the establishment. You know *jibie* are important in China.

Chuang: So for example lawyers?

LX: Actually most lawyers are outside of the establishment. But cultural figures, most of them with any influence—that is to say, those who are large-scale proprietors (大有产者)—they often have some status in the establishment, including a clear *jibie* such as "department-level rank" (正厅级) or "vice-ministerial rank" (副部级).

Chuang: So these interest groups belong to a different level of analysis than the three categories of rulers you just outlined?

LX: Yes.

Chuang: What are the main groups? You mentioned lawyers.

LX: Lawyers are a newly emerging group in China, which means most of them are outside the establishment. As for cultural figures—

Chuang: What does that mean by "cultural figures"? You've said this can't be translated as "intellectuals." Can you give some examples? You mentioned university professors.

LX: Yes, it includes professors. Also film producers, the owners of entertainment companies, of course also actors—famous actors, that is. Writers, it goes without saying, but again only those famous writers—in every case there's stratification (分化)…. [And the news media.]

Chuang: Anything else?

LX: Actually religion could be included in culture, but it's rather special, more closed off from the rest.

Chuang: You're referring mainly to religious leaders?

LX: Actually religion in China is completely independent from the state's system of hierarchy, a set of independent organizations, especially Tibetan Buddhism and Islam, they're like nations unto themselves.

Chuang: Are those all the special interest groups?

LX: In China there are also a few small, disparate groups that also enjoy privilege, but they often overlap with the aforementioned groups, for example there are eight so-called "United Front Democratic Parties" as well as groups like the so-called "Patriotic Overseas Chinese Representatives," which were the objects of pacification (统战) in the socialist era. Actually they've always enjoyed some degree of privilege, but now in the capitalist era they've converted that privilege into capital for use on the market.

Chuang: So the main groups with vested interests in today's China are state bureaucrats as such, lawyers, cultural figures, religious figures, and these miscellaneous groups such as the United Front Democratic Parties. And then of course capitalists. But would you say that all these other groups also function as capitalists in some sense?

LX: Yes, they're all capitalists, but besides these groups there's also a large group of people who function purely as the bosses of private enterprises and nothing else, not completely independent from the establishment but at a significant distance from it. And these are almost certainly all smaller-scale capitalists, because the larger-scale ones inevitably have close connections with state bureaucrats who share the profit, if the capital is not directly owned by bureaucrats' family members.

Chuang: Alright, so now let's get back to the contradiction you started to address last time between fractions of the ruling class regarding access to political power.

LX: The contradiction is like this: For many years there have been these calls for democratization, but in fact the most direct expressions of this call have often come from the top, from the inner circle. Why is this? My analysis is that it is related to the desire by some members of the inner circle to complete the privatization of SOEs. They still want to privatize the best and strongest of China's remaining SOEs. In a word, they want to *fenjia*: to split up the family's property into multiple households.

Chuang: An Xi's faction is attempting to silence these voices?

LX: Chairman Xi completely negated these voices as soon as he assumed office, completely. You could say that at the top there

was a protracted struggle between these factions, but no one would have guessed that Xi could have managed to negate the others so quickly. [The central SOEs] will not be privatized, and that's the end of it. Chairman Xi depends on this strong state-owned capital to fund his projects.

Chuang: Often people assume the capitalism goes hand in hand with privatization, but you're saying that Xi's refusal to private the central SOEs is actually a measure to protect and strengthen Chinese capitalism, right?

LX: It will support Chinese capitalism as a whole, making it stronger. And privatization would indeed weaken it. Those voices calling for privatization aren't concerned about the long-term interests of Chinese capitalism as a whole, only about getting a slice of the pie for themselves to enjoy in the short term.

Chuang: So Xi's most important reforms over the past few years have been: (1) his refusal to privatize the central SOEs, (2) his way of dealing with bourgeois interest groups outside of the party-state leadership, on the one hand partially integrating them, while on the other—

LX: You could say repressing their political demands. But that's not entirely correct. It's been more of a trade-off: we prevent you from exercising any independent influence on state power, but in return we allow you to exploit workers more freely.

Chuang: Were private bosses not able to rely on the state to help them control workers in the past?

LX: They were, but it was different. Before 2010, in the PRD anyway, there were a lot of strikes and the state didn't intervene much, but that was mainly because the strikes were resolved

quickly. For example, the workers would go on strike asking for a raise or something, and the boss would concede to their demands before the end of the day, saying "Ok, ok, here you go, now get back to work!" At that time, factories were really busy and there was stiff competition for orders, so it made a big difference even if production stopped for just an hour. Plus the pay was really low, so everyone knew it was reasonable to ask for a raise, and everyone knew the boss could afford it. It was a simple matter to agree to a small raise, as long as they went back to work before their orders were taken by some other factory. So it's not that the state wouldn't intervene, it's that it would take too long to do that. It was also expensive and complicated, because the boss had to develop relationships with specific state officials, pay bribes, etc.

Things changed after the economic crisis [of 2008], then there was the strike wave of 2010, and you know state policy relaxed for a couple years, but starting around 2013, workers' demands started getting more complicated, taking longer to resolve, and the state started getting more deeply involved. It's not just that it became more repressive. Its methods for dealing with workers become more sophisticated, involving the legal process, labor arbitration, courts and so on.

You could say that since 2013, the state has stood more clearly on the bosses' side, especially on key issues such as Social Insurance, or compensation for factory relocation. These involve large sums of cash, so the bosses aren't willing to make concessions lightly. In these disputes it's clear that the state helps the bosses to repress the workers. Or even when it comes to everyday things like overtime pay, when workers take it to arbitration, it's obvious that the arbitrator takes the boss's side….[23]

23 The state's increased intervention in the more complex labor

Chuang: Are there any other ways the state has attempted to integrate bourgeois groups outside the establishment over the past few years? How about through policy related to construction and real estate?

LX: That's hard to say, because there are so many different theories about that. But the main thing is that those entire sectors are already controlled by the state, and private real estate developers already have close ties with the bureaucracy, so there's no need to try to integrate them or give them anything. Both individual bureaucrats and the state apparatus as a whole can already acquire a big share of the profit from those firms….

Part 2

LX: This is how I would summarize the political situation over the past four years: Chairman Xi has begun to carry out state-

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disputes characterizing the period from 2013 to 2016 is illustrated by two cases documented in the book *Striking to Survive:Workers' Resistance to Factory Relocations in China* by Fan Shigang (Haymarket Press, 2018). Another form of intervention Lao Xie mentioned elsewhere has been more indirect and preemptive, via the criminalization (as opposed to previous extra-legal repression) of NGOs supporting collective worker actions since 2015. Shannon Lee has expressed a similar analysis: "starting in 2013, the Chinese state has conducted a series of arrests and trials of figures representative of China's political opposition, including journalists, lawyers, writers and activists who organized street demonstrations. Some observers have lumped Dagongzu together with these other groups as part of a general crackdown on 'civil society,' but in fact these were two different types of persecution, with different goals and rationales behind them. The latter are better understood as adversaries within the same bourgeois ruling class, elements calling for minor adjustments of the political order, whereas the repression of Dagongzu was ultimately aimed at the working class in the Pearl River Delta (PRD)." ("Making Sense of the 2015 Crackdown on Labor NGOs in China," <https://wolfsmoke.wordpress.com/2017/07/29/2015-labor-ngo-crackdown/>.)

building (建设国家). Prior to this, the Chinese government was like an extended provisional government, from Deng Xiaoping's marketizing reforms all the way until Chairman Hu stepped down [in 2012]. The task of state-building kept getting postponed. A sort of bourgeois state gradually came into being, but it was like the frame of a house: it had a roof, but there was no glass in the windows, and the interior wasn't furnished at all. People could live inside, they could even invite some guests over, but.... If you say "incomplete bourgeois state," that could be misunderstood as meaning the bourgeoisie hadn't formed yet. It had formed, but especially on the spiritual level, its tentacles hadn't yet penetrated deep into the minds of the people. It hadn't yet established a complete set of rules and regulations for long-term planning. Chairman Xi is finally attempting to build a long-term state. In this sense, I think you could say that Chairman Xi is a founding father (国父). He's trying to build something that could last for hundreds of years.

Chuang: What are some aspects of this state-building? You mentioned ideology.

LX: Yes, it includes ideology. Also the final formatting of the role that the central SOEs will play. That has actually determined China's future path.

Chuang: And then there are the attempts to deal with conflicts among bourgeois interest groups we were just discussing.

LX: Yes. Also the repression of the lower tiers of society across the board. This includes their economic interests, political demands and independent social activities.

Chuang: And then there's foreign policy.

LX: Yes, or you could say "international strategy": the protection of the rulers' interests abroad.... I guess those are the [five] main aspects of bourgeois state-building that have been pushed to the front of the agenda since Xi assumed office.

Chuang: Let's go back to the fourth one, the repression the lower strata. Could you give some examples? We've already discussed state intervention into labor disputes. What else?

LX: Another would be the rejection of demands for social housing (公屋). That's something that's been discussed for years, but Chairman Xi has clearly removed it from the agenda. Because Hong Kong's social housing has been somewhat successful in decreasing living expenses for the poor, and then Bo Xilai experimented with it in Chongqing. China already has a few state-subsidized rental properties throughout the country, but it hasn't really been developed. Anyway Chairman Xi has said he doesn't want to do it. This will especially hurt the interests of white-collar workers in the biggest cities, because housing is a big expense for them.

Chuang: How else have the lower strata been squeezed on the level of economic interests?

LX: Social Insurance. I mentioned that a few years ago, shortly after Chairman Xi assumed office, some voice representing the central leadership said that "in the era of Hu Jintao, some unreasonable promises were made regarding Social Insurance," meaning that Xi would decrease the state's payouts. Basically this means a negation of the compromise that the Hu government made with the proletariat on the social insurance front.

Chuang: How has that played out in terms of policy changes?

LX: So far, mainly in the raising of the retirement age. That

much has already been decided. Of course at first they can't just say they're raising it by several years. They have to start by raising it a few months at a time, like "boiling a frog in warm water" (温水煮青蛙), gradually increasing it over time. I'm sure that by the time I turn sixty I won't be able to get a pension.

Also pensions are supposed to be increased every year or so to keep up with inflation, but that's changing too: they won't be increased as much or as often, so basically we'll receive very little, just enough to keep from starving.

Chuang: How about *nongmin* (peasants or ruralites)? Has the Xi government put any new economic pressure on them?

LX: *Nongmin*—that's a tricky topic now. *Nongmin* in the strict sense [i.e. peasants] are increasingly limited to those who are too old, sick or disabled to move to the city or work for a wage. As for the rural population in general, their land is continuing to be taken away. This is another attack on the lower tiers of society. "The transfer of land" (土地流转). This is already being carried out across the nation. Now *nongmin* are left with nothing but an empty right to [their village's collective] land [that they can't actually use because it's been transferred to some firm].

Chuang: You also mentioned repression on the level of political demands. What's an example of that?

LX: The all-round repression of the bourgeois opposition (反对派) over the past few years.

Chuang: But now we're talking about the lower tiers of society.

LX: The lower strata don't have any political demands. Anyone who cares about politics basically just goes along with bourgeois opposition. But they don't take action, they just parrot the opposition's words on the internet, venting their frustrations.

Chuang: So how does the repression of the bourgeois opposition affect the lower strata?

LX: It automatically implies their repression by association (连带的压制), by a single stroke of the knife (一刀切). Because the lower strata don't have the sort of resources that capitalists have. For example a boss can spout his nonsense in the Political Consultative Conference [24] or give a speech in those clubs of the private bourgeoisie….

Chuang: And you also mentioned independent social activities?

LX: Anything slightly inclined toward so-called "diversity politics" (多元政治) is likely to be repressed, such as those feminists,[25] and also various NGOs…. But another "Chinese characteristic" is that [*xiao*]*shimin* groups are extremely depoliticized, so all kinds of activities concerning private life

24 The Chinese People's Political Consultative Conference (PCC) formally acts as an advisor to China's official legislative body, the National People's Congress (NPC), with branches down to the county level. Although the CCP holds two-thirds of the seats and vets the candidates for the remaining seats, it is presented as a mechanism for important people outside the CCP and the "United Front" parties mentioned above to participate in legislation.

25 This refers to the March 2015 criminal detention of the "Feminist Five" and subsequent related repression, addressed in several pieces on the *Chuǎng* blog, such as "Gender War & Social Stability in Xi's China: Interview with a Friend of the Women's Day Five" <http://chuangcn.org/2015/03/gender-war-social-stability-in-xis-china-interview-with-a-friend-of-the-womens-day-five-1st-half/> and "'We should all be feminists?' Repression, recuperation and China's new women-only metro carriages" <http://chuangcn.org/2017/07/women-carriages/>.

are not repressed at all. China is still far from a crisis of rule where the rulers would try to control everything. The rulers at the highest level are mainly concerned about holding onto state power rather than a more meticulous control over people's private affairs. China is such an enormous nation with so many newly emerging social strata, it would be too complicated and time-consuming to try to control them all with any degree of sophistication. For now, that also works out for the rulers, because the people are busy enjoying their private lives, so there's no need to assert strict control over them.

Chuang: So the attacks on independent social activities you mentioned concerns only those that are relatively politicized and have connections to entities outside of mainland China?

LX: Yes, in those cases they'll lock you up. This hasn't affected society as a whole yet, but there is a trend toward repression.

Chuang: OK, now let's talk about international strategy. Previously you mentioned that this actually started under the Hu government.

LX: China's state apparatus has always been rather powerful and its level of rule (统治水平) rather high. Many of these policies and strategies have been under consideration for many years.

Chuang: Even in the Mao era?

LX: In the Mao era, China had no overseas capitalist interests, that's a basic difference. The nature of interests was different. It was only after the 1980s that China's overseas capitalist interests emerged. And then in the 2000s, after China joined the WTO, this issue rose to prominence.

Chuang: So in the 1990s there was discussion, but actions began to be taken only in the 2000s?

LX: It's not that no action was taken, because China's Ministry of Foreign Affairs has long been tasked with helping Chinese enterprises to open up markets overseas. But after 2001, they began to consider using military force to protect commercial interests. Before that Chinese capitalists overseas didn't dare to do anything because at that time they were focused on trying to open markets and learning how to do business there. They did everything they could to avoid getting involved in conflicts. But now things are different. Now they confront conflicts head-on, they're no longer afraid. After Chairman Xi assumed office—

Chuang: But you said it already started under Hu, right?

LX: Yes, Hu had to address this, because Chinese interests overseas were growing to be enormous, so they could no longer put up with losses.... But this is too complex to discuss today, we should set aside another time just to discuss this topic.

Chuang: Yes, we should. But could you summarize a few points about how things have changed since Xi assumed office?

LX: Under Jiang and Hu, things were about the same, but as soon as Xi assumed office, it became clear that China would be expanding its business dealings in Central Asia, Southeast Asia and Africa. There's an old term, "sphere of influence" (势力范围), or another, "the hegemony of the great powers" (列强的霸权). Now we can say that China is one of those "great powers." In my writings I used to refer to China as "a new great power" (新强权). These all mean basically the same thing.

Chuang: When did China become a new great power?

LX: It was hard to say for sure in the Hu era, but there were signs. Objectively, Chinese capital was pulling more weight in the world market. But at that time, China's outward expression was to bury its head in doing business and not say anything if it suffered losses. It didn't dare to say anything.

This changed rapidly after Xi assumed office, in favor of directly asserting the overseas interests of Chinese capital through head-on confrontation. This was especially clear in a recent incident: Vietnam invited a Spanish energy company to drill for oil in the South China Sea, but China said, "No, you're not allowed to drill here, this is our turf." A week or so later, Vietnam told the company, "Sorry, let's put this on hold for now, you have to leave."[26] China has already started this sort of head-on confrontation. Actually the construction of islands there is the most typical example. Basically it's disrupted the balance of power between China and the US there. Last year I told you that the scramble for interests there and in the Pacific is as if China went over to America's house and said, "Hey, your house is really big! I think I can live here too" (*laughs*). This is a serious change, because in the past it was as if all the seas in the world belonged to the US.

Chuang: Do you think China has already become a regional hegemon?

LX: Between quantitative and qualitative change there is a tipping point. If you want to be on top, you have to make sure people are afraid of you, and that means you have to spill blood—that's the most basic logic of the street. No matter

26 This refers to the Repsol incident. See "Drilling ship leaves Vietnam oil block after China row" by Matthew Tostevin, Reuters.com, August 13, 2017.

how developed your forces of production may be, if you want power you have to cause fear, terror. The whole world is afraid of America.

Chuang: So China hasn't undergone this tipping point yet?

LX: Not yet, because it [as a new formation after the transition to capitalism] hasn't been in a fight yet (*laughs*). This seems oversimplified, but it's really the essential thing: China needs a fight, then everyone will say, "OK, you're the boss (大哥)."

Chuang: Would you say China's looking for an opportunity to fight on the border with India now?

LX: China's definitely looking for an opportunity. India definitely doesn't want a serious conflict with China. This relates to domestic politics in India, this sensitive stage it's in.... But it's still possible there will be a war there, because China really doesn't care who it goes to war with. Probably anyone other than the US would do, from Myanmar to Australia. But at the same time it's important to China's rulers that the conflict be as limited as possible, a war that will end quickly—just long enough to fulfill its function. So they need to choose an appropriate target and an appropriate excuse. Here you can see how high the level of China's rulers is: they're cautious and try to do things by the book, in stages, on the one hand strengthening forces along the border, while on the other talking to other countries according to international protocols, making official statements through the media, etc. It's clearly being done according to a formula....

Chuang: Would you say China has already become an imperialist country?

LX: (*Laughs*) That's the sort of question that leftists love to

debate. It's really a pointless discussion. It's like debating "when does a boy become a man? At 18 or 20?" Then someone will point out some reason that a 30-year-old isn't really a man yet.

What we can say objectively is that China is a capitalist country with vast overseas territories, and that China's rulers are undertaking serious measures to protect those territories. As for whether this is imperialism in Lenin's sense, that requires more careful analysis. It's not something that can be clarified in a few sentences….

In any case, China is building and protecting its own spheres of influence, and these are to be used by China's rulers to acquire wealth through the capitalist market, rather than through direct plunder or tribute in the sense of pre-capitalist empires.

Chuang: You've said that this sort of international strategy and even war might benefit China's subordinate strata in some ways. Could you elaborate on that?

LX: It would be better to say that it will have complicated effects. Why say that Chairman Xi is carrying out state-building? Because some important elements of the bourgeois state, especially spiritual elements, still don't exist in China. National identity, for example.

Chuang: Really? I've always felt that national identity was stronger among most Chinese people than almost anyone else I've met.

LX: What you're sensing is more of a pre-capitalist sort of identity. For example, typical Chinese parents take it as a source of pride if their daughter marries an American and becomes a US citizen, no longer pays taxes in China, and helps the US military develop guided missiles. They wouldn't think

that she's betraying their nation. They don't have the concept of a nation-state. They think being Chinese means you use chopsticks, you were born in China, you stick *chunlian* [couplets] on your doorway during Spring Festival. For the bourgeois state, that's not enough. What does the bourgeois state require? An entire set of responsibilities to the nation-state, duties that aren't open to discussion, a higher power. Chinese people don't have this concept. As far as they're concerned, China isn't a nation-state, it's just a place.

In the Mao era there was a sort of socialist patriotism, but that sort of patriotism was linked to class identity and the idea that "what we're protecting is a new society without exploitation." They used the phrase "love of country" but actually what they loved was socialism. Later, during the era of that extended provisional government, the sphere of patriotism became extremely awkward. Basically it was a void. Everyone was busy trying to make money by working or doing business. People have said that the Chinese have no morality, that they only care about making money for themselves. Really what that means is that China has yet to establish the comprehensive set of rules and customs associated with a bourgeois nation-state.

For example, in the US if you violate some serious taboo, you're ruined for life. Like those two African-Americans who medals at the Olympics in 1968 and then did the Black Power solute during the award ceremony. What did the American rulers do to them? They didn't punish them directly, they just left them hanging out to dry. Later neither of them could find good jobs, they just worked as common coaches, making regular wages. The US government didn't directly persecute them because that would turn them into martyrs. Instead it just made them watch as other star athletes grew rich and famous, while they were denied that.... China doesn't have any rules like that.

Deng Xiaoping's famous statement, "It doesn't matter what whether the cat is black or white, as long as it catches rats"—that epitomizes the extreme pragmatism during the era of China's transition to capitalism. Nowadays that sort of pragmatism has become an obstacle that the state is trying to overcome.

If China goes to war and things go smoothly, that would definitely stimulate true bourgeois patriotism among the Chinese people. (Actually all patriotism is essentially bourgeois, because it emerges only with capitalism and the bourgeois state….) If the war doesn't go smoothly, that would cause a crisis of rule.

Chuang: You also mentioned some material benefits that ordinary Chinese people might obtain from the international expansion of Chinese capital—maybe not from war, but more generally?

LX: That's the sort of benefits enjoyed by ordinary people in other powerful countries. For example the way Westerners, no matter how poor they may be at home, can come to China and live pretty well just by teaching English. You could call this a dividend of imperialism.

Chuang: So now ordinary Chinese people can go teach Chinese in Cambodia.

LX: Actually Cambodia is an interesting example, because there China has already established a certain… something like the status of white people in Africa, that kind of influence. But that's still far from enough to benefit many ordinary Chinese people at this point.

Chuang: You said the effects of international expansion and war would be "complicated." What would be the negative effects other than casualties?

LX: It would stimulate social thought in China, and it's hard to predict what that might lead to. Even if it's expressed as patriotism, it might not necessarily benefit the ruling class. It's safer for the rulers if society's half-asleep. When a bunch of people who don't care at all about politics suddenly become patriotic, they start thinking about politics, taking action, making demands—who knows where it will lead?

A classic example is World War One, which mobilized tens of millions of Europeans. During the war, on the surface there were expressions of patriotism, but it politicized a lot of people, and when they went home many of them joined revolutionary movements in places like Germany....

So the Chinese ruling class is actually quite cautious about this. I know the foreign media often claim that the CCP whips up anti-Japanese sentiment, but actually it's afraid of ordinary people going on the streets to protest, smash up Japanese businesses and so on. In this sense Chinese government is really afraid of the masses.

Chuang: Then why are there so many movies and shows about the War of Resistance against Japan on Chinese television all the time?

LX: (*Laughs*) When a tiny group of people rules a large number of people, ridiculous things often happen. Not everything they do is completely rational or consistent. But the Chinese government no longer dares to show anything related to reality on television, so it just pumps out hot air in cycles: for a while it's ancient costume dramas, then it's spy dramas, then it's time

travel, then its what they call "mythical dramas about the War of Resistance" (抗日神剧)—completely unrelated to historical reality, like mythology. The genre is just an absurd kind of soap opera. What this really reflects is the cultural desiccation of the ruling class. It can't create anything with vitality.

Chuang: Have you seen *Wolf Warrior II*?

LX: No, but I've watched previews and read reviews. It seems to be a typical cultural product of a bourgeoisie in an age of international expansion. Like Rudyard Kipling….

Chuang: I'm sorry, I still don't understand why you think the constant production and airing of films and shows about the War of Resistance doesn't amount to a kind of nationalistic indoctrination.

LX: In a more conventional bourgeois state, there are always some nationalistic or patriotic social organizations and movements that are directly fostered by the rulers, such as the white people's militia movement in the US. China's rulers neither foster nor allow anything like that. All that they foster is a sort of part-time, formalistic (值班性质) patriotism. They want a sort of national sentiment that stimulates ordinary people and creates an external enemy, but this stimulation is limited to these ridiculous dramas broadcast on TV. They would never go so far as to create mass movements, nationalist organizations, street actions—the Chinese government is afraid of all these things….

That sort of nationalism would not actually be aimed at attacking Japanese people [as a few are rumored to have been attacked during China's anti-Japanese protests of 2012]. Historically these movements are mainly aimed at suppressing domestic resistance by the lower strata of society, attacking

unions, left-wing students, etc. That's what that sort of zealous nationalism is about: right-wing mass organizations, their members wearing military fatigues and learning to fight—the real target is rarely actual foreigners.

The Chinese rulers would never foster that sort of mass movement because they're afraid of any sort of mass action. As I've said before, Chairman Xi isn't a typical Bonapartist. Bonapartism is when one section of the ruling class, expressed in the form of a dictator, uses the lowest strata of society, the poorest people, to attack a competing section of the ruling class. But Chairman Xi, you could say he's attacking competing sections of the ruling class through his anti-corruption drive, but he's consciously trying to avoid arousing the masses to rise up and support that drive through activities such as mass supervision [as Mao did, for example], or reporting cases of corruption to the authorities.

And as I was just saying, China's bourgeois opposition is the same way: for the many years of its existence, it's done everything in its power to avoid a mass movement. It's not even willing to mobilize the sort of small-scale opposition movement associated with white-collar workers and intermediate social strata. This is a big difference from the bourgeois oppositional movements in other countries, such as Korea in the 1980s, which succeeded because they were able to take advantage of mass movements.

Chuang: You say that Xi isn't a Bonapartist, and you've said before that you find the term "populism" misleading. There's been a lot of discussion about the idea that the economic crisis has given rise to a global wave of "populist," often xenophobic mass movements with ties to right-wing politicians such as Trump, Modi or Putin, and some observers put Xi in the same category. Do you think this idea is useful at all?

Chuang: I agree that these phenomena are responding to economic crisis, that much is clear. Many of these other politicians could be described a Bonapartist to some degree or another. Actually Trump is the least so. Like Xi, he wouldn't dare to truly incite the masses of ordinary right-wing patriots to go on the streets and take collective action. I'm talking about a true mass movement. What we're observing now is just performance art. Americans are especially good at political performance, putting on a show.

Chuang: But a few days ago [August 12 in Charlottesville] they actually killed someone during one of these performances!

LX: What does that count for? Everyone's getting excited after one death—how does that compare with most capitalist countries? How many people have Modi's followers killed?[27] That's what a more typical right-wing mass movement looks like….

I think the main difference is that America's state apparatus is strong enough and its rule is sophisticated enough that it doesn't need that sort of mass mobilization of the lower strata to help maintain order. Although there's a crisis, it hasn't gone that far yet.

Modi is the most similar to classic Bonapartism that I know of. Putin is also more limited. Russian society is stuck in an extremely despondent condition, so again the rulers there

27 Narendra Modi and his Hindu nationalist followers have been linked to multiple attacks on Muslims, most dramatically the 2002 Gujarat Pogrom, where 1,044 people died, 223 went missing and 2,500 were injured. Modi's state government at the time has been blamed for inciting and facilitating the violence.

don't need to turn to the sort of violent mobilization we see in India, with thousands of people being killed. It's true that the Russian rulers have many problems, and Putin has indeed adopted some of these elements—even more so than Trump—but the subordinate population there is so tamed that it's not necessary to do much to keep them under control.

And then Xi doesn't need this sort of mobilization at all.

Chuang: So you agree that right-wing mass movements and something like Bonapartism has been spreading across the world, emerging in different countries to different degrees (with the least degree expressed in China so far), and that this is in response to the economic crisis and the lack of a left-wing movement offering a coherent response? It's just the term "populism" that you object to?

LX: Yes. In Chinese, *mincuizhuyi* [the term for populism] is a strange thing. If you're talking to ordinary workers, it would be more helpful to say "exclusionary mass movements," or even just "patriotic mass movements," because I think this sort of politically-intentioned communication needs to change the ideas in people's heads. You want ordinary workers participating in struggles to understand what patriotism really is. This isn't a matter of personal preference but the political need to be wary of the mainstream uses of words. Mainstream media love to use the term "populism" in reference to any type of mass mobilization, such as people voicing discontent about the high cost of housing, the media calls that "an expression of populism." Or if workers go on strike and the police come to repress them, and then the workers fight back, the media also calls that an expression of populism. So this term is really a vilification of mass action, as well as an obfuscation. It implies that "this mass action of yours is just the blind following the blind, causing problems for no good reason, it's mindless"—

that term is also popular recently, "mindless actions." When we write, whether it's a serious article or just something simple, we should do our best to express the essence of the subject matter.

That's why I say "patriotism" instead of "nationalism," for example, because the mainstream often talks as if patriotism is good and nationalism is bad, but really they're the same thing.…

I also try to avoid talking about "the left" and "the right," but basically what you're saying is correct: the past few years have seen a global turn to the right in response to economic crisis, especially among young people from *xiaoshimin* families. This is also true in Hong Kong, where the right-wing turn of young *xiaoshimin* became clear in the Umbrella Movement. And it's also true in many parts of Europe, where unemployment has been growing for so long, especially among young people.

Chuang: Would you say mainland China is still and exception to this trend?

LX: China still doesn't have any kind of bottom-up driving force—neither one against exploitation and oppression, nor one that attempts to obtain a false sense of security by more closely embracing traditional values. In the latter respect I think Hong Kong localism and the American movement around Trump are similar. But yeah, this sort of thing still doesn't exist in mainland China. The main reason for that is economic: Chinese people are still busy trying to make money. Ordinary Chinese people can still feel as if it's possible for them to make money. This is really different from most countries nowadays. An ordinary household can still work hard for ten or twenty years, save up a few hundred thousand yuan and buy a home, and the home will increase in value, and then they can even

rent it out, so there still seem to be plenty of opportunities to make money.

Chuang: So in contrast with Bonapartist politicians like Modi, Putin or Trump, Xi isn't connected to any bottom-up driving force responding to economic crisis?

LX: If Chairman Xi feels any bottom-up pressure, it could only be a purely historical one. Chinese capitalism has already matured to the point that it's in need of various adjustments: how to manage it, how to coordinate conflicts of interest, etc. But these are coming only from the top down. Lenin said that a crisis of rule occurs when the upper strata of society can't continue to rule and the lower strata can't continue to survive. In China, the lower strata are not yet having any serious problems continuing to live at least as well as their parents. Actually, in the PRD, for example, I do know that many workers are already beginning to feel that they can't continue to live as they or their parents did before, but we've still got a long way to go before they start rebelling against the social order. They still think they just need to make some adjustments, like they need to get Social Insurance—that's why this has been such a focus of struggles the past few years, but this sense of the need for change is only just beginning. On the other hand, the upper strata, especially the people at the very top, already do feel that they can't continue to rule as they did before. I don't mean the entire ruling class, it's mainly the very top that feels this way, hence the conflicts within the class. The overwhelming majority believe there's nothing wrong with how they've been living and ruling, so they're discontent with Chairman Xi's reforms, his crackdown on corruption and so on.

The very top is always only a tiny minority, of course. Besides that, in China today there's a vast body of lower-level rulers carrying out various functions, and most of these are resentful

of Xi's reforms to some degree or another. Of course they are—Chairman Xi's strategy is precisely to expropriate many of these lower-level rulers. But this is being done in different degrees to different people, so some don't mind it so much, whereas others feel it's a catastrophe.

Chuang: Last time you said that this dissention in the ranks of the ruling class could become an opportunity—

LX: Yes, this is a typical splintering of the ruling strata, but it's still far from reaching the point of open fragmentation, because everyone is still waiting to see what will happen.

Chuang: An opportunity for whom to do what exactly? For all the subordinate strata to rise up in various ways, or just for certain workers to carry out industrial actions?

LX: In principle, it's an opportunity for a mobilized or active working class, but such a class doesn't exist yet, far from it. But I think that Chairman Xi isn't a temporary phenomenon. He represents the beginning of an era—for China and perhaps for the world. So this sense of change and uncertainty (变动) is something that will last for a while. The ruling class won't necessarily fragment, but it's more likely to fragment now than before.

Chuang: How long do you think this era will last? Twenty years?

LX: Probably longer. When an industrial nation of 1.4 billion people begins to establish a substantial system of top-down rule and achieve some degree of hegemony in the world, this is a historical era. Think about the Reagan Era, for example. You could say that started around 1980 and didn't really end until the financial crisis of 2008. Although Reagan only served

as president for eight years, as an individual he represented a whole historical trend and framework that started early and lasted much longer.

Chuang: And since this period of change and uncertainty will last for many years, there may be an opportunity—

LX: There's definitely an opportunity. In Chinese we say "the wind and water flow in one direction for a while, and then they switch" (风水轮流转). Capitalist rule, after having undergone 25 years of unprecedented stability, is clearly beginning to waver (动摇).

Chuang: How could this opportunity be grasped, and by whom?

LX: (*Laughs*) The proletariat's revolutionary power is currently nil.

Chuang: That's now, but in the future, if such a power were to be formed, you've said that "the ruled" includes not only industrial workers but also—

LX: Yes, but I still believe that only industrial workers (产业工人) can lead a social revolution.

Chuang: But who does that category include, exactly?

LX: Nowadays, for example, PhDs are completely different from PhDs forty years ago. Many people who have received higher education have already been incorporated into the circuits of social production (社会大生产). They're completely unlike traditional intellectuals and more like industrial workers. There are still differences, but they're similar, especially those

tens of thousands of bioengineering researchers, for example, they're just cogs in the industrial chain of production….

Chuang: But only workers can be revolutionary subjects?

LX: Yes. I don't believe that peasants or, say, students or managers, could lead a communist revolution.

Chuang: How do you define "workers"?

Chuang: By their relation to social production. By who has the ability to influence it, who composes the agents (主体) of social production. In other words, without them, social production couldn't continue.

Chuang: So not necessarily secondary sector (工业) workers, like manufacturing workers?

LX: It definitely includes them. But also many others, such as computer programmers, laboratory researchers….

For example, a mechanic repairing machines in a casino appears to be exactly the same as a traditional worker, but actually he's outside of social production. If he stopped working, it would have absolutely no effect on social production, and he doesn't represent a serious group that carries any social weight. But if the same individual went to work as an electrician in a factory or a bioengineering lab, then his significance would change.

Chuang: How about service workers?

LX: It depends on the service. For example, veterinary clinics for pets—that's now a relatively big industry, but obviously its influence on social production is limited. That doesn't mean

that the tens of thousands of employees in that industry won't get swept up in a revolutionary movement along with the rest of society—of course they will. But if they go on strike, that can only be supplementary to struggles at the core of social production, playing a supporting role.

On the other hand, employees in supermarkets and restaurants, essentially what they produce is labor-power. They belong to the reproduction of labor-power. And then express delivery couriers, [although they're labeled as "service"] actually they're part of manufacturing, an extremely important part, because they lower the cost of production….

And then there are *wenyuan* [office workers].

Chuang: So you consider them to be workers (工人) too?

LX: Yes, for sure. It sounds strange in Chinese, but objectively, *wenyuan* are really just common work personnel (工作人员), and their social status is basically same as workers, just differentiated by a layer of ideological window-dressing. Many *wenyuan* in China haven't been to university. But then some of them are *bailing* [literally "white-collar" but implying highly-educated and well-paid office workers]. *Bailing* status and incomes are higher….

Chuang: Would you consider them workers too?

LX: A simple categorization is by income. For example, if their salary is over 10,000 yuan per month, with bonuses they'll make over 200,000 yuan per year, then they have plenty of extra money. They can use it to play the stock market, and they can buy a home and rent it out. That creates a distance between them and wage-laborers, because *bailing* also have

a commercial income. And it's common for them to play the stock market….

So I think the old term "petty bourgeois" is still appropriate here. Because they work for a company, but at the same time they also have a stable income from rent and stock market dividends. Or you could say they belong to a peripheral group (边缘群体) of intermediate strata between the working class and the bourgeoisie. But this is an enormous portion of the population.

Chuang: What about teachers?

LX: Teachers underwent stratification long ago. In the past many teachers had *bianzhi* [permanent employment for a state employer]. Those were the good old days, especially in the wealthier parts of China. You could have a high income, or at least it was stable. But now they've all become contract employees…. University instructors have also undergone differentiation. For example, a lecturer may have an annual salary of 100 to 200 thousand yuan and no benefits, often they don't even have social insurance. Often they can use their position in the educational industry to obtain some extra income on the side [through research grants, etc.], or they can use their salary to play the stock market or buy a home and rent it out. Their status is also on the periphery [between the working class and the bourgeoisie]. Of course they absolutely do not consider themselves to be workers, but they're still inclined toward a sense of social discontent.

In the revolutionary movements of the 20th century, such peripheral groups underwent differentiation—it was hard to say which way they would go. Often it depended on personal factors. Between two medical doctors with the same position

in society, one might end up supporting the workers and the other supporting the counterrevolution, depending on their experiences in life….

Chuang: How about peasants (小农)? Do you think they're mainly part of the proletariat now? Or would you say China no longer even has any peasants to speak of?

LX: It's too early to say that. The countryside still has people who can support themselves by farming their own land, and that's a completely different mode of production. But these people no longer represent the countryside's *jinghua* [young, healthy and somewhat educated] population. No one in their twenties or thirties would just stay there and farm their own land in a traditional way unless it's a woman who's husband works somewhere else while she raises their child….

Chuang: Would you say people like that belong to the proletariat?

LX: Most of the people living the countryside are in a sort of dissociated, unsettled (游离) condition. For example, they've been working in the PRD for fifteen years, but they still don't have their own place to live there, their *hukou* [household registration] is still in the countryside, but they don't have a sense of certainty about anything. That's the overall trend, toward urbanization. They can no longer continue living in the countryside. Actually it's not just the countryside: many workers in the PRD have purchased homes in towns or small cities near their villages, but they still don't go back to live there. Why? Simply because they can't find jobs there, or the pay is too low. They can make 4,000 yuan a month here, but there they can make only 2,000…. They're shackled to the city. So you could say they're part of the proletariat. Without a

doubt it would be impossible for them return to peasant way of life under current conditions….

Chuang: How about those who just run a tiny street stall by themselves and make less money than many wage-laborers?

LX: That's really not a sizeable or important sector of Chinese society nowadays, unlike in many Third World countries….

But small business owners more generally are indeed an enormous group. They're also in a peripheral condition in relation to social production. These unsuccessful small business owners exist all over the world, even in America. Everyone wants to try to be a boss, but statistics show that over ninety percent of new businesses fail within the first two years. The only difference in China is that there's also a huge population of industrial workers, and many of them also want to run small businesses, so they save up their wages for a few years and then spend it all in one go trying to start a business. They don't necessarily fail—often they make a little money, but no more than they did as a worker, and they find that running the business is even more tiring, so eventually they give up and go back to work in a factory or something….

Chuang: Let's finish up be going back to my earlier question: this opportunity provided by the change and uncertainty of the Xi era—would you say it can be seized only through workers' struggle in the sphere of production?

LX: You could say that workers' struggle must be at the core.

Chuang: Only the struggle of workers *as workers* against their bosses in their workplaces, rather than workers' struggle outside the sphere of production, such as conflicts with the

police? Because in the US, you know—and actually in China, too, only like thirty or forty percent of mass incidents are labor conflicts. Almost as many incidents are about land, housing, conflicts with the *chengguan* [police-like Urban Management agents] about the harassment of street vendors. And in the US, the most important struggles the past few years have been about police brutality.

LX: None of these other types of conflict are capable of shaking the foundation of capitalism.

On the other hand, judging by past experience, a revolutionary crisis is often sparked not by a struggle in the industrial sphere, but by something peripheral (外围) to it, such as a riot, a student protest, housewives trying to get bread for their families. But in each case, those struggles function only as a spark that ruptures the social order. After that, the only thing capable of ultimately changing the capitalist order, the leading force, is the organized industrial working class. At least that's how I see it.

Chuang: Last question: Considering that workers in China don't have any organization of their own, do you think any of the existing unions or NGOs could play a positive role in helping them to get organized?

LX: No.

Chuang: What about those NGOs that see themselves as promoting the development of class consciousness or—

LX: Some say they're "making revolution"! (*laughs*)

Chuang: Well I know of some that say they're doing preparatory work in order to support a revolutionary movement whenever one emerges.

LX: "Preparing for revolution"! (*laughs*) That's like a boy saying that he's doing preparatory work in order to become a man. There's no such thing as preparing for revolution, there's only making revolution.

Chuang: You don't think that before it breaks out there are some preparatory activities we should do?

LX: The Communist Party has an unfortunate tradition known as the "Communist Youth League." It divides young people into league members and party members, whereas in reality this process is indivisible. This division into a stage of preparation and a stage of finally doing something is limiting, including on the level of thought.... This is like the distinction between "economic" and "political" struggle—in reality they're the same thing. Any strike could be a mini-revolution....

Any struggle, regardless of however limited its demands may be, contains some basic elements of revolution within it. It's a negation of capitalist order and an awakening of the workers' own power. In this sense, there's no difference between preparation and finally doing something—as if you were preparing ingredients before you cook a dish.

Chuang: This sounds a bit like Rosa Luxemburg's critique of Lenin, no?

LX: You mean regarding the question of what our role should be? I think the left-wing praxis of the 20th century has already exhausted itself. And all these people trying to walk in their footsteps, like [certain labor NGOs] secretly doing reading

groups with workers, they're like—you know that medical phenomenon where you lose an arm but you still feel like the arm is there?…

All the praxis of the 20th century was basically a continuation of 19th century social democracy. The left believed themselves to be professional political agents, among whom some believed themselves to be revolutionaries, while the workers were a separate group different from ourselves, whom we had to lead. The workers were to be led and liberated by us…. It was a disaster.

Chuang: So the main problem with today's leftists is that they haven't broken out of this pattern?

LX: Yes. This goes for Maoists, Trotskyists—their ideas are one thing, but when it comes to practice, there's no difference between the Trotskyists and the Communist parties….

To put it simply, the revolutionary praxis of the 20th century is bankrupt. I don't mean that it failed—failure could mean that it was correct but it just wasn't strong enough. I mean that the entire way of doing things was wrong.

Chuang: Then what's the path forward for the 21st century?

LX: I think that these historical forces might turn out to be an unexpected source of strength. That is, this utter bankruptcy could clear the path for a new social revolution. I don't mean through so-called healthy forces or correct ideas replacing the mistaken and moving forward, but through letting all of this collapse, letting it completely fall apart. Today's leftists are merely eating the corpses of the twentieth century. Even the corpses no longer remain, all that's left are a few shards of bone, that's what they're eating. They're still plodding away

preparing for revolution in their secret reading groups—it's completely pointless.

Chuang: So how could we break out of this dead end?

LX: We need a mental breakthrough, a qualitative leap. But on the left there's this ridiculous phenomenon: lots of self-proclaimed theorists are always inventing all kinds of theories, criticizing others and then inventing their own. This way of doing things is clearly a dead end. I should know—I've been one of these people! (*laughs*) After many years of fumbling around, my conclusion is that the only way out is workers' struggle. I mean, you can't just read books and invent a new way of thinking on your own, far away from workers' struggles. . . . You have to go and directly take part in them. And at the same time we need to look back at records of historical struggles and revolutionary movements, not to simply negate the revolutionary practice of the 20th century, but just the opposite: to discover things that have been overlooked, the mass practices in past revolutionary movements that have been ignored. All along, the left has been obsessed with programs, parties, lines, etc., but I think we should focus more on mass struggles, in particular workers' struggles: how they're organized, how they subvert the capitalist order from the point of production, how they deal with the problems of self-management, how their antagonism with the entire capitalist state is expressed. This is one thing. The other is to go directly to places where workers' struggles are concentrated and participate, but exactly how to participate is something we've been trying to figure out for several years, and only in the past year or two have we finally begun to make a little progress.

Picking Quarrels

Lu Yuyu, Li Tingyu and the Changing Cadence of Class Conflict in China

Lu Yuyu and Li Tingyu met me for dinner at a hole-in-the wall restaurant on a quiet street. Lu wore a ball cap, something he was rarely seen without, and a faint smile. He was hunched over the table, no doubt in the same manner that he bent over his laptop each night during hours of scouring social media for fresh news of protest before it had been scrubbed by the censors. Li beamed with a wide, playful grin, wearing sunglasses though we were indoors. She was not used to so much light, as the couple kept shades drawn at all times to keep prying eyes from spying on their sensitive work. As we sat down, they casually glanced around the room checking for plain-clothed cops. The couple had spent the past three years documenting the protests, strikes and riots that take place across China every day, and they'd been run out of several towns by state security forces over the years. This was why they'd moved to

this rustic tourist town in Yunnan, thinking the police might be more lax here. But, not long after, they would be snatched from the streets of that very town and imprisoned for "picking quarrels and provoking trouble" (寻衅滋事)—the default charge used to keep dissidents in custody until the police are able to build a more specific case—and their short-lived but important project would come to an end.

Li was born into a well-off urban family, but had inherited no wealth or social favors after she dropped out of school and severed nearly all communication with her relatives. Lu, more than ten years her senior, started out as a migrant worker from a poor village in the mountains of the southwestern province of Guizhou. Together they committed to a covert project that changed names over the years to avoid the attention of censors, but which became most widely known as "Wickedonna." Starting officially in 2013, the couple conducted daily searches on Chinese social media platforms for news of "mass incidents" (群体事件)—the state's catch-all term for any unwanted gathering—and published them on foreign internet platforms, beyond the reach of state censorship. Their project recorded the first-hand experiences of those directly engaged in struggle, saving their pictures, video and words, and then categorizing the events by scale, participants and demands.

The pair was dedicated to capturing the widest possible spectrum of social unrest available, rather than focusing on any particular segment of society. The blog itself was little known, but their nearly real-time records became the primary source for sinophone dissident websites (ranging from mainland Maoist factions to overseas anti-CCP news sites), as well as mainstream English news media, foreign academic projects, and international NGOs such as China Labour Bulletin and its "strike map." Lu and Li have been lauded as "human rights defenders" and award-winning "citizen journalists," titles

all bestowed only after their arrest. But their own political intentions, and the political implications of their work, have never been seriously considered. They not only aspired to expose the wide spectrum of struggles occurring across society, but also wished their readers would learn practical lessons from the experiences they documented.

The two were much more than activists fascinated with street protests. They had developed their own political ideas through interactions with various political circles, mostly online, over the years spent huddled indoors. Beyond the vast data they gathered, the pair studied the networks that enabled the protests and ideas that drove them, and they had become involved in discussions taking place within networks of radicals, dissidents and activists of all types. They followed the work of labor NGOs in the factory zones, the political debates swirling in online forums and microblogs where various Maoists, liberal and left-wing academics, and the odd Trotskyist analyzed China's unrest and jockeyed over the direction of social movements. The two considered themselves leftists of a sort, thought Marx was worth studying, and expressed an interest in anarchism. But their approach was markedly different to that of the normal online leftist: While the ideas floating through political circles were important, Lu and Li were primarily concerned with the *mechanics* of the phenomena they recorded every day, including modes of organization, changing trends of struggle, methods of state repression, and techniques of resistance. Above all, Lu said, "I hope that they study (学习)[1] these events, and understand their successes, failures and limitations."

1 The Chinese term for "study" here, in this type of usage, derives from the *Analects*, where it means to research and examine (学) something and then figure out how to put it into practice (习). In more recent history, it is associated with political "study groups" and "study sessions" where people examine a text or an experience and derive political lessons in order to improve future practice.

They survived on donations from supporters, some of whom gave but a few yuan when they could, while others donated several thousand each year. In a post from January 2014, the couple said they'd received some 20,000 yuan (about 3,000 USD) over a five-month period. The small flow of funds was enough to keep the lights on and sustain the eight-hour searching sessions they performed each evening. Most of these social media posts were made in the evening, they explained, so they often worked deep into the night to catch posts before the censors could begin scrubbing the internet.

The two were familiar with the revolutionary programs of multiple left-wing groups, both inside and outside China, though they didn't ascribe to any clear position themselves. The breadth of their work, engaging with all sectors of society from urban homeowners to ruralites clashing with police over land confiscation, seemed to confound any orientation that prioritized a particular social group. They supported Chinese Trotskyist blogger Autumn Fire's (秋火) independent analysis of strikes and worker organization, but were critical of Trotskyism. They studied the statistics of liberal sociologist Yu Jianrong, a famous academic studying China's mass incidents, but were wary of how closely he collaborated with the government. The changing trends of struggles demanded constant attention and reevaluation that many of these theorists seemed uninterested in. In 2016, the pair were amazed by the growing number of homeowner protests, which, to their surprise, outnumbered labor struggles. The point was to show the real trends as they existed at any given moment, rather than fit them into a theoretical box filled with hopes and dreams about where things ought to go. When our conversation shifted to protests by religious groups, for example, my quip about the futility of religion was not taken lightly: "Well whatever you

think, you must remember, they're organized, so it's important to understand," remarked Lu.

Though all forms of struggle and organization were significant, Lu's preference was for militant action, particularly against the police arm of the state. "If only people had guns in China, the police would never dare to mess with us," Lu surmised. He admired the struggles of "ruralites" (农民), as the blog categorized them—residents of villages far from urban centers—and their courage to stand up to police and corrupt government officials with improvised weapons. The Wukan incident of 2011[2] made international headlines when the whole village attacked their local government building and withstood weeks of siege by armed police forces, but Lu knew that there were countless similar struggles developing nearly every day across the country, where ruralites might flip and burn police cars and stand down state security forces with farming implements.

Lu's background is not very clear, and even his own story conflicts with court records. He said he was born in 1979, though records from his sentencing say he was born in 1977. The documents show he was born in 1977 in rural Guizhou, which has, by most measures, retained its status as China's poorest province throughout the intervening forty years. As a child he walked an hour or more to school on mountain paths, though he never liked school, attending when he had to and skipping class when he could. He and his friends would often steal food from home, running off into the woods to form

2 For our examination of this struggle and its significance see "Gleaning the Welfare Fields" and our interview with a participant, "Revisiting the Wukan Uprising," both in issue 1 of *Chuang*. For another interesting analysis, see "Looking Back at Wukan: A Skirmish over the Rules of Rule" by Shannon Lee, <Wolfsmoke.wordpress.com/2017/07/14/wukan/>.

"brotherhood clubs" (兄弟会), living in the forest for days before their food ran out and forced them home. When they returned they were always beaten, but when the punishment faded they would elope again. Lu loved the idea of belonging to a wandering band of friends aligned against the world. He liked the Canadian television show *Vikings* for its depiction of close-knit clans that survive together, wander where they may, and take what they want. Court documents say he was imprisoned for "hooliganism" (流氓罪) in 1996, serving all of his seven-year sentence before being released in 2002.[3] Lu did not mention this stint in prison or the specific crime he was accused of, though he did say some of his friends in Guizhou had been killed by firing squad in the 1990s for stealing, when that form of punishment was still common. He said they stole to survive, rather than beg, because "they still had their pride."

He left Guizhou to work in the coastal factories, briefly attended and dropped out of college, and then began spending his time after work on China's budding internet platforms. It was through the latter that he became fascinated with reports about dissident activities and the world censored by the regime. In 2010 he was arrested in Shanghai for taking to the street by himself with a sign demanding publication of the wealth of top party officials. This was the first of his several years of participation in the short-lived "Southern Street Movement," named after the large number of events in Guangzhou and Shenzhen around 2011, attempting to bring internet activism into the real world by hosting public discussions about political

3 "Ruling for the appeal of 'Non-news' creator Lu Yuyu," *Independent Chinese PEN Center*, 28 September 2017.《非新闻创办人卢昱宇二审被维持原判四年刑期的判决书》独立中文笔会<https://www.chinesepen.org/blog/archives/90968> . Chinese criminal law later divided the vague category of "hooliganism" into more specific charges such as "picking quarrels and provoking trouble" (the one with which he was charged in 2016), "crime of affray" and "fighting in public" (聚众斗殴罪).

issues with ordinary people.[4] The failure of the movement forced Lu to reconsider his strategy. He scoured the internet for other signs of protest, and discovered that, with a few tricks to bypass filters and censorship, he was quite good at finding news of disparate collective actions across the country. He soon began dedicating all his spare time to documenting and transmitting as much of this information as he could.

Li Tingyu was born in Foshan in 1991, where she gradually became aware of the poverty, resistance and repression around her relatively privileged upbringing. She attended the prestigious Sun Yat-Sen University in Guangzhou, majoring in English and, outside of class, devouring all kinds of foreign literature, music, film and philosophy. Before long she grew disillusioned. She worked for the school's foreign exchange program for a while, helping students get into academic programs overseas, but she discovered that her English teachers were being paid by rich students to write their entrance essays and fill out applications. Meanwhile, she had become fascinated with things hidden by the Great Firewall, such as struggles in Tibet, and with ways of circumventing censorship. All of this eventually attracted the attention of school authorities. She realized that students were working as informants in every classroom, and even her teachers ultimately turned against her. The administration gave Li a choice: if she put aside her troublemaking and graduated like the rest, she would find a good job and live out a good life. Otherwise, the university would make sure she would never have those things. Faced with this threat, she decided to drop out in the final year of her undergraduate program. Soon after her arrest years later, Li, speaking to her lawyer during a

4 Lu appears to have taken part in the earliest demonstrations initiated by online networks of activists, which later spread to others and changed forms. For a brief history of the movement, see: "The Southern Street Movement," *China Change*, 25 Oct. 2013. <https://chinachange.org/2013/10/19/the-southern-street-movement/ >

visit to her prison cell, recalled a discussion she had had with a friend attending Peking University, who had bragged about unrestricted internet access at the university and his plans to emigrate after graduation. In disgust, Li remarked, "Do you think there is dignity in living a good life in this country?"[5]

Lu and Li first met online. Lu gained notoriety in the online dissident subculture when he decided to quit his job and dedicate all his time to seeking out and reposting protest news, but his efforts only lasted a few months before he out of money and told his followers that he'd have to quit. It was Li who reached out, convincing him that perhaps, with a little effort and organization, his efforts could be turned into a long-term project supported by his network of fans. The two became friends, then partners, and before long embarked on the three-year journey that became the Wickedonna blog.

The Avalanche of History

Lu and Li came from different segments of an increasingly fragmented class: Lu was 39 years old at the time of his arrest, precisely the average age of China's 280 million migrant workers. He represents the mass of rural migrants bouncing from construction sites to factory jobs for the last two decades.[6] Li, by contrast, represents the more highly educated urban millennial, inheriting only a small fraction of the massive

5 Translation of an article written by Li Tingyu's lawyer, Huang Simin: "A Chinese Millennial's Crime and Punishment: The Story of Li Tingyu." *China Change*, 14 Oct. 2016. <https://chinachange.org/2016/10/13/a-chinese-millennials-crime-and-punishment-the-story-of-li-tingyu/>

6 See the "2016 Migrant Worker Survey," National Bureau of Statistics, 28 April 2017. ("2016年农民工监测调查报告", 国家统计局) <http://www.stats.gov.cn/tjsj/zxfb/201704/t20170428_1489334.html>

wealth generated in China over her lifetime but placed in a social position directly proximate to it. In this position, skill and education is confronted with an absent future, as over-trained youths look ahead to the slow unfolding of a dead-end service economy, where they'll be paid half of what they expected to perform mundane tasks far below their competence. These two dedicated themselves to examining the resistance around them and from this real movement trying to understand what might be rising on the horizon of struggle. Theory emerges from the unending avalanche of history. Any attempt to understand the greater organizational potentials foreboded by existing struggles must retain this relationship to reality. Lu and Li's project originated in an often out-of-touch scene of online dissidents and leftists, where "theory" was little more than the pure play of ideas, as forum-dwellers sought to suture the dead flesh of century-old orthodoxies about workers' movements and peasant armies onto the living muscle of struggles today. But their work very quickly ascended beyond this insubstantial sphere, documenting real events in a rigorous and systematic way and thereby becoming a threat to the state. It is this type of documentation that makes their project into an invaluable contribution to theory, since it gives us a clear sightline into the real movement of history. Among the most important of their findings is the fact that only a small portion of collective actions in China take the form of strikes. There doesn't appear to be an industrial workers' movement emerging in China—at least not in the form advertised by foreign leftists or China's own online theorists, both of whose ideas are often modeled on a convoluted picture of the historical workers' movement itself.

Instead, something else might sit on the horizon. But in order to trace out its distant silhouette, we must have a clear view of current trends. The data so meticulously compiled by Lu and Li, dangerous enough to cast them into prison, is equally

threatening to conventional theories of the Chinese "labor movement." From this data, it is clear that strikes by workers at industrial facilities, aimed at fighting for better wages and working conditions, do not seem to be gaining the momentum required to become the core of a broader mass movement. Using Lu and Li's data we can instead identify the general trends of unrest in contemporary China: non-workplace struggles far outnumber those in workplaces, strikes themselves are only a small portion of all labor actions, and other forms are far more common, including riots, blockades and street demonstrations. These trends are produced by several convergent economic trends, including deindustrialization and a ballooning service economy, the stratification of the proletariat according to income and interests, and a general inability on the part of enterprises to afford net wage increases.

This does not mean that striking workers, industrial or otherwise, are unimportant in these overall dynamics. In fact, the continuing economic downturn will likely be accompanied by modest increases in industrial actions, as automation and factory relocation continue apace and strikes among service workers become more common. But in China today, as in many other countries, there is no existing or imminently emerging trend of militant industrial working-class identity that could become hegemonic among broader social movements. Instead, we see continuing decomposition of the proletariat into a broad array of waged, unpaid, self-employed or unemployed fractions, and a deeper stratification between high and low income strata. In such conditions, little common ground is in sight and no single class fraction appears to be capable of unifying the others. This is important because it signals the deeper resemblance between conditions in China and those in evidence elsewhere. Theorists in these other places to tend to project onto China a mirage of the very mass movements missing in their own high-income countries. This allows them

to disavow any attempt to push their own local movements beyond current limits, immobilizing left-wing forces in local political contexts from formulating any alternative to identitarianism, electoralism or right-wing populism, since they presume that the real fight is elsewhere. The ultimate political result is deeply conservative. At its most mundane, it results in microscopic activist scenes constantly organizing "solidarity" campaigns to raise awareness and provide support to struggles elsewhere, succeeding in neither goal. At its most tragically ironic, it produces a situation in which Hong Kong activists and left-wing theorists pour all their energy and resources into relatively toothless worker centers across the border, completely ceding the increasingly riotous terrain of Hong Kong politics to the far right while doing little to stimulate the growth of a true mass movement on the mainland.

Rather than coalescing under an affirmative "worker" identity, subjectivities of a different kind are forming in relation to the present structure of the Chinese economy. A communist prospect, if possible at all, must be collectively constructed, rather than imported from insular activist or academic circles. Moreover, it must stretch across deeply fractured segments of the proletariat despite their conflicting interests, and today seems unable to rely on a single, hegemonic subject said to represent the interests of the class as a whole, as the mass industrial worker did (briefly and with questionable results) for the labor movement of old. If this communist horizon arrives, it will almost certainly take on a form initially alien to our expectations, adapting pre-existing identities in unpredictable and even unpalatable ways. Phenomena like the rapid popularization of the term "low-end population" (低端人口) in the aftermath of the 2017 Daxing fire in the southern outskirts of Beijing offer some hint of a possible future. Though not inherently revolutionary in nature, the term gathered together diverse fractions of otherwise isolated segments of

the proletariat, from delivery drivers to factory workers, small shopkeepers and white-collar workers all living in the slums of the nation's capital, and all facing mass eviction—notably a housing dilemma rather than one centered on the workplace. For a brief moment these groups were forced to reconsider their relationship to one another and their collective future in China's increasingly fragmented society.

But an attempt to understand the real movement of history today also means coming to terms with distasteful facts. Today, as Lu and Li's data reveals, struggles over housing are the single most common form of protest in China, and these are driven by largely reactionary interests in defense of property rights. This alone shows the political risks involved in China's changing class structure, where the culture of the affluent few takes hold of a society whose immiserated majority lack a common emancipatory vision.

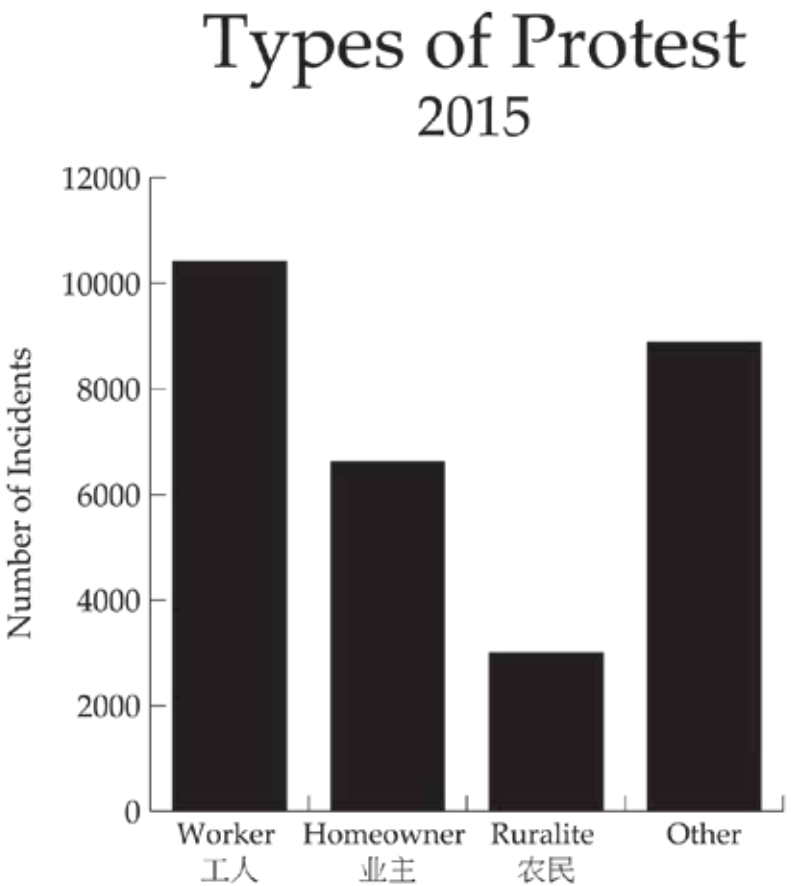
Strikes, Riots and the Rest

Lu and Li's records searched for any and all social unrest within China, and the pair gradually constructed their own methods for categorizing events and actors. They collected more than 70,000 incidents between 2013 the time of their capture in 2016. In 2015, their last full year of data, they collected some 28,000 mass incidents, an average of 78 per day, with three main groups of actors: "workers" (工人) "property owners" (业主) and "rural residents" (农民). These three groups together account for some seventy percent of the protests, while the remaining thirty percent were a mix of around two dozen kinds of social unrest, ranging from retired army veterans demanding unpaid benefits to conflicts stemming from families who lost loved ones to a corrupt and overburdened health care system.

The data confirms assertions we have made elsewhere, using different sources. Lu and Li's data, however, is very different from one of the key statistical sources of data on social unrest in China that we drew on previously, the Global Database of Events, Language, and Tone (GDELT).[7] GDELT uses media citations from major news services to catalogue daily records of incidents, stretching back over decades for both China and the world as a whole. The records provide great consistency over a decades-long timescale, though the data points are limited to describing a single node—a strike, a riot, or a demonstration—and lack the extreme detail of each incident logged on Lu and Li's blog. The GDELT data allowed for a comparison of two main types of incidents (what GDELT categorized as "strikes" and "violent protests"), showing that riotous protests greatly outnumbered strikes over the thirty-year sample period. While strikes did become more frequent in the 2000s and 2010s, riots still increased faster. GDELT, however, is an imperfect tool, used in the absence of superior alternatives. Among its imperfections is its inability to provide a reliable number of specific incidents. Instead, it proved more feasible to measure the relative number of incidents as a portion of total events, capturing their social impact but making it difficult to understand the true volume of strikes or riots without supplementary measures. Working with GDELT data, then, is largely limited to descriptive statistics about this mass of media reports and cannot be usefully mobilized for inferential purposes.

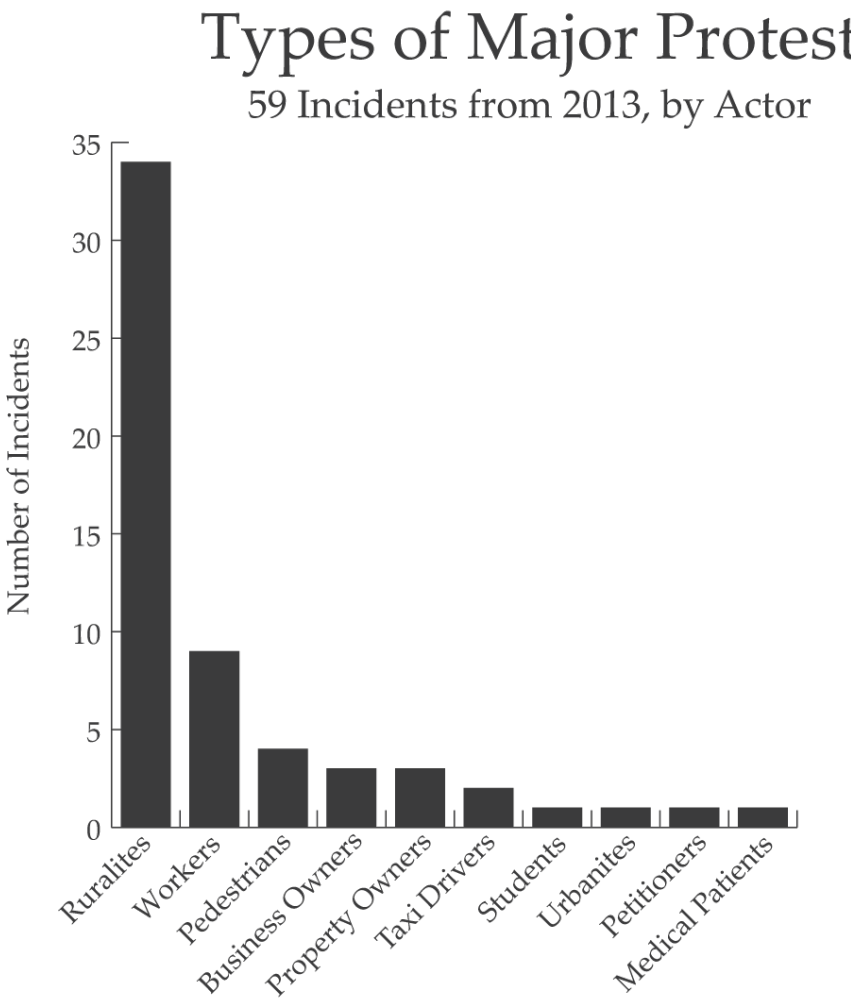
More detail is offered by Lu and Li's data, which confirms the more general picture we obtained from GDELT. Workplace

7 GDELT was a key source of data in "No Way Forward, No Way Back: China in the Era of Riots," *Chuang 1*, 2016. Lu and Li's data were used, among other sources, in "Gleaning the Welfare Fields: Rural Struggles in China since 1959" (same volume).



Source: "2015年统计," Section: 群体, Figure: "工人、业主、农民占了总数的69%，工人、业主增长明显," 5 January 2016. <https://newsworthknowingcn.blogspot.com/2016/01/2015.html>

Figure 1



Source: "2013年11月份冲突示威统计", December 9, 2013. <https://newsworthknowingcn.blogspot.com/2013/12/201311.html>

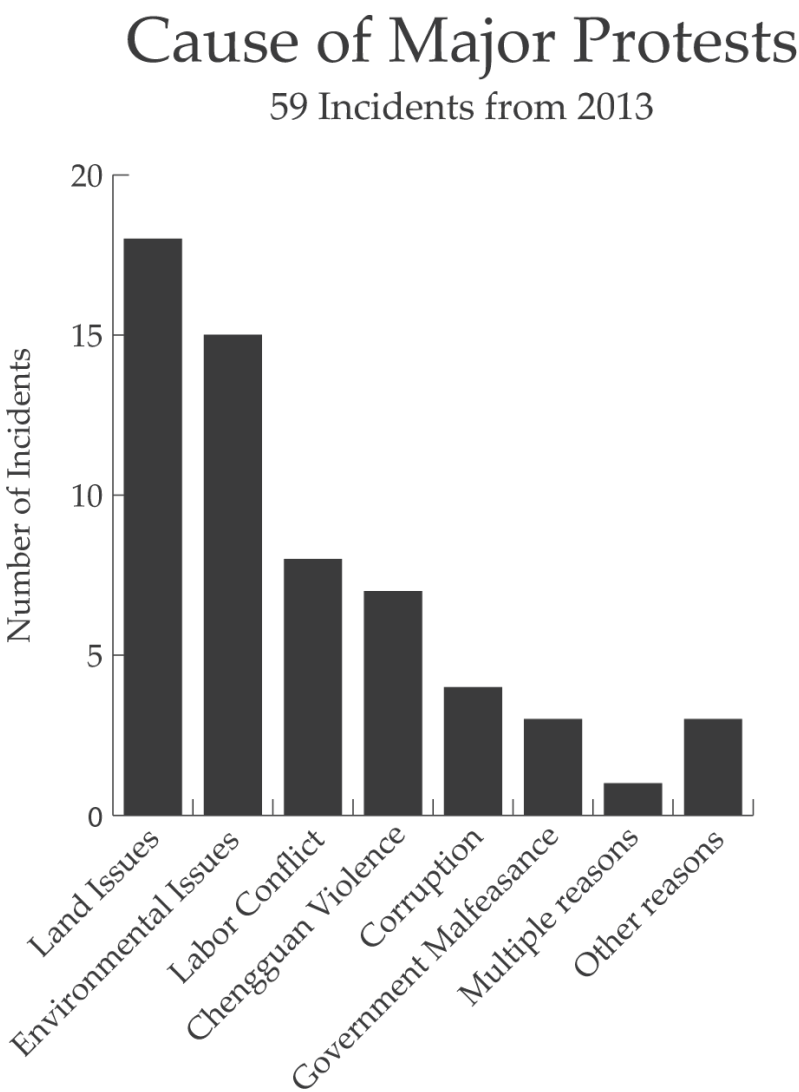
Figure 2

struggles compose around forty percent of the total incidents, and are less common than non-workplace struggles, which make up the other roughly sixty percent. Strikes, in turn, account for only around ten percent of all workplace struggles, and are but one kind of action in a much wider array of resistance. Lu and Li don't use a category that can be easily equated with "riots," but their data has included a consistent category for "strikes" throughout the years of its operation, allowing for some longitudinal comparison. Though the categorization of incidents changed slightly over time, each period reflects a similar picture, in which strikes play a minor role in the broader picture of unrest.

When the blog first began in 2013, for example, Lu and Li organized primarily by type of action, rather than by actor, and did not perform much statistical analysis on their total data. They did occasionally describe trends in the biggest, most significant events that occurred over a particular time period. For example, in November of 2013, the blog highlighted 59 major conflicts out of the hundreds that occurred that month.[8] The incidents were divided into two major categories, "clashes" (冲突) and "demonstrations" (示威). The thirty clashes were similar to what is normally referred to as a riot in English, in that they were violent non-workplace protests. For example:

> 1 November: Government sent police to forcefully expropriate land in Liucheng Village, Nanjing. Many villagers beaten.

8 "Statistics of clashes and demonstrations for November, 2013," Wickedonna, 9 December 2013. (2013年11月份冲突示威统计) <https://newsworthknowingcn.blogspot.com/2013/12/201311.html>



Source: "2013年11月份冲突示威统计", December 9, 2013.
<https://newsworthknowingcn.blogspot.com/2013/12/201311.html>

Figure 3

> 7 November: Several hundred people in Guiyang, Guizhou surround *chengguan*[9] who had assaulted a street vendor. Many police on the scene.
>
> 9 November: In Longgang District, Shenzhen, homeowners from the Kangqiao Residential Complex demonstrated against a factory emitting poisonous gas into the air. Protesters beaten by police, several people injured.
>
> 26 November: Government sent three hundred *chengguan* and police to the Dali Pedestrian Street in Foshan, Guangdong to expel street vendors, resulting in a clash. Many vendors were injured, including pregnant women, and nearly a thousand people gathered at the scene. Afterwards, the vendors who had been beaten gathered at the government [building] to demand an explanation, but were repressed, with over ten arrested.

The other 29 were called "demonstrations," among which ten were actually strikes—just seventeen percent of total major incidents. The two most frequent causes of all 59 disputes were "land confiscation and demolitions" (at 30%), and "environmental destruction" (at 25%). Labor conflicts only slightly outnumbered incidents against *chengguan* violence. One third of the incidents occurred in Guangdong province.

Later, Lu and Li began categorizing incidents primarily by actor, rather than by the type of action. Nonetheless, it's clear that non-workplace resistance outnumbers that in the workplace for every year measured. In 2015, the last full year

9 *Chengguan,* formally translated as "Urban Management officers," are hired by the city-level government to eliminate unlicensed vendors, and are notorious for their sometimes brutal harassment.

of data, those whom Lu and Li called "workers" accounted for 36 percent of the total incidents.[10] The final number of workplace-related incidents is slightly higher (at 39%), when adding groups like taxi drivers and teachers who were categorized separately. Only around ten to fifteen percent of these workplace incidents were strikes, however, with other forms of action including road blockages, demonstrations, marches and clashes with police tending to dominate. This more coherent picture from Lu and Li's work in its final full year helps put workplace-related incidents in their rightful context amid the wider array of social unrest.

Trends in the Data

In 2015, the last full year of data, Lu and Li recorded over 28,000 mass incidents, including 10,000 by workers, 6,600 by homeowners and 3,000 by rural residents. In some respects, the figures are similar to other reports on the social composition of mass incidents in China, and while their records showed tens of thousands, there are surely tens of thousands more incidents that actually occur but never leave a trace on social media, or are scrubbed before anyone gets a chance to record them. The composition observed in Lu and Li's data is, however, confirmed in other sources. Sociologist Yu Jianrong, who has released some of the few relatively comprehensive statistics about mass incidents in China, said as late in 2015 that the top three categories of actors were "workers," "rural

10 There were 28,950 total incidents recorded by Lu and Li in 2015. 10,425 of them were categorized as "worker" incidents, but this left out other workplace-related struggles: taxi drivers, 536; teachers, 139; public bus drivers, 72; long-haul bus drivers 60; rickshaw drivers, 43; ride app drivers, 29. All together, there were 11,304 workplace-related incidents, or 39.0% of the total. See Wickedonna's analysis of their 2015 statistics: "2015 statistics," Wickedonna, 5 January 2016. (2015年统计) <https://newsworthknowingcn.blogspot.com/2016/01/2015.html>

residents" and "homeowners," though he did not provide a breakdown of the proportions, or the number of incidents.[11] A decade earlier, however, Yu said there were around 87,000 mass incidents (in 2005), and he did provide a more detailed breakdown of social groups: rural residents accounted for 35 percent, workers for 30 percent, "urbanites" for 15 percent, and 20 percent for other kinds of "social unrest" and crime, by his reckoning.[12] In Lu and Li's data, workers are the largest category annually because of a massive surge in construction worker protests in the two or three months leading up to the Lunar New Year. We will, however, describe the categories according to their day-to-day prevalence instead. In this sense, the order is modified slightly: homeowner protests come first, followed by workplace-related struggles, and, finally, those of rural residents.

The data initially baffled the couple, since it exhibited trends that neither Lu nor Li expected. In their own notes about the major changes in 2015's struggles compared to the previous year, they noted that real estate-related struggles, both by homeowners on the one hand and the construction workers who built the homes on the other, had grown the most.[13] Day to day protest logs showed homeowner protests outnumbered worker protests by some 20 to 30 percent on an average day. While Lu and Li could only manage to provide monthly or annual analysis of their own data, one academic, Christian Goebel, has extracted statistics from the blog down to the day, categorizing them by actor and action, and subjecting the blog,

11 Yu Jianrong, "The current state and characteristics of mass incidents."Tencent Culture, 23 Feb. 2016. (于建嵘,《当前群体性事件的态势和特征》) <http://cul.qq.com/a/20160223/023980.htm>

12 Yu Jianrong, "Riots in China and the crisis of governance", *Aisixiang.com*, 5 Dec. 2007. (于建嵘, 中国的骚乱事件与管治危机). <http://www.aisixiang.com/data/16434.html>

13 See "2015 Statistics", Wickdonna, 2016

with its 74,452 events collected over three years, to rigorous quantitative analysis.[14] Goebel notes that the "overwhelming majority of protests in China is very small, mustering less than 50 participants. Still, more than 2,000 events were believed by participants to have been attended by 1000 persons or more," averaging around two such protests per day over the three-year period.[15] His analysis shows that homeowner protests rose dramatically as a portion of the total, while land, labor and other common forms of protest fell.

Homeowner protests have existed in China since the opening of the housing market in the 1990s, but have intensified rapidly over the past decade or so. One major driver has clearly been the housing boom, and it is notable that most housing protests are located in second- and third-tier cities in places like Henan, Sichuan and Shaanxi, away from the coastal economic hubs. The events tracked by Lu and Li appear to be the fallout of a building spree that occurred in these cities as businesses fled rising wages for the cheaper labor of the interior beginning in the early 2010s. What began as a trickle of angry homeowner protests in 2013 (when Lu and Li began collecting data) became what is probably the most common form of protest in China today. It's important, then, to understand the character of these struggles: Typically, homeowners protest against real estate projects that fail to deliver on their promises. Many homes in new developments are bought far in advance of their completion. These complexes come with promises that schools, parks and other facilities will soon be built to

14 See figure 5 for a graphical depiction the trends in the major social groups in an early version of Goebel's work, found via Research Gate: Christian Goebel, "Social Unrest in China: A bird's eye perspective (Working paper)", November 2017. <https://www.researchgate.net/publication/319403729_Social_Unrest_in_China_A_bird%27s_eye_perspective>

15 Ibid p. 16

serve them, and agents ensure buyers of the future property values expected when houses are handed over. Quite often, however, projects run into problems. Planned schools fall through, facilities are less lavish than promised, and the overall quality of housing is far below buyers' expectations, leading to organizing and protest among the new owners. Most often, buyers complain of shoddy construction or late handovers of their properties when developers run into complications, such as the bankruptcy of a subcontractor or changes in the local government's zoning plans. In the end, buyers are left with a breach of contract and millions of yuan, often their life savings, on the line.

The most common grievance of homeowners, according to the categories constructed by Lu and Li, is that they were "cheated" by real estate companies in the process of building, or that the homes were delivered to them late or in incomplete condition. Ten percent of homeowner incidents involve residents who organize against property management firms for raising rents or fees, or for mismanaging the complex. Homeowner actions are distinct in the level of organization and amount of resources made possible by the participants' greater overall income relative to rural residents or migrant workers. They often wear coordinated, custom-made t-shirts, for example. Homeowners are also more open about their organizing: Photos archived by Lu and Li show public events featuring full Powerpoint presentations. This may demonstrate the relative confidence among owners (as opposed to factory workers, for instance) that their efforts are legal and will find widespread support in society and even among state officials. Homeowners often target government buildings, an action framed as "petitioning" (上访),[16] although sometimes

16 There is a long history of petitioning as a way to legitimately air grievances to authorities in Chinese history, stretching through the entire 20th century and beyond. For more see:

this evolves into the obstruction of gates or roads (堵门、堵路)—forms associated elsewhere with such struggles in the spheres of circulation and social reproduction. Overall, homeowner protests have been depicted as more "rational" and less "violent" than rural land disputes or worker strikes in industrial zones, but statistically speaking, homeowners are no less likely to experience police intervention, assault and arrests, according to Lu and Li's data.

On an average day, worker protests are the second largest category of protest, though as already mentioned they compose the largest category annually due to their seasonality. The pre-New Year wave of protests, rising to their climax in December through January or February (depending on the date of the lunar holiday), is dominated by construction workers demanding unpaid wages owed for projects they had been working on for months, or sometimes even years. In China's construction industry, workers are typically paid a small daily stipend, with the vast majority of payment postponed until the project is completed, or just before the workers return to their distant homes for New Year. The pressure of the approaching holiday pushes workers to demand payment in a variety of extreme ways that don't, and usually cannot, include a work stoppage of any kind, since most of the projects have either been completed or gone bankrupt. Collective actions include road blockages, demonstrations at government buildings, and threats of suicide often made by workers standing atop the structures they've built, displaying banners and threatening to jump if they're not given what they're owed. Beyond the New Year surge, everyday actions by construction workers occur in the same fashion. Altogether this sector accounts for forty percent of China's labor actions each year.

Ho-fung Hung, *Protest with Chinese Characteristics: Demonstrations, Riots, and Petitions in the Mid-Qing Dynasty*. Columbia University Press, 2013.

Even most worker actions outside the construction sector appear, at least on the surface, as a kind of protest with no sign of a work stoppage: holding a demonstration at a local government office, or raising a banner outside the workplace and posting pictures of it on social media. Of course, each collective action involves many unseen layers of activity: days, months or even years of communications among workers, confrontation or mediation with bosses or the authorities, or lawsuits, lawyers and bureaucratic procedures with government bodies. Only a fraction of these struggles escalate into the sort of public demonstrations that break into social media and records such as Lu and Li's blog. Among these, about fifteen percent have police involvement, and five to ten percent involve arrests, according to 2014-2016 statistics from the China Labour Bulletin—which used Lu and Li's data as a key source.

According to the same statistics, strikes account for only ten to fifteen percent of all labor actions across the board, and growth in the service sector seems to have intensified this trend. Work stoppages are particularly rare in the service industries, though the portion of workers employed there is the largest and growing rapidly. While this marks a real shift away from the type of mass strikes that are possible in large factory complexes, we should also note that work stoppages are almost surely higher than what is shown by publicly available records. Careful on-the-ground research shows that small, hidden stoppages of production occur quite often without ever entering a government stat book or appearing on social media.[17] This is

17 For example, Chinese collective Factory Stories has recorded several volumes of worker stories that illustrate many examples of small work stoppages taking place in the context of factory struggles. See for ex-

only to say that we should neither romanticize nor completely discount the potential of workers' direct experience of the strike as a form of resistance. Demonstrations nonetheless comprise the most common type of labor struggles.

Actions by rural residents are the third largest category, though they are gradually declining in number. Goebel's analysis, for example, shows that land grabs and evictions, the primary causes of rural struggles, were declining as a share of all incidents throughout the period covered by Lu and Li's data. Rural struggles as a whole accounted for a third of all incidents in 2008, according to Yu Jianrong's findings, whereas now they comprise only ten percent, though they are still among the largest and most explosive conflicts in China.[18] Rural struggles center on land grabs and forced demolitions, in which local officials force residents out of their homes with little to no compensation for real estate projects or other more lucrative ventures. By association, these protests often focus on the corruption of local officials, as well as environmental issues. Environmental conflicts, another major protest category, often arise in such areas because environmentally destructive industrial activities are integral to the local government's development policies. While smaller in number than incidents centered on labor disputes or urban homeowners, unrest among rural residents is often the most violent, involving both brutal attacks by police and highly organized, sometimes armed, resistance by rural residents.

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ample: "I think I'm becoming too militant—my husband says I'm making a mistake," *Actions in the factory: Oral accounts of workers in struggle, Volume II,* 2017 (《我感觉自己太积极了，老公说我是犯傻》，《工厂里的行动——珠三角抗争工人口述集-第二辑》).

18 See "Gleaning the Welfare Fields" in *Chuang* Issue 1 for an overview of the past several decades of rural struggles.

Where is the Labor Movement?

In the same way that China acts as a disavowed dumping ground for many of the dirty realities of industrial society, it has also proved to be a sort of junkyard for obsolete political programs. The most familiar, of course, is the mirage of a workers' movement amassing somewhere just beyond the horizon, its silhouette a faithful reproduction of the (equally mythical) summit of industrial organizing in the West. Such an eternally delayed Chinese labor movement has been predicted for decades by figures across the political spectrum, both inside and outside of China. Lying along the spectrum from liberal to Leninist, these theorists all draw on a more or less common understanding of their foundational myth, derived from an extremely brief period in the much broader and more diverse historical workers' movements of Europe and North America. This myth reduces that experience to a few key elements that wielded hegemony only temporarily, if at all: wage workers, led chiefly by the core industrial workers in large Fordist factories, fighting strategically for better wages and working conditions (though perhaps also harboring political goals of revolution or reform), using the strike as their primary weapon of struggle, and the union as their essential form of organization. In reality, this view simultaneously bastardizes history and mutilates any understanding of present potentials.[19] It is marginally important, however, as an ideological foundation for what are essentially conservative positions arguing that politics be contained through displacement: if the real movement is occurring in China, politics elsewhere is reduced to mere activism or academic analysis, conducted from a distance. It is not purely coincidental that such analysis thrives on prophecy,

19 See "A History of Separation", *Endnotes 4*, 2015 <https://endnotes.org.uk/issues/4/en/endnotes-preface> and Mike Davis, *Old Gods, New Enigmas: Marx's Lost Theory*. Verso, 2018.

since its basic structure is similar in nature to the displacement of political desire into religion. Despite the persistent absence of such a labor movement in China, then, onlookers have on different occasions hailed "turning points" that might bring about such a movement, from the mass layoffs of state-owned enterprise workers in the late 1990s to the wildcat strike waves of the early 2000s in the sweatshops of the Pearl River Delta. Among the most recent of these failed prophecies was the 2010 strike wave, sparked by the iconic strike at Honda's four main automobile production bases in China.

The Honda strike illustrates the misplaced hopes of those who saw in it the potential re-emergence of the historical workers movement in China, led by fiery industrial workers aggressively demanding wage and benefit increases all wrapped together in demands for greater trade union representation and collective bargaining. The strikes of May 2010—the largest involving two thousand workers at the Honda parts plant in Nanhai, Guangdong[20]—were seen as a turning point for workers' unrest in China. Young workers, reacting against years of inflation alongside stagnant wages, won significant pay increases, inspiring a wave of strikes at about sixty other auto plants and other types of factories across the country, followed by nationwide wage increases.[21] Representatives of the All-China Federation of Trade Unions (ACFTU) opposed the workers, attempting to break up their demonstrations and compel them to return to their posts. The strike became a sensation in both domestic and international media, with intellectuals, activists and reporters flocking to the Nanhai plant. Their influence was not just symbolic: One high-profile labor academic, Chang

20 See "The Awakening of Lin Xiaocao" in this issue.

21 Boy Lüthje, "Trade Unions and Worker Struggles in Guangdong, Chen Weiguang Interviewed by Boy Lüthje." *Global Labour Column*, April 2011. <http://column.global-labour-university.org/2011/01/trade-unions-and-worker-struggles-in.html>

Kai, was instrumental in mediating a deal for the workers, but he also reshaped their demands, convincing them to add a process of collective bargaining to the list. The incident was soon resolved, and workers gained a 35 percent pay increase. Meanwhile, reformers within Guangdong's provincial level of the ACFTU seized upon the strike as an opportunity to push for greater union involvement in labor disputes. To this end, they increased the number of pilot projects for plant-level union elections, establishing a version of tripartite labor relations (i.e. meetings between representatives of labor, capital and government to reach agreements on wages and conditions), curbing strike actions and labor disputes, stabilizing wages and working conditions, and attempting to create new relevance for the long-ossified ACFTU.

Some onlookers, like world labor historian Beverly Silver, felt that the striking Honda workers would resurrect the labor movement, which had been "prematurely" pronounced dead by the end of the 20th century.[22] In reality, the superficial appearance of a domestic debate on building a new workers' movement actually disguised deeper machinations within the state's apparatus for controlling dissent. The ACFTU's reformist wing, propelled by the strike's energy and bolstered by the international attention, drew on the language and even support of academics and NGOs to make their own case for a better, softer method of suppressing unrest. Silver and others presumed that the autoworkers' strike wave was a sign of an organized, militant labor movement on the rise, citing the examples of the US in the 1930s and Western Europe in the '60s, and then force-fitting events in South Korea, South Africa and Brazil into this same model, as if history had produced no

22 Beverly Silver. "The Remaking of the Global Working Class," *Truthout*, 2 July 2016. <https://truthout.org/articles/the-remaking-of-the-global-working-class/>

novelties since the middle of last century.[23] In this myth, rapid industrialization always lead to predictable sequences of militant worker resistance and unionization, leading the working class to push for more general reforms and revolutionary demands. On its own, this is simply a case of underwhelming scholarship. But in the larger picture, the rudiments of this work have been mobilized for conservative purposes.

In reality, the Honda strike was notable for two main reasons. First, it marked a major attempt to reorient the ways in which the state suppresses dissent in China, and thereby played an important role in continuing factional conflict within the capitalist class. In that way, it can be seen as the urban-industrial counterpart to Wukan village's 2011 experiment in democracy, which was mobilized in a similar way.[24] Secondly, 2010 heralded the beginning of the end of a particular era in which coastal factory strikes had risen to prominence among the variety of collective actions taking place in China every day. It was, then, a peak of sorts, beyond which lay a descent into another vast hellscape marked by changing geographic and sectoral patterns of labor actions, shifts in the national composition of employment, and new trends in investment and state policy.

After Honda, many expected a generalization of the turn from "defensive" to "offensive" actions, in which workers would strike for wage increases beyond existing laws and norms rather than "merely reacting" when bosses pushed them too far and failed to meet legal standards.[25] In the years that followed, however,

23 Beverly Silver, *Forces of Labor*, Cambridge University Press, 2003.

24 On this mobilization, see Shannon Lee, "Looking back at Wukan," <https://wolfsmoke.wordpress.com/2017/07/14/wukan/>.

25 For two examples of this expectation, see: Manfred Elfstrom and Sarosh Kuruvilla, "The Changing Nature of Labor Unrest in China" <http://ilera2012.wharton.upenn.edu/NonRefereedPapers/Kuru-

these "reactive" demands (for unpaid wages, social insurance, etc.) remained dominant in labor struggles. Wages did in fact rise for workers across China, but not necessarily in response to fear of worker rebellion: other, probably more determinate causes were inflation, policy changes raising minimum wages as part of an effort to restructure the basic geography of industry and, most importantly, competition over a slowly shrinking pool of able-bodied workers, driven by the final exhaustion of the rural labor surplus and a shrinking demographic dividend caused by the lower birth rates that accompany urbanization. While average wages have risen steadily since the Honda strikes, in many cases, especially in recent years as China's growth rate has begun to slow, low-wage workers have made few gains or have even seen their real incomes decline as inflation has continued to climb. Guangdong province, the heart of the 2010 strike wave, instituted a three-year freeze on minimum wage increases between 2015 and 2018. Meanwhile, workers themselves rarely pushed for wage increases beyond their legal entitlements, instead usually fighting to achieve bare minimum standards like their legally required social insurance payments or wage arrears.

In the years following the Honda strike between 2011 and 2018, two thirds of all manufacturing demands were related to wage arrears, while only nine percent involved calls for wage increases. Records of workers' demands during these changes help to signal this general trend, also hinting at the waves of relocation and closures that began just a few years after Honda. In 2011-2014, demands for wage increases in manufacturing occurred in around nineteen percent of the cases, while the most common demand was still wage arrears, at forty percent.

villa,%20Sarosh%20and%20Elfstrom,%20Manfred.pdf>; Florian Butollo and Tobias ten Brink, "Challenging the Atomization of Discontent" <http://www.mpi-fg-koeln.mpg.de/pu/mpifg_ja/CAS_44_2012_ten-Brink.pdf>.

Then, from 2015 to 2018, wage arrears demands jumped to 76 percent while calls for pay increases actually dropped to a mere 3.3 percent. Also during this period, strikes and protests in response to factory relocations and closures rose significantly, accounting for 15.7 percent of the incidents.[26] In 2015, even the famed workers of the 2010 Nanhai Honda strike were still struggling against rapid increases in the cost of living.[27] While in 2010 workers had won a 35 percent increase and greater participation in the plant-level union structure, they found themselves striking again in 2013, this time against the union, when offered an annual raise of only ten percent. A one-day strike brought the level to 14.4 percent, but in the following years, even this proved insufficient to meet the rising costs of housing, food and other goods. China's leading industrial workers found themselves fighting just to keep up with inflation in an environment that is quickly becoming unable to provide even the most basic concessions a labor movement would ask of it.

All these changes—from the prevalence of defensive demands to the relocation of factories and the falling size and frequency of manufacturing-related strikes—correspond to the changing structure of the economy. In 2010, just when some expected striking factory workers to lead the way for China's proletariat, employment in manufacturing was nearing its historical peak. Plateauing in 2013-2014, it has since begun a steady decline, measured as a share of total employment.[28] This decline

26 Figures calculated from China Labor Bulletin Strike Map, raw data, available here: <https://maps.clb.org.hk/strikes/en>

27 "Five years on, Nanhai Honda workers want more from their trade union", *China Labour Bulletin*, 15 May 2015. <https://www.clb.org.hk/en/content/five-years-nanhai-honda-workers-want-more-their-trade-union>

28 China National Statistical Yearbook 2018, Section 4.2 Number of Employed Persons at the Year-end by Strata of Industry, available online

was concurrent with mass factory closures and relocations beginning in 2013, which caused some of the largest and most contentious strikes in recent history.[29] Nearly all of them fit a pattern: these strikes did *not* involve demands for significant wage increases at enterprises with healthy profit margins. Instead, they consisted mainly of pitched battles for unpaid wages and benefits at factories facing closure, relocation or downsizing, sometimes requiring the company to liquidate assets simply in order to pay off what it owed. Labor NGOs intervened in many of these strikes, hoping to put traditional "labor movement" ideology into practice by directing workers toward collective bargaining and union reform. Workers at these factories, along with the NGO organizations involved, put together some extraordinary long-term campaigns involving strike actions, bargaining with employers, petitioning of the government and sometimes clashes with the police, only to find in most cases that their bosses had very little to offer them due to the shrinking profit margins that had given rise to the disputes in the first place.

The period was by no means empty of major strikes, some even winning fairly large victories: In 2014, around a thousand workers at garment manufacturer Artigas in Shenzhen began a series of strikes for unpaid overtime and social insurance contributions.[30] Between 2014 and 2015, workers at the Lide Footwear factory in Guangzhou took part in multiple strikes,

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here: <http://www.stats.gov.cn/tjsj/ndsj/2018/indexeh.htm>

29 While waves of closures have occurred at different points throughout history, this particular wave highlights a general decline within China's industrial core, striking at the heart of the Pearl River Delta. For accounts of PRD strikes against factory closures beginning in 2013, see: Fan Shigang, *Striking to Survive:Workers' Resistance and Factory Relocations in China*, Haymarket, 2018.

30 Fan Shigang, *Striking to Survive*, "Appendix: Relocation Struggle at a Uniqlo Supplier, 2014-2015."

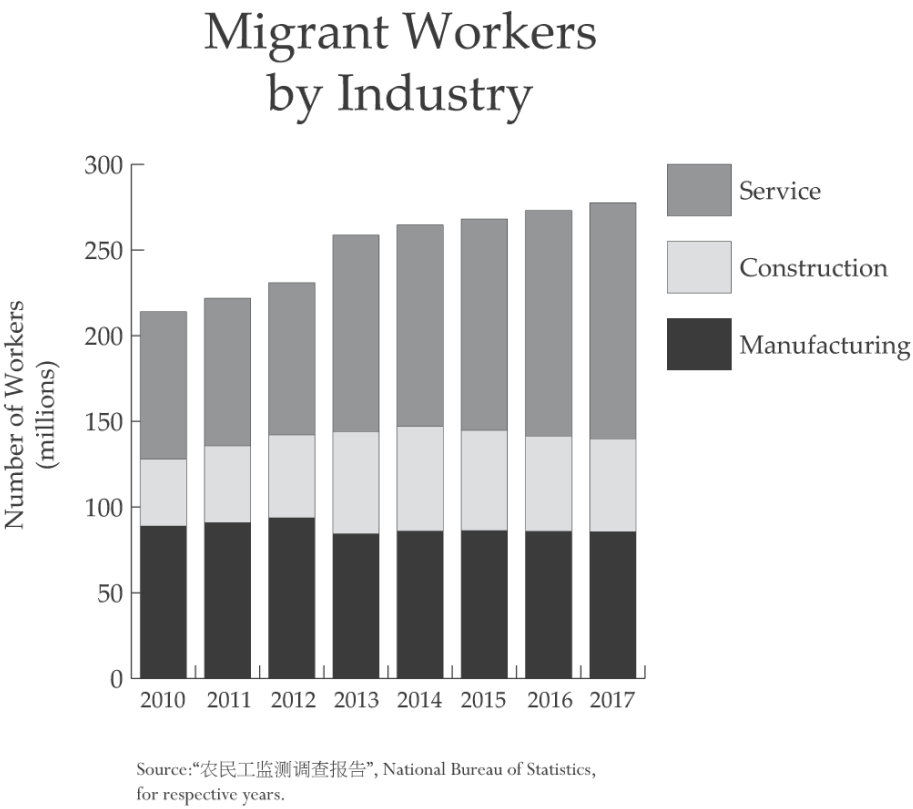
demonstrations and negotiations with management.[31] With the aid of local labor NGOs, they won over 120 million yuan in severance pay and unpaid wages and benefits. The 2014 Yue Yuen Footwear strike in Dongguan, involving 40,000 workers (making it probably the largest industrial action in recent Chinese history), took place amid fears of the factory's long-term plans to downsize and shift production to Southeast Asia.[32] Further strikes occurred at that and other Yue Yuen plants the following year when the company continued to consolidate production. But, altogether, the strikes in these years were hardly offensive, and rarely demanded wage increases, instead focusing on unpaid wages, severance pay, social insurance and other demands that accompany the downsizing and relocation of factories. Thus, though large, the strikes that did occur were essentially a fading echo. And in the years after Yue Yuen, the overall trend has been a general decrease in the size of labor actions.

Deindustrialization

These trends in worker protests track changes in the industrial composition of the country more generally, which has begun to shed labor in a manufacturing sector stricken by an ever-building overaccumulation crisis. Though official policies are now geared toward building a "consumer-led economy," this vision is largely a mirage generated by the faulty presuppositions of mainstream economics. In reality, the subsequent shift of employment into services is more the result of diminishing

31 NGO workers from the Lide shoe factory case later become the focal point of a state campaign of repression against labor organizations in December 2015. For an overview and analysis, see Shannon Lee, "Making Sense of the 2015 Crackdown on Labor NGOs in China," <https://wolfsmoke.wordpress.com/2017/07/29/2015-labor-ngo-crackdown/>.

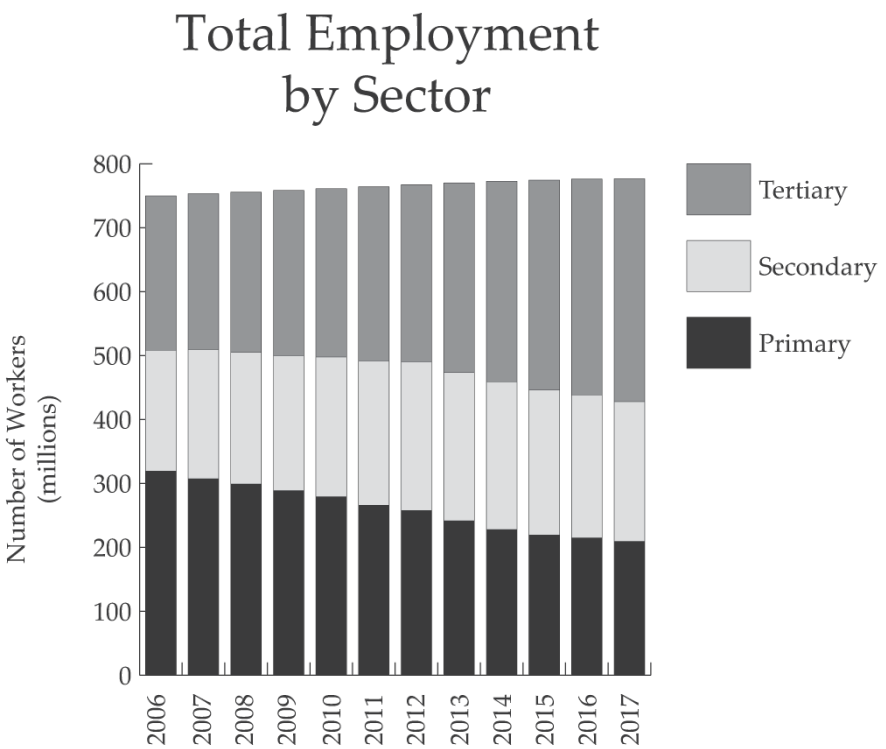
32 Friends of Gongchao, "The New Strikes in China," <https://www.gongchao.org/2014/07/01/new-strikes/>.



Source:"农民工监测调查报告", National Bureau of Statistics, for respective years.

Figure 4

returns to investment in manufacturing in the context of a tenuous macroeconomic stability secured by similarly diminishing returns to state-led stimulus. The result is an enormous amount of surplus capital with nowhere to go. On the surface, this appears to be driving a boom in consumption and catapulting the coastal cities into service and high-tech industries, mirroring the ladder of industrial upgrading already experienced in Japan and the other East Asian late developers. But these other developmental stories were predicated on the outward movement of capital as well, with Japanese, South Korean and Taiwanese firms passing through a series of trade



Source: China Statistical Yearbook, 2018, Table 3-1: "国内生产总值" <http://www.stats.gov.cn/tjsj/ndsj/2018/indexch.htm>

Figure 5

wars to ultimately secure their status as intermediaries in the new productive chain stretching from mainland China to the consumer cores of the West, with Hong Kong and Singapore acting as new shipping and finance hubs. Throughout, this process was marked by severe domestic crises and capped by an unambiguous capitulation to US interests.[33] It is not yet evident, however, that a new nucleus of production has even been found. Strained by thinning profit margins, capital began to move to the Chinese interior in the wake of the 2008 crisis,

33 See "Red Dust" in this issue for more detail on the process.

but the gains of this relocation have been minimal compared to the earlier industrial boom in the coastal sunbelt. Meanwhile, production has been moving overseas, to South and Southeast Asia, as well as parts of Africa, but the returns of such outward investment are not yet clear, even while they've already triggered a new round of jostling within the global political-economic hierarchy.[34]

The basic Chinese macroeconomic picture can be seen from government statistics. The data lacks detail, and recent scandals around false reporting of provincial GDP data act as a continued reminder of the danger of relying exclusively on official figures, but they nonetheless capture in broad strokes the unmistakable movement of deindustrialization and the rapid expansion of the service sector.[35] Employment in the primary sector (limited to agriculture and forestry by Chinese reckoning) has been falling as a portion of total employment for decades, and declining in the absolute number employed since a peak in the early nineties.[36] The secondary sector (construction and "industry" in

34 We will address this question more thoroughly in future issues.

35 For one of the many accounts of fake government data, see: "Chinese local governments rush to admit fake data", Nikkei Asian Review, 11 February 2018. <https://asia.nikkei.com/Economy/Chinese-local-governments-rush-to-admit-fake-data>

36 Chinese government data is organized around a three-sector categorization modified from that used in Western economics. The "primary sector" (第一产业) includes agriculture, forestry, fishing and aquaculture (but not other extractive industries normally included in Western definitions of the primary sector). The "secondary sector" is comprised of construction and "industry" (工业) in a narrow sense including manufacturing, mining, mineral extraction and power generation. The "tertiary sector" consists of the rest of the economy, officially divided into "circulation" (流通部门)—including transportation, logistics, telecommunication, "commerce" (商业) and food services (饮食业)—on the one hand, and "services," on the other, the latter being an amalgam of everything else. Though we don't endorse this as a marxist approximation of what the "service sector" is, in particular, this method of categorization is still useful, approximating other models of industrial composition. For a detailed breakdown of China's three-sector structure, see: 国家统计局统计设计管理司，

a narrow sense including manufacturing, mining and power), peaked in relative employment in 2012 when it accounted for thirty percent of the total before beginning a steady decline. This was matched by a similar, albeit slightly more moderate, trend in absolute employment. The tertiary sector ("services" and "circulation") has, in turn, exploded and is fast approaching half of total employment. In terms of contribution to GDP, China's secondary and tertiary sectors have switched places since the Honda strike. In 2010, secondary sector contribution hit a twelve-year high of 57.4 percent of the country's GDP, while the tertiary sector stood at 39 percent. The latest statistics show that by 2017, secondary sector contribution fell steadily to 36.3 percent, while the tertiary sector climbed to 58.8 percent, by far the highest share in the country's history.

Other official statistics, like the government's annual survey of "peasant-workers" (农民工)—those with a rural *hukou* working outside of their home county—show that today almost half of China's nearly three hundred million migrant workers from the countryside now work in tertiary industries like retail, transportation, food services, etc., and the numbers are growing. The figure is almost on par with secondary industries, in particular construction and manufacturing—inflated by the fact that declines in manufacturing employment were countered with massive public works investment paired with the continuing housing bubble, all creating construction jobs ultimately dependent on either state investment or speculative real estate deals. Soon, no doubt, services will overtake manufacturing and construction as the primary employer of this segment of the population, especially as infrastructure and real estate investment reach a point of saturation.

Even in Guangdong province, the heartland of China's

《国民经济行业分类》，GB/T 4754—2011.

export-oriented industries, manufacturing peaked as a share of employment in 2011, and has been falling ever since.[37] Still, output and profits in Guangdong appeared to be rising in data available from 2010 to 2015, even as the number of workers in manufacturing fell, a "natural" product of industrial upgrading, automation and increases in productivity.[38] While squat "sweatshops" pumping out textile piecework or plastic parts still chug along in pockets of the province, vast swaths of Guangdong are transforming rapidly away from what they looked like a decade ago. Wave after wave of closures have been welcomed by government bureaucrats, pushing out low-end, labor-intensive industries in favor of higher tech factories in an effort to upscale. Factory districts have been converted into logistics centers, and sometimes even flashy new "tech and innovation hubs," in an effort to revive industrial production. The apex of industrial worker struggles has passed with the deterioration of their employment base. Nonetheless, the hope for a labor movement, projected from afar, has followed factories to inland provinces, with academics and NGOs arguing that relocation might cause a "new wave of worker protests" closer to migrants' homes that would mark some kind of qualitative advancement over the coastal struggles of the past two decades.[39] On the one hand, it is true that provinces

37 Raw data available via "Guangdong Province Industrial Development Database" (广东省产业发展数据库). See the section on the province as a whole: <https://gdidd.jnu.edu.cn/page/YearbookDB.aspx?ID=gdsdsnjk&Name=广东>

38 Ibid., section 12-27. These measures of profits and output are limited to "industries of a particular size," which is designated as firms of over 20 million yuan per year.

39 In his 2012 piece for Jacobin, Eli Friedman proposed that as factories moved inland, if workers took jobs in the places where they were registered by *hukou*, struggles would become more intense as the spheres of reproduction and production became more directly intertwined. While Friedman was not alone in this line of thought, so far, there has been little special development or politicization of struggles, as predicted. Friedman also held the view that worker struggles had turned a corner from "defen-

like Guangdong are no longer the center of gravity for labor unrest.[40] So far, however, local research has found that inland factory struggles have mainly exhibited weak echoes of those on the coast.[41]

No Room for a Raise

If the post-Honda era has proven anything, it has been the growing "illegitimacy of the wage demand,"[42] rather than a

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sive to offensive" struggles after 2010, where workers fought primarily for wage arrears before, and for wage increases thereafter. As the data presented here shows, this has not been the case. "China in Revolt", *Jacobin*, August 2012. < https://jacobinmag.com/2012/08/china-in-revolt>

40 Geoffrey Crothall of China Labour Bulletin notes that in 5 years of strike map data from 2013 to 2017, Guangdong province fell from one third of all worker protests to just 12 percent. Crothall also confirms that wage arrears remain the dominant demand, and services incidents increased rapidly while manufacturing fell dramatically. "China's Labour Movement in Transition", *Chinoiresie*, 13 August 2018. <https://www.chinoiresie.info/chinas-labour-movement-in-transition/>

41 "Factory Stories: Preface to the Inland Workers Issue," *Factory Stories*, Translated by Gongchao, June 2017 <https://www.gongchao.org/2017/06/12/factory-stories-inland-workers-preface/>.

42 We borrow this term from the group Théorie Communiste. (See: "The Present Moment," *Sic* #1, 2011.) As we put it elsewhere, this means essentially that "at the global level, profitability is so limited that capital cannot afford an increase in the global wage floor."This illegitimacy, however, has taken a quite different form in China than it has in Western Europe: "the wage itself becomes a central point of contention, and the increases in this wage result in the relocation of factories inland or overseas, or intensified automation. We see all of these things in places like the Pearl River Delta, and the strikes in workplaces are actually more commonly strikes over lump payments or benefits, undertaken by workers who have no expectation that they will remain in the factory or that the factory will remain in the area. Many recent strikes have been aimed at the payment of back-wages by factories preparing to relocate. Workers initiated these strikes because it was their last chance to try to obtain this cash with few risks, since they were losing their jobs anyway." (See: "Overcoming Mythologies: An Interview on the Chuang Project," Chuang Blog, 15 February 2016. <http://chuangcn.org/2016/02/overcoming-mythologies-interview/>)

renewed era of offensive trade unionism. Take, for example, the inability to provide legally mandated social insurance coverage to workers. Landmark labor legislation in the late 2000s and early 2010s was expected to stabilize wage relations and provide a social insurance scheme for China. In part, this was meant as a final replacement for the cradle-to-grave benefits of the "iron rice bowl" offered to state-owned enterprise workers that had been lost over decades of reform. At the same time, the goal was similar to state welfare policies in the high-income countries, intended to enforce a basic stability in the labor market by securing the reproduction of labor-power through maternity leave, pensions, medical benefits, etc. The Labor Contract Law of 2008 sought to guarantee a labor contract and shared employer-employee funded social insurance program for all workers, and the social insurance network was further clarified in the 2011 Social Insurance Law, which guaranteed "five insurances and one fund" to workers: a pension, unemployment, medical and work-related injury insurances were to be paired with the housing provident fund, which is meant to allow workers to save money toward buying a home, but is often used as a second pension. All of this was to be paid for by joint contributions from employer and employee at given rates set in slight variation according to local municipal regulations and paid into local government coffers.

Workers' social insurance entitlements, however, are as a rule actively pushed aside by local officials and employers, who both know that enforcement would constrain, and in some cases decimate, profits. In fact, despite years of promotion of social insurance laws and efforts to build a more "social-democratic" state apparatus based on shared contributions from state, worker and employer, social insurance contribution adherence remains at abysmal lows. Moreover, benefits paid by migrant workers into local government accounts are notoriously difficult to transfer across administrative borders, or even to

withdraw within the same province, causing many workers to ignore the system entirely. A government report from 2015 showed that only one third of the total workforce had a basic pension, while even fewer had basic medical insurance.[43] Things have not improved since. In January of 2018, the Ministry of Social Security revealed that migrant worker coverage of the various social insurance accounts ranged from 17 to 27 percent of China's nearly 300 million migrant workers.

Tight profit margins restrict the capacity of enterprises to feasibly fulfill even the most basic material demands of workers, including their legally mandated social insurance commitments. Conditions in the Pearl River Delta city of Dongguan provide a good case study of the double bind that workers find themselves in. Dongguan, long a major hub in the "world's factory," has one of the highest concentrations of migrant workers in the country, and is also one of the few cities that has published government statistics on its migrant population, including the specific industries they work in, making it possible to approximate the total cost of unpaid social insurance both in a particular locality and across various industries. In 2015, the most recent data available, Dongguan had around four million migrant workers (probably a very conservative figure), 3.1 million of whom were in industrial manufacturing jobs.[44] Ministry of Human Resources and Social Security (MoHRSS) figures showed that, in the same year, out of the country's 277 million migrant workers, only 20 percent had a basic pension, 19 percent had medical insurance, 27 percent had work accident insurance, and around 15 percent

43 "China starts to shift social insurance burden from employers to workers", *China Labour Bulletin*, 29 June 2016. <https://www.clb.org.hk/content/china-starts-shift-social-insurance-burden-employers-workers>

44 Guangdong Province Industrial Development Database (see footnote 37 above)

had unemployment insurance.[45] They provided no data on maternity insurance or the housing fund, but contributions for these funds is also exceptionally poor, if not lower, so an estimate of 20 percent for each of them would be optimistic.

Extrapolating from these figures, if manufacturers actually paid the social insurance contributions they still owed to Dongguan's migrant factory workers in 2015, it would conservatively cost them at least 24 billion yuan.[46] According to government data, Dongguan's "industrial" profits in enterprises over a certain size for 2015 was around 41 billion yuan, and this includes the construction industry, where average profit is likely higher. Nonetheless, such a massive payout would cut industrial profits in half. Paying workers a 35 percent wage increase alone, the percentage won by the Honda workers, would by itself cost 40 billion yuan across the industrial sector, effectively eliminating all profits. Adding unpaid social insurance at this new pay rate would hurl Dongguan firms deeply into the red, at a total cost of 76 billion yuan.

Modest increases in labor costs would be disastrous not only for China's industrial core, but also for the brave new world of ecommerce, into which China's elite have been investing a great deal of hope for a new wave of growth. Here we see fledgling industries move through what liberal economists call the "product cycle" at a breakneck pace: phases of expansion, homogenization and monopolization, followed ever more quickly by decline. Workers chase the relatively high wages of

45 "Migrant workers feel they get a greater share", *Ministry of Human Resources and Social Security*, 1 February 2016, ("'农民工有了更多'获得感'", 中华人民共和国人力资源和社会保障部). <http://www.mohrss.gov.cn/SYrlzyhshbzb/dongtaixinwen/buneiyaowen/201602/t20160201_232835.htm>

46 For details on our calculation methods, see the *Appendix* to this article, appended to the digital version located on our website: <http://www.chuangcn.org/journal/2>

expansion, through stagnation, and then downward pressure on their pay and outright layoffs, followed by the search for another job—if one can be found at all. The dawn of China's ecommerce "revolution" saw brands like Alibaba grow at incredible speed, though this "growth" simply chewed up and reconfigured older brick and mortar retail. The growth of online shops, and the associated industry of express parcel delivery, soaked up both unemployed college graduates and laid-off industrial workers in droves. During the phase of expansion, express delivery drivers—though predominantly men in an industry that almost universally excludes women—could make good money, taking home around 4,000 yuan per month on average in 2010[47] when the average industrial wage was around half as much.[48] Alibaba grew to a virtual monopoly in the market with an 80 percent market share by 2013.[49] In that year, the same that the total number of industrial workers reached its climax before declining, Premier Li Keqiang praised Alibaba's CEO for "creating jobs" for countless drivers and

47 "The monthly salary of the courier is not in line with the industry, the average salary is about 4,000", *Sina Finance*, 24 December 2010. (快递员月工资上万不符行业实情　平均工资约4千) <http://finance.sina.com.cn/g/20101224/19519160631.shtml>

48 According to official data, which may be inflated, the average monthly wage in manufacturing for urban non-private enterprises comes to 2,558 yuan per month, while it was 2,046 for urban private enterprises. "The basic situation of the average annual wage of employees in urban non-private units in 2010", *National Bureau of Statistics*, 3 May 2011. ("2010年城镇非私营单位在岗职工年平均工资主要情况"，国家统计局)

<http://www.stats.gov.cn/tjsj/zxfb/201105/t20110503_12710.html> "The average annual salary of employed persons in urban private units in 2011 was 24,556 yuan", *National Bureau of Statistics*, 29 May 2012. ("2011年城镇私营单位就业人员年平均工资24556元"，　国家统计局) <http://www.stats.gov.cn/tjsj/zxfb/201205/t20120529_12829.html>

49 Steven Millward, "Here are all the must-see numbers on Alibaba ahead of record-breaking IPO", *Tech In Asia*, 17 September 2014. <https://www.techinasia.com/alibaba-numbers-ipo-breaks-records-2014>

online shop owners, and for "freeing" the productive power of the old economy.[50] However, these new industries have a bad habit of exhibiting many of the same problems as the old ones. For example, JD.com CEO Liu Qiangdong famously estimated that 90 percent of his company's full-time drivers had social insurance, but like many others companies, JD relies heavily on outsourcing, independent contractors and part-time drivers.[51] When the express delivery industry became saturated, wages began to stagnate and eventually to fall, just as companies began dumping capital into a sea of different contenders in the rising food delivery industry. A study from 2016 showed that around half of delivery workers made between 2,000 and 4,000 yuan per month, with long hours and no social insurance.[52] Drivers soon began jumping ship to food delivery, where wages were twice as high.[53] But again wage growth eventually stalled and cuts began, just as the market became dominated by two major players: Meituan-Dianping and Ele.me.[54]

50 "Li Keqiang praises Ma Yun: Inviting you shows our trust," *China Youth Daily*, 7 November 2013. ("李克强给马云点赞：把你请来就代表着我们的信任", 中国青年报) <http://finance.sina.com.cn/china/20131107/074317248653.shtml>

51 "China faces shortage of express delivery workers in the New Year", *China Labour Bulletin*, 8 March 2018. <https://clb.org.hk/content/china-faces-shortage-express-delivery-workers-new-year>

52 "The courier [who said] "monthly salaries are over 10,000": The average income is only 4,000 yuan", *Modern Express*, 7 May 2016. ("快递员'月薪过万'实情:一般收入仅4千元　工时长", 现代快报) <http://news.163.com/16/0507/10/BMF6CCE600011229.html>

53 "The couriers change to food delivery: Now the monthly income is six or seven thousand", *The Paper*, 14 February 2017. (快递员改行送外卖：现在月入六七千 跳槽能高一半) <http://news.sohu.com/20170214/n480640569.shtml>

54 "Food delivery drivers call for strike highlights stagnating conditions in new economy", *China Labour Bulletin*, 24 March 2017. <https://clb.org.hk/content/food-delivery-drivers-call-strike-highlights-stagnating-conditions-new-economy>

But the context here is important. These companies, and others in ecommerce, have been engaged for years in a nearly endless spending war, never turning a profit. Meituan-Dianping, now the largest food delivery company, has clawed its way to the top of the industry through years of losses, and has yet to turn a profit as of late 2018.[55] Stocks plummeted shortly after the company's IPO as its losses continued to grow, leading to layoffs.[56] To place this in context: the company employs roughly 500,000 drivers.[57] And a major restructuring at JD.com in the same year saw the company finally move into the black after years of losses.[58] Many of these companies are simply riding another bubble, similar in character to the US tech bubble of the late 1990s, sustained by enormous sums of speculative investment funds that cannot be profitably poured into the productive economy. Instead, "unicorn" companies are buoyed by successive waves of venture capital, creating new monopoly-scale conglomerates that wield enormous power in the stock market—where they also funnel regular dividend payouts to shareholders—all in the expectation that their crucial market positions cannot help but result in profitable

55 Yue Wang, "China's Meituan Dianping Raises $4.2 billion, but will it ever make a profit?", *Forbes*, 13 September 2018. <https://www.forbes.com/sites/ywang/2018/09/13/chinas-meituan-dianping-raises-4-2-billion-but-will-it-ever-make-a-profit/#5085d2cd646b>

56 Elliott Zaagman, "Job cuts hit China tech sector amid mounting challenges", *Tech Node*, 10 January 2019. <https://technode.com/2019/01/10/job-cuts-hit-china-tech-sector/>

57 Hu Huaxiong, "Meituan's IPO is really here: 500,000 food delivery drivers! Annual transaction amounts exceed 400 billion yuan", *Securities Times*, 《美团IPO真的来了：50万外卖骑手！

年交易金额超过4000亿元》, 证券时报网). <http://news.stcn.com/2018/0907/14505609.shtml>

58 Jon Russell, "Alibaba rival JD.com posts first annual profit as a public company", *TechCrunch*, 2 March 2018. <https://techcrunch.com/2018/03/02/jd-com-posts-first-annual-profit/>

returns. This expectation, however, is a speculative gamble, and every stock market bust threatens to bring the whole edifice tumbling down.

The Proletariat and the Myth of the Middle

The conditions in Dongguan represent just one particularly manufacturing-heavy microcosm of macroeconomic dynamics in China as a whole. The country is now experiencing the simultaneous stagnation of GDP growth, slowing wage increases, and ballooning inequality between a rich population that is only growing more secure in its wealth and an increasingly vulnerable, informal and fractured working class. All of these trends are driven by the oversaturation of investment in productive industries, which in turn has forced the state to divert resources into large stimulus projects that only result in the accumulation of greater amounts of underperforming fixed capital in newly developed cities and industrial zones in the interior. These new developments tend to attract just a fraction of the productive investment they were intended for. In part, this is due to automation in places like Guangdong, which helps retain output and diminishes the need for new workers elsewhere. But, on the other hand, the labor costs of the interior are not as low as those in nearby coastal production hubs like Vietnam or Cambodia. On top of this, China's vast interior simply has too many locales competing to absorb the industries priced out of the coast—even if a few succeed, the majority will be losers. Meanwhile, since all of these areas are under a single, unified currency, the effects of inflation move more readily across the national economy, and a strong yuan in the coast leads to a stronger yuan in the interior, despite wage differentials. On one hand, this does lead to capital spilling over into the development of other industries, including services. The growth of the service sector and a "consumer economy" is

the official policy goal of the state. But this language obscures the real machinations of a capitalist economy.

It's true that deindustrialization has already taken hold, growth rates across the country are beginning to slow and services are proliferating. But this is also taking place while wages are beginning to stagnate. In 2012, the year Xi Jinping came to power, China's growth rate began dropping rapidly after a brief, stimulus-driven recovery following the crisis of 2008. By 2014, lower growth rates had been officially declared the "new normal," with consumption-driven spending to be the new source of growth, rather than export-oriented manufacturing. This announcement was paired with the intentional closure of factories in cities like Beijing in an effort to drive down pollution and force industrial relocation to the less developed interior. At the time, it was imagined that new, consumer-oriented service industries would flood into the breach, helping to build a middle class and thereby catapult such cities into conditions resembling the imagined ideal of the high-income countries. In reality, this change simply put an even heavier strain on poorer workers (those who would soon be designated the "low-end population") and further secured the gains of the hyper-rich.

The trajectory of struggles, as shown by Lu and Li's data, is not trending in the direction of a labor movement, but is instead following these changes in class composition. Clinging to the image of the factory worker only obscures the real topography of proletarian conditions. As anywhere else, China's proletariat consists of those who have nothing but their capacity to work for a wage to survive, while capitalists control means of production and live off income from capital. But it's often impossible to cleanly divide individuals' class positions in the fashion of sociologists, who often substitute proxies like income brackets or education for actual class. Class is a society-wide polarity that emanates from the process of production. Individuals will

always have a messy relationship to this overall polarity, since even those who own factories and live off dividends likely also have a wage income, just as those who predominantly live off of the wage may also own some stocks.

Despite this, a sliver of stocks does not make someone, in part, a capitalist, just as a CEO's wage does not make them, in part, a proletarian. A true "middle stratum" stretched between the two only exists among better-off managers and smallholders or in conditions of general social prosperity, in which some larger portion of mid-income wage-earners may also receive substantial returns on privately-held investments. Even this segment of the population is so internally differentiated that we speak of the "middle strata" rather than a single stratum, which might be mistaken for something like a "middle class" with some presumed homogeneity. In reality, these middle strata are simply people who could reasonably live off of the profits of their small business or investments without working themselves, their waged income simply a means to propel them into a higher income bracket—but beyond this, the actual conditions of life afforded by their investments are wildly different, as are their waged incomes.

What, then, of the much publicized growth of the Chinese "middle class?" China's class structure has, in fact, changed rapidly, but not in the ways claimed by the state. If we examine this illusion of the middle class in detail, we instead find a slowly growing minority of extraordinarily wealthy individuals, a narrow upper stratum of affluent white-collar workers, and a vast majority who compose the increasingly diverse working class of white and blue collar workers, sitting just above the growing population of the unemployed and semi-employed. Within this majority, there exists substantial internal stratification, but it is important not to mistake this for the existence of an expansive, homogenous middle

stratum. The same is true of widely publicized cases of rapid upward mobility: while the jump to affluence is probably more feasible for workers in China than in the US, for example, it is by no means a common occurrence. Insofar as we speak of the "middle strata," then, it is important to note its extreme internal differentiation, as well as the simple fact that the bulk of the "middle strata" lies in its bottom rungs and is still effectively proletarian, though additional sources of income and managerial roles within production contribute to an ideological divergence that often does not match their material conditions.[59]

An in-depth study of income inequality since 1978 showed income distribution in China was among the most equal in the world in the late 1970s and is now among the most unequal, currently near the level of the United States.[60] In 2015, the bottom half of the population (over 500 million people) took just 14.8 percent of the annual national income, a per capita average of 17,150 yuan (around US $2,500) per year, while the top one percent possessed nearly the same amount, 13.9 percent of the national income, averaging 804,886 yuan ($117,000) per person per year. In terms of wealth, those with the most saw their wealth grow most rapidly since 1978, with the top one percent and top 0.01 percent growing the fastest, at 8.4 and 9.1 percent per year on average respectively. The wealth of the lowest half of the population grew at only around 4 percent per year over the same time period—slower than the

59 There thus exists a moderate ideological "interclassism," a sort of congenital disease of the middle strata as such, but not the material interclassism whereby a populist mass movement aligns large segments of the proletariat with a fraction of the capitalist class engaged in internecine struggle.

60 Thomas Piketty, Li Yang, and Gabriel Zucman, "Capital Accumulation, Private Property and Rising Inequality in China, 1978-2015", Working Paper No. 23368, National Bureau of Economic Research, 2017. <http://www.nber.org/papers/w23368>

economy as a whole, which grew at an average of 6.2 percent.[61] Even government figures confirm that the gap between the lower strata and the top has continued to widen at an alarming rate, particularly in rural areas. The disposable income of the lowest 20 percent of the rural population grew by just 3.5 percent per year on average between 2013 and 2017, while the highest 20 percent of rural households grew by 10 percent per year. These figures only emphasize that the rich continue to get richer—and at a faster rate—while the poorest remain locked into increasingly unchanging conditions, barely keeping ahead of inflation.

Middle Strata

Since inequality in China is today similar to that of the United States, it will be helpful to detour here into a brief comparison of the two countries' class structures. This isn't meant as a systematic study, but instead as an attempt to compare in broad strokes: Among the best existing attempts to quantify a Marxist definition of class for the population over time for the US is a detailed empirical study of income levels performed by Simon Mohun, who decomposes income into that gained from waged labor and that gained from other sources (i.e., capital income and rent).[62] Derived from tax data, these numbers certainly underestimate the lowest rungs of the proletariat, such as the growing homeless population, and the actual income levels of the highest rung of capitalists, who tend to make use of tax-free offshore accounts. Nonetheless, the general shape of the country's class structure is clearly visible,

61 Ibid.

62 Simon Mohun, "Class Structure and the US Personal Income Distribution, 1918-2011", 21 August 2014, via Michael Roberts Blog, available here: <https://thenextrecession.files.wordpress.com/2015/09/class-structure1918to2011wmf.pdf>

and, perhaps surprisingly, the overall class distribution of the United States has changed little for nearly a century, despite radical changes in technology, employment and the basic geography of production.

According to Mohun's calculations, those who are unambiguously capitalists, capable of surviving wholly off income from capital in the form of rent, dividends and interest, made up two percent of the (tax-paying) population in the US in 2011, while the working class accounted for eighty-four percent. Meanwhile, between the bulk of workers and the small fraction of capitalists lay a stratum of "managers," defined as those who take at least some substantial portion of their income from capital, but still require their wage income (more specifically, they do not make at least the average workers' wage from their non-wage income). There have been a few changes in the time period examined by Mohun, most of them slight. The share of capitalists shrank marginally (from 3.8% of tax-payers in 1918), as did the share of workers (from 88% in 1918). Making up the difference has been the oscillating growth of the wage-dependent managerial strata, which composed a larger share of the total in the years leading up to the Great Depression (6%-12% in the 1920s), then troughed in the 1940s at about four percent of taxpayers before rapidly and continuously ascending in the postwar period, peaking in the 1980s at about 19 percent before experiencing a moderate fall, accounting for about 14 percent of the population in 2011. The growth of this managerial grouping has clearly been related to changes in the structure of production, but also defies any simple association with "neoliberalism" or "globalization" since it spans both the early and later postwar periods, and was fairly high throughout the 1920s. If anything, more recent economic restructuring seems to be associated with only a moderate decline in managers since the early 1990s, as the lowest rungs of this strata were pushed back into the working class.

The Marxist understanding of the "middle strata" does not correlate directly with this managerial group, who might be understood as "upper-middle class" in everyday parlance. But the growth of this segment does reflect the disintegrating effect of technical changes on the proletariat more broadly. At the same time, the other substantial change noted in Mohun's study has been the notable re-polarization of the class structure, particularly after the 1980s. The income of the definitively capitalist grouping has increased relative to both the managerial strata and the vast majority of those who subsist primarily on the wage. Managers' wages have also increased relative to workers', but this has been concurrent with the decline of the share of taxpayers in this category.[63] In general, inequality has grown to mirror and in some cases surpass the conditions that prevailed prior to the Great Depression. If we take a more expansive view of the "middle strata" to include non-managerial workers within higher income brackets, the current period is marked by fragmentation across the board: increasing general polarization is accompanied by the disintegration and polarization of the middle strata—fragmenting into even more substrata, which mostly orbit the bottom of the "middle class," while the richest managers and technicians grow fewer and wealthier, even if they are still not quite capitalists. Coupled with the disintegration of the proletariat (its "unity in separation"), the picture is one of proliferating stratification in the midst of a more extreme economy-wide polarization.

It is difficult to say where exactly these same lines lie in China, but what seems clear is that the prophesied middle class is not in the process of forming as a coherent, stabilizing social force. Some hint of what is going on can be inferred from data on

63 Ibid., Figures 7 and 8

housing, since homeownership is usually the central category used in mainstream economics to define inclusion within a middle class, at least in the US. Viewed through this lens, we see a young Chinese proletariat largely divided into two large groups: roughly half scrape by in low paying jobs, renting for a living; the other half have higher wages and may even own a home, but only resemble the mythical middle class on the surface, since even these higher-income workers face stagnant wages, rising costs and crippling debt. This is in stark contrast with the popular idea of middle-class life, defined by secure homeownership, rising income and sufficient savings.

While in the United States, the young can barely afford a home or even qualify for a loan, Chinese homeownership is often thought to be growing at a healthy rate.[64] But even though home building and buying have indeed expanded rapidly, the real distribution of ownership is far from what we might expect if we were searching for evidence of a broad middle class. For example, one often-cited HSBC study from 2016 showed that around 70 percent of Chinese millennials (defined as those born between 1981 and 1998) owned a home, but the study focused on an 85 percent urban sample, ignoring rural residents, and didn't take into account whether the respondents had purchased the home themselves, or whether it was bought in their name by their parents, a common practice in China.[65] A study of young adult homeownership conditions by Tencent from 2016 showed that over a third of those who

64 For an example of this view, see Lawrence Summers, "America needs its unions more than ever", *Financial Times*, 3 September 2017. <https://www.ft.com/content/180127da-8e59-11e7-9580-c651950d3672>

65 "Beyond the Bricks: The future of home buying", HSBC, 2017. <https://www.hsbc.com/media/media-releases/2018/hitting-the-switch-almost-half-of-home-owners-have-changed-mortgage-provider>

did own a home had some help from their parents or in-laws.[66] The study, relying on information from 20,000 respondents, most between the ages of 27 and 34, reveals other interesting data. The survey showed that around 46 percent of respondents did not own a home at all, while of the remainder, 39 percent owned one home, ten percent owned two, and four percent owned three or more homes.

These figures align well with the type of class distinctions visible in Mohun's study of the US. A little over 80 percent of Chinese youth either rent or own a home (in which they may or may not live)—the working class of the country, though divided more or less down the middle between a segment of renters and a more affluent group. Then comes a segment of those who can afford a second home, and likely engage in small-scale investment, akin to the "managerial" class, and then a small fraction of individuals whose ability to own several homes clearly indicates their status as capitalists (or landlords). Without matching data, it is hard to make a more rigorous comparison between the two countries, but additional information can help to triangulate the rough shape of class composition in China.

Rather than approximating between the two non-commensurate units used in these studies (income in the US vs. homeownership in China), then, we can also compare the two purely in terms of homeownership. The overall homeownership rate in the US was 64.4 percent in the third quarter of 2018, but the comparable statistic in China (homeownership across all age groups) is falsely distorted by the inheritance of the socialist era, which saw a mass property transfer from the commune and state-owned enterprise to on-paper private

66 "Survey report on urban youth housing status and attitude of buying houses", Tencent News, November 2016. <http://news.qq.com/cross/20161202/tw0K1q74.html>

ownership, resulting in figures for "homeownership" as high as ninety percent. The more accurate comparison is to the age group explored by the Tencent study cited above, since this is China's first generation raised more or less completely within capitalist social relations. In the US in 2018, homeownership among those under 35 sat at 36.8 percent, with 4.6 percent of those between 18 and 29 owning multiple homes, compared to 6.02 percent of those between 30 and 49.[67] The 54 percent of millennial homeowners in China, then, does exceed that of the comparable age-group in the US, though it still sits lower than the US average for all age groups, and the fraction of the population that owns multiple properties is certainly larger, which is to be expected for a country in the midst of a substantial real estate bubble.

Stratification Coupled with Polarization

What this generally confirms is that there are rapid changes occurring within the Chinese economy, including the composition of middle strata comparable to those seen in other countries. Since these middle strata are currently being composed, entry into a "middle class" is certainly higher in China than elsewhere. But the composition of the middle strata, like the composition of the overlapping proletariat more broadly, is taking place in the midst of skyrocketing inequality. This also means that the middle strata being formed in China are doing so in the context of a general global decomposition of the proletariat—marked by stratification within and between

67 Basic homeownership data from: "Quarterly Residential Vacancies and Homeownership, Third Quarter 2018," *US Census Bureau*, Release Number CB18-161, October 30, 2018. <https://www.census.gov/housing/hvs/files/currenthvspress.pdf>; multiple homeownership data from a 10,000+ respondent panel survey, recorded by *Statista* and available at <https://www.statista.com/statistics/228894/people-living-in-households-that-own-a-second-home-usa/>

groupings defined by income, occupation and geography—that nonetheless retains its class polarity (i.e., the "unity in separation" of the proletariat is not the same thing as the formation of a "middle class"). Aside from figures on inequality, the general precarity of the process is signaled by Lu and Li's data on the alarming growth of homeowner protests. Such protests likely signal multiple, convergent trends. They have mobilized the elite investor class, seeking to protect speculative money poured into the real estate bubble; managers, hoping to secure their status through both direct homeownership and similar, if smaller-scale, speculative investment; and the upper half of the young proletariat, who are in the most precarious position due to high levels of debt, rapidly increasing inflation and continuing dependence on their family (which in China signals a dependence on the diminishing returns of multigenerational wealth transfer rooted in the dismantling of socialist era institutions).

It is this last and largest group of homeowners who offer a window into the reality of the "middle class" in China, defined by a vast population of struggling white-collar workers, with stagnating incomes and rising debt. Figures from Zhilian Zhaopin, China's largest employment website, showed that while the average white-collar worker's wages climbed until 2016, since then they've remained at essentially the same nominal rate of around 7,600 yuan per month for seven straight quarters, despite steadily rising inflation.[68] Zhaopin's average is skewed due to the huge salaries of the highest paid white-collar workers. According to Zhaopin's first quarter

68 For a summary of Zhaopin's data from 2016-17, see "China's middle class incomes fail to take off in 2017", *China Labour Bulletin*, 25 October 2017. <https://www.clb.org.hk/content/china%E2%80%99s-middle-class-incomes-fail-take-2017>; And for Zhaopin's data from the first quarter of 2018, available here: <https://www.prnewswire.com/news-releases/china-white-collar-average-salary-dips-in-the-first-quartera-of-2018-300622146.html>

2018 data, 28 percent of white-collar workers made more than 8,000 yuan per month, but half of white collar workers made under 6,000 yuan per month—not far beyond blue-collar jobs like manufacturing and construction, where the average wages were about 5,000 and 4,300 yuan per month, respectively (the average wage for migrant workers in general being3,485 yuan in 2017).[69] Meanwhile, Chinese home prices have skyrocketed and are becoming increasingly unaffordable for even the affluent white-collar workers, especially in first-tier cities like Beijing. Each year Zhaopin surveys tens of thousands of college graduates on their employment conditions and sentiments, and their 2017 report revealed that real wages for fresh college grads on their first jobs stood at just 4,014 yuan per month, actually decreasing by 16 percent since 2014.[70] Zhaopin has since stopped publishing detailed average wage figures, perhaps due to the embarrassing downward trend. Their most recent report from 2018 only confirms that actual wages of college grads were basically unchanged over the previous year while cost of living continued to rise. Instead, the company only gave range estimates of income, showing that half of all college grads found jobs that paid between 3,000-5,000 yuan per month.[71]

Beyond stagnant wages, for those who can afford housing the

69 The monthly income is derived from the annual income as listed in Section 4.13 of 2017 China Statistical Yearbook from China's National Bureau of Statistics, available here: <http://www.stats.gov.cn/tjsj/ndsj/2017/indexch.htm>

70 "Zhilian Zhaopin releases the '2017 College Student Employment Guide', average monthly salary for men is 750 yuan higher than that of women", *HRoot.com*, 2 June 2017. <http://marketwatch.hroot.com/company/Detail-14860-cn.cis>

71 "'Zhilian Zhaopin 2018 College Student Employment Guide' released: new graduates still feel employment difficulties, but job search pressure is slightly reduced", *HRoot.com*, 14 June 2018. <http://marketwatch.hroot.com/company/Detail-15452-cn.cis>

rising level of debt is both a serious personal concern and, increasingly, a threat to the financial stability of China as a whole. A study from the National Bureau of Statistics analyzing housing debt and the credit structure of the economy showed that, in 2016, real estate and residential mortgage loans accounted for around 50 percent of all new loans in the economy. The paper warned that the ratio was even higher when looking at China's state-owned banks, which were responsible for the majority of new loans, concluding that mortgage loans were already "out of control."[72] The study showed that between 2013 and 2014, real estate related financing accounted for some six percent of GDP, but that number had doubled by 2016. In the bigger picture, household debt is relatively small compared to corporate debt, which stood at some 160 percent of China's GDP in 2017.[73] Household debt, however, is felt deeply by those who hold it. China's household debt now stands at nearly 60 percent of GDP, and, while it alone is not a major risk to financial volatility, the current situation resembles a ponzi scheme more than the advent of a stable middle class. The total cost of debt servicing in 2017 stood at twice the nominal increase in GDP, much of it housing related.[74] Debt holders are often needing to take out new loans simply to service interest on old debt, and many young people owe more than they earn due to massive mortgages.[75]

72 Jiang Yuan, "Research on Several Issues in the Current Industrial Economy in China", Institute of Statistical Science of the National Bureau of Statistics, 9 May 2018. <http://www.stats.gov.cn/tjzs/tjsj/tjcb/dysj/201805/t20180509_1598438.html>

73 "Sizing Up China's Debt Bubble: Bloomberg Economics", *Bloomberg*, 9 February 2018. <https://www.bloomberg.com/news/articles/2018-02-08/sizing-up-china-s-debt-bubble-bloomberg-economics>

74 Victor Shih, "Financial Instability in China: Possible Pathways and their Likelihood", Mercator Institute for China Studies, October 2017. <https://www.merics.org/sites/default/files/2017-10/191017_merics_ChinaMonitor_42.pdf>

75 He Huifeng, "China's mortgage debt bubble raises spectre of

The housing conditions of the lower strata are more difficult to ascertain. A government survey of migrant workers from 2010 claimed that 52 percent of migrant workers lived in housing provided by employers, including factory dormitories and construction site shanties, while 34 percent rented homes by themselves or with a coworker.[76] In just a few years, the situation had reversed, as the 2016 version of the same government survey claimed that only 13 percent lived in employer provided housing, while over 60 percent rented homes, eating into the wages of most workers.[77] In addition, 18 percent of migrant workers had purchased a home in 2016, up from around one percent in 2010.[78] At multiple levels, then, it appears that struggles over housing have been thrust into the forefront of class conflict in China today. But the character of such struggles appears to be just as stratified and polarized as the class itself.

Beijing Burning

The fire began in the basement and quickly consumed the two-story "Gathering Fortune Apartments," located in a crowded urban slum in the outskirts of Beijing's Daxing district. The upper floor of "Gathering Fortune" housed some two hundred migrants crammed into subdivided flats. Though the

2007 US crisis", *The South China Morning Post*, 20 July 2018. <https://www.scmp.com/news/china/economy/article/2112873/chinas-household-debts-soars-it-being-stalked-subprime-spectre>

76 The 2010 migrant workers is available here (in Chinese), via: <http://www.snzg.cn/article/2011/1228/article_26965.html>

77 "2016 Migrant Worker Survey Report", *National Bureau of Statistics*, 28 April 2017. (2016年农民工监测调查报告) <http://www.stats.gov.cn/tjsj/zxfb/201704/t20170428_1489334.html>

78 Ibid.

temperature dipped below freezing on those cold November nights, they would not be warmed by central heating for another two weeks according to management regulations. Instead, they were forced to burn coal for heat. A courier sorting packages on the street saw smoke rising from the building and rushed inside. With the black smoke filling the halls, he helped the residents he could find feel their way to one of the two staircases that serviced the top floor. But despite his heroism, nineteen people died in the flames, including several children.

Beijing Party secretary Cai Qi responded by calling for a mass clearing of Daxing and neighborhoods that housed what official media called the "low-end population" of the city. The purge, conducted through the end of 2017 and into 2018, uprooted countless thousands of proletarians living in the cheap housing dotted around the city's periphery, including downtown office workers, factory workers from the few manufacturing facilities still left in the Beijing, food and parcel delivery drivers, and those running food stalls or working in restaurants and small shops. The unwanted population was pushed out of the city, away from the towering hub of accumulation. They were presumed to have returned to the countryside, or wherever else they came from. A few eventually trickled back into the city, but the vast majority had gone. Where they wound up was of no immediate consequence to the Beijing government. As of today, the clearing campaign continues, but on a smaller scale, justified now in terms of enforcement of the city's official population cap.[79]

The incident became national then international news within days, and the term "low-end population" was the top buzzword

79 "A year after deadly Daxing fire, no let-up in campaign to marginalise migrant workers", *South China Morning Post*, 18 November 2018. <https://www.scmp.com/news/china/society/article/2173745/year-after-deadly-daxing-fire-no-let-campaign-marginalise-migrant>

in China's social media for weeks, growing so popular that censors stepped in to ban its use and block any mention of the mass clearings. Not all went quietly, however, and waves of protest occurred at local government offices in the district, likely led by displaced small business owners. Still, Beijingers and other city dwellers, including well-to-do white-collar workers, ruminated on the meaning of the events, feeling out the distance between themselves and those forced from their homes. People wrestled with the question of who the "low-end population" is, and whether it meant something for those who hadn't been pushed out.[80] The incident occurred in a factory district, and thereby seemed to implicate many factory workers, though the discussion arose from a housing-related incident rather than a workplace dispute. During the aftermath, white-collar workers, strapped with debt and debating whether to buy a second house, were forced to consider their class position and their relation to other fractions of the class. Even office workers who thought they'd climbed the social ladder by making it in Beijing were thrown onto the streets. Migrants who delivered the food and made the clothes the office workers bought on their phones were kicked out of their shoddy flats, driven from the city.

Two years before the fire and the sporadic protests that followed, Lu and Li made their last post. The events of Monday, June 13th 2016 were published on Wednesday June 15th, the day the couple was whisked away by police. In retrospect, it can't help but seem prophetic, and we might expect something particularly notable to have taken place that day. But the events of June 13th were representative of any normal day. Lu and Li documented ninety-four incidents: around twenty by workers

80 See our English translation of and commentary on an article addressing these discussions: "Adding Insult to Injury: Beijing's Evictions and the Discourse of 'Low-End Population," Chuang Blog, 9 January 2018. <http://chuangcn.org/2018/01/low-end-population/>

over unpaid wages and social insurance, only five of which were strikes; thirty demonstrations by homeowners cheated by developers; half a dozen protests against forced demotions of people's homes and businesses; eight actions by rural residents resisting the appropriation of land or environmental pollution; and dozens of other forms of resistance across the country. They started each day's records with a few highlights from the most explosive events. That day, about one hundred homeowners and their families in Guangxi province protested unfair zoning of local schools, and twenty were arrested. In Hubei, several dozen villagers blocked the gate of a government building protesting the sale of their land to a developer, where they clashed with police. In Beijing, more than 2,000 retired military officers from across the country gathered to demand unpaid benefits. Many rural residents in Jiangsu where hospitalized when hundreds of police cracked down on their protest of a garbage incinerator being built near their homes. What stands out here is precisely that nothing stands out. The day was shuddering with the low-level simmer of building class conflict, no single struggle representative of the others but their sum signaling explosive, if unpredictable, potentials.


FOXCONN
富士康


办公室
寻客户
走世卫衣

The Awakening of Lin Xiaocao

A Personal Account of the 2010 Strike at Nanhai Honda

Below is our translation of an oral history about the May 2010 strike at Honda's Nanhai automobile parts plant in Foshan, Guangdong, which gave rise to a nationwide wave of industrial actions across multiple sectors—probably the only time such a thing has occurred since the SOE restructuring struggles at the turn of the millennium. This account is based on interviews with a young woman from a remote mountain village who underwent a political "awakening" (启蒙) through her participation in the strike. In order to protect the protagonist and the group that produced this write-up, it has not been published online but only as part of an anonymous

pamphlet circulated among labor activists since about 2014. We are publishing this translation here in the hope that it may provide some insights for people dealing with similar conditions elsewhere, and to poke another hole in the "bamboo curtain" that still separates many of our readers from Chinese proletarians and their experiences.

The way the author frames the narrative of "Lin Xiaocao" (a pseudonym) also illustrates a fairly representative political perspective among left-leaning activists engaging with such militant young workers. These activists come from a variety of backgrounds. Many start out as industrial workers from the countryside who become politicized through struggles such as this and interaction with labor NGOs. Others begin as university students, mostly those from rural families who are motivated by a sense of class obligation. And a significant minority come from more privileged backgrounds, including some from Hong Kong and Taiwan, although the latter tend to be also from proletarian families in those relatively wealthy territories.

Although the regime's restriction of access to information remains a serious obstacle, its criminalization of independent political organizations paradoxically generates considerable diversity and fluidity among left perspectives in China, even among members of the same NGO, student group or activist circle. The overwhelming majority identify as Marxist-Leninists (with those from Hong Kong more likely to identify as "democratic socialists"), but exactly what that means can vary drastically, from extreme authoritarianism to an interest in anarchism, from blatant nationalism to principled internationalism, and from cultural conservatism to queer (酷儿)perspectives. What almost all seem to share, however, is a set of ideas derived from China's socialist era and the international workers' movement from the early 20th century through

the 1980s (with the Korean experience being a prominent model). These ideas are centered on the affirmation of labor-power, specifically that of factory workers, as both the main potential subject in the fight against capital and the foundation upon which a post-capitalist society should be built. This orientation—epitomized in the widely heard slogan echoed in the narrative below, "labor is the most glorious thing" (劳动最光荣)—now predominates even among many Maoists and others who had, in the 2000s, focused their activism on attempting to revive peasant communities. Many of these activists gradually began shifting their attention to the coastal industrial districts, where most young ruralites had come to work, and the 2010 strike wave catalyzed this shift by showing that such migrants were becoming a "new working class" with its own potential agency.

A main task of activists thus became to help "new workers" to develop class consciousness and forms of organization (almost universally conceived as labor unions) adequate to the historical mission imagined for them. This ideology is exemplified in the narrative translated below only in subtle ways, but understanding this background may help readers to grasp both the pamphlet's significance as well as the author's choice to focus on the "awakening" (to industrial working-class consciousness) of this young woman from the remote countryside, on the details of how she and her workmates came to understand what a union is and then attempt to assert control over it, and finally on Lin's later experience of state repression as a student labor activist.

This initial strike at the Honda factory and the ensuing wave of industrial actions more generally have acquired an iconic status in recent labor history.[1] The strikes challenged the

1 For English accounts of the 2010 strike wave, see "Trade Unions

way people in China and internationally had thought about the potential of worker struggles. Many academics, NGO activists and others on the left and beyond began labeling the strike wave as a turning point, where the new working class had finally moved from "defensive" to "offensive" actions, demanding more than Chinese labor law provided rather than merely asking bosses to comply with established standards. For some, the strike represented the birth of a long-awaited Chinese labor movement, emerging from the world's largest industrial workforce after years of incubation. The Nanhai workers' iconic conflict with the union, in particular, seemed to signify the emergence of "authentic" and "independent" trade unionism, either through workers' own networks or through some set of reforms shaken from local governments and the All-China Federation of Trade Unions.

Now, nearly a decade later, these visions seem to have been foreclosed. Perhaps they were founded on unrealistic expectations from the start. Initiatives pushing for reform, such as the draft Regulations on the Democratic Management of Enterprises that came to the policy table of the Guangdong government in late 2010 (discussed in the narrative below), were roundly rejected by capital, fearing they would endanger the region's already razor-thin profit margins.[2] Foreign capital, in particular Taiwanese and Hong Kong enterprises with large

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and Worker Struggles in Guangdong, Chen Weiguang Interviewed by Boy Lüthje," *Global Labour Column*, April 2011; "Workers' Autonomy: Strikes in China" by *Mouvement Communiste* and *Kolektivně proti kapitálu*, 2011; and "Auto Industry Strikes in China" by Lance Carter, *Insurgent Notes* #2, 2010.

2 For data on shrinking profit margins in the PRD and the real threat posed by implementing even existing labor-related laws (such as paying legally required company contributions to workers' Social Insurance funds), to say nothing of progressive reforms, see "Picking Quarrels" in this issue of *Chuang*.

investments in PRD manufacturing, lobbied against the laws, and the measures were scrapped.[3]

A few years later, many of these same business interests had relocated or greatly reduced their workforces. The number of manufacturing enterprises in Guangdong peaked in 2010, then fell sharply over the following years, as did the average number of workers per enterprise, according to official statistics.[4] By 2015 (latest available data), the number of industrial enterprises in Foshan had dropped by a quarter, while those in Zhongshan had fallen by 40 percent, those in Guangzhou by 33 percent, and those in Shenzhen by 20. Workers were striking primarily against non-payment of wages or social insurance contributions, or for compensation in the face of factory relocation or closure, but hardly ever for wage increases.[5]

At the Nanhai factory, the minor union reforms won in 2010 soon ossified, and workers became frustrated with the bureaucratic elections and annual bargaining.[6] While the agreement had formalized regular wage increases for workers, those were quickly eaten up by the rising cost of living in the PRD. Another small-scale strike occurred in 2013 where a handful of workers demanded a better deal than the union-led bargaining was offering them, but the action failed to spread across the factory.[7]

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3 Elaine Sio-ieng Hui and Chris King-chi Chan, "The Influence of Overseas Business Associations on Law-making in China: A Case Study," *The China Quarterly*, January 2016.

4 2016年广东统计年鉴 <https://gdidd.jnu.edu.cn/doc/gdtjnj/gdtjnj/2016/index.htm>

5 "Picking Quarrels"

6 On this, see "Turning Out Engines," Chuang Blog, 6 June 2018. <http://chuangcn.org/2018/06/turning-out-engines>

7 "Five years on, Nanhai Honda workers want more from their trade union," *China Labour Bulletin*, 15 May 2015.

What appeared to many as the beginning of a labor movement based in China's industrial sunbelt seems to have actually been the peak of a cycle of struggles that began in the early 2000s and ended around 2015.[8] Young activists hoping for such a movement are scrambling to piece together new horizons, as conditions rapidly change and hopes for the future fail to materialize, amidst an increasingly draconian political climate and declining economic prospects for China's proletarians, both within the factories and elsewhere.

For those of us wanting to understand these new horizons as they take shape, we need to understand the ground that lies before them. One view to this lies in tracing the broader arcs of conflict across recent years. But another, perhaps more important understanding, emerges from the stories and experiences of those who lived through them. The following translation thus provides both a first-hand account of the previous cycle of struggles at its peak and a window into the activist political terrain in reference to which future anti-capitalist trajectories will have to orient themselves during the emerging new period.

—Chuǎng

8 See: *Striking to Survive: Factory Relocations and Workers' Resistance in China's Pearl River Delta* by Fan Shigang, Haymarket Books, 2018. This book divides the sequence of struggles into three "waves" (early 2000s, 2010, and 2012-2015), each with distinct characteristics, the last (the focus of the book) centered on last-ditch efforts by older workers to obtain severance pay and social insurance contributions from factories preparing to close or relocate. Whereas the authors believe it is just a matter of time before the deepening economic crisis gives rise to a new and more explosive wave of industrial struggles somehow building on the previous ones, however, we highlight the growing importance of struggles outside of factories, of the wage relation, and of the PRD.

One afternoon in the summer of 2012, the flow of people on the metro began to swell. They were flocking to the platform in twos and threes, everyone chatting as they waited for the train. Girls giggled without a care in the world. When the train arrived, everyone squeezed their way into the dimly lit carriages. The doors slid shut and a few moments later the platform was calm again, waiting for the next batch of passengers to push onward towards their destinations. Each time the train arrived at a station, everyone seemed to know exactly where they were going. They kept looking at the maps on the walls of the carriage, afraid of missing their station.

But was everyone really sure about where they were going? There was at least one girl with long straight hair who didn't feel that way.

When she left home she still knew her destination: a presentation about a new book dealing with migrant workers. When she

received the invitation she wasn't sure whether to go. Ever since she had started college she never really talked about what had happened in the factory where she used to work. Even when the professor in the library asked her, "Aren't you that… Lin Xiaocao?" she just looked down and said, "No, you must have mistaken me for someone else." Then she silently grabbed her books and left. Her teacher thought it was quite an honor for Xiaocao to receive an invitation to the event and that there shouldn't be any problem, so she decided to go. But when she arrived at the venue, before she even had a chance to enter she received a nervous phone call from the teacher: "Where are you? Go home! Go home immediately!" She froze in her tracks. "Why? What happened?" She asked three times, but the teacher wouldn't tell her anything, except to keep repeating that she had to leave, that she shouldn't stay there.

On her way back to the metro, she felt so scared that she began crying, unable to hold back the tears. "What did I do?" she thought. She was just a student, a twenty-year-old girl, yet there were always eyes monitoring her from dark places. Usually she wouldn't notice, but sometimes the hands connected to these eyes would start clutching after her like this. Joy turned to sorrow as she relinquished the expectation of receiving an award at the event. She walked into the station without knowing where to go, barely managing to hold back her tears. She was wandering back and forth until she got off at some random station, where she stood on the platform for a while and then boarded another train. After some time, without realizing it, she found herself outside the home of an older friend. She told him what had happened and then finally began to calm down.

Most likely, what she seems to have "done" was to have participated in the 2010 strike at a Honda auto parts factory in Guangdong. But how did that come about?

First Impressions of the Factory: Honda's Philosophy of "Arousing the Will to Fight"

In the spring of 2008, Honda Motor Company's headquarters in Japan sent an employee named Yamada Kazuya to a certain city in Guangdong in order to serve as general manager at one of the company's several parts plants in the region. One year later, according to local media, Yamada proclaimed: "Because Guangdong's environment is similar to that of my home in Japan, I quickly adapted to the life here. It feels as nice as my hometown." When he was asked about the plant's performance, he explained that it was producing transmissions, drive axles, crankshafts, connecting rods and other related parts. After less than two years in operation, its annual output had already surpassed that of Honda's transmission plant in Indonesia. If this were not already outstanding enough, the Guangdong plant expected to double its transmission output by the end of the year.

Not long after Yamada had assumed this post, seventeen-year-old Lin Xiaocao also left home for this city that was the complete opposite of her native mountain village. She started working for the plant's division renowned for its rapid assembly of transmissions. At the time, she regarded that not as something glorious, but as merely her best opportunity considering her family's limited finances.

> My dad always had a hard life. His family owned little more than a few bowls and lived in a hovel made of bamboo. It was hard for him to raise us. Although he was poor, he did everything he could to let us finish junior high. Later, when I started thinking about our family, I realized there was no way I could go

> to university, so my highest aspiration was to attend vocational school. That meant I was destined for a factory upon graduation.

Just before graduation, someone from the Honda parts factory came to the school to recruit workers. After four screenings (筛选), Xiaocao became an employee.

Her first month at the factory consisted of training. Besides the training about production processes, what left the deepest impression on Xiaocao was the instruction in "Honda's philosophy." They showed a documentary about Honda's founder, Soichiro Honda, and Xiaocao was impressed by how this man slowly fought his way out from poverty, established Honda Motors, and led it to become one of the Fortune 500. Truly an achievement! She thought her situation was similar to that of Soichiro Honda: although from a poor family, she just had to work hard without complaining, give her best all the time, and surely she would succeed one day. Although she didn't really understand yet what kind of work she would have to do in the factory, at that moment, she was determined to be a good worker.

"Respecting people: mutual trust through equal relationships, mutual respect among all individuals, development of each person's abilities, and spreading joy through all of this."
—The Philosophy of Honda

After actually working on the assembly line for a month, Xiaocao started to recognize that, for regular line workers, Soichiro Honda was nothing but a beautiful myth.

> After training I was assigned to the transmission assembly division, delivering components to the assembly line. The work consisted mainly of putting

> the smaller parts on a tray and getting them to the assembly line so that people on posts further down the line could install them. This was considered quite tiring for girls. When I started it felt new and exciting, but it didn't take long for me to lose the initial sense of satisfaction and grow bored with constantly repeating the same tasks over and over again.

Not only her but also other students who came at the same time were getting fed up: "Everybody started to complain that working like this felt like being a robot. On top of that, the wages were not really high. It all seemed more and more senseless with each day."

The assembly line was designed in a way to make workers from each team take fixed positions and perform regular work. Because the hand motions were always repeating and there was no rotation of tasks, it didn't take long for them to stop thinking what had to be done in the next step, so speed was constantly increasing—exactly what the company wanted. They were not yet capable of fully replacing manual labor with machines, so they had to make do with turning people into machines. As for how it was arranged who would take a certain post, how long they would work, when they would start and when they would finish, all this was of course decided according to the amount of output required by the factory at the time, and people were sent where they were needed. You think the work is boring? Then, "you're not taking this job seriously enough." You think the work is tiring? Then, "you're not persistent enough." Not to mention the rules that the head managers came up with to strictly control everyone's conduct. What "respecting each other's independent personality" in fact meant was trying to force everyone to behave in accordance with the boss's idea of a good personality.

As for "sharing joy together" (共同分享喜悦) that was even more amazing. The general manager claimed that although the 2008 financial crisis initially did have a negative impact on profits, the company quickly managed to overcome them and increase production due to the government's favorable policies, such as tax reductions. The company's outstanding performance was the fruit of workers' labor. When the manager was telling media and Honda's head office about these achievements, it was clear that he was genuinely happy, but the ones actually making the products on the assembly line were workers wasting their youth on dull, repetitive procedures. Could they feel the same joy? Where would it come from?

What is Workers' "Joy"?

Because bosses own the means of production, the workers can only sell their labor power. The supply of labor power is not unlimited or inexhaustible. Workers will, after working for a certain amount of time, become hungry and tired, get bored, sick or pregnant, have children, and finally grow old and retire to enjoy their old age in peace. Therefore, the wage that is paid in compensation for their work must, besides covering their daily needs for food and clothing, be sufficient to cover the costs of a decent life with an appropriate amount of leisure time, provide for a family, and guarantee a livelihood in old age. Only when the labor expended is appropriately remunerated can one feel "joy" as a dignified (光荣) worker.

Do auto parts factory workers experience this kind of joy? Let's have a look at the conditions at the time. According to Xiaocao, "The wages would go up a few dozen yuan each year, but prices would rise even faster. It was just enough for one person to live on if you were careful about how you spent your money." Looking at a payslip in 2010, the basic monthly wage was just

675 yuan. After various allowances were added and fees were deducted for social insurance, etc., what you took home was a bit more than one thousand yuan. This was relatively low in comparison with nearby factories, so it was not hard to figure out that you were not better off than anyone else. This was the situation of some 1800 workers, who made up one fifth of the factory's workforce. Among the rest, eighty percent were "student workers": current vocational high-school students who were being paid only 800 yuan, with no social insurance. That year the minimum wage in the city where the factory stood was raised from 770 yuan a month to 920, yet the factory had the nerve to pay the student workers just 800.

The workers in the factory were mostly in their early twenties, so one thousand-some yuan was just barely enough to cover their living expenses. As they grew older, Xiaocao thought, this wouldn't be enough. "With age, everyone starts thinking beyond whether they have enough to fill their stomachs to whether they'll be able to raise a family with this kind of wage, and whether they'll be able to take care of their parents and children."

"Stand on your own two feet: think freely, unbound by established notions; act according to your own convictions, and take responsibility for the results of your actions."
—The Philosophy of Honda

In the beginning of 2010, Xiaocao had a dream: "I dreamt that one of my workmates was selling things at a street market, and there were a bunch of people from work standing in front of the stall." That street really exists—Xiaocao and her workmates often went there, and it was always full of people. So she started thinking she could actually set up a stall to make a little extra money.

> I sold matching T-shirts for couples. The first day, I felt nervous and awkward, but then a girl came and bought a pair. She even said nobody was selling such shirts around there, so she was really happy to see me selling them. I was thinking, "If I don't sell a single pair this evening, I'll lose the will to continue." By selling one pair I earned about 5 yuan. I remember this because my boyfriend used the money to buy a bottle of water, so I ended up not earning anything that day.

So the return was low to begin with, and when she was assigned to work swing shifts she couldn't run her stall in the evenings when the market was busiest. Eventually she gave up altogether.

Other workers were in a similar situation. When they got together, besides relaxing and having fun, they could hardly avoid talking about the issue of their low wages. Some felt that continuing to work there made no sense and that there might be better options elsewhere, so they considered resigning and moving on. But others would say, "I'm not giving up!" Among them was a workmate named Tan who, like Xiaocao, worked in the transmission assembly division and, despite deciding to quit, wanted to put up a last fight before leaving.

A First Taste of the Strike

According to what Tan later told the media, the idea to strike was already brewing inside him for two months. Earlier, some of the workers had written a petition letter to the company during an audit, but no one responded. So during breaks and rides to work and back, he started discussing the idea of a strike with some of the senior employees. Five or six of them reacted positively but lacked the courage to act. Only after

Tan said he would lead the strike did they agree to follow and encourage other workmates to join. As a result, early in the morning of May 17th 2010, he and another workmate pressed the emergency stop button on the assembly line, entirely halting production. Immediately, everyone started leaving the line.

Xiaocao was working the swing shift, which usually started after 3 p.m., but as soon as she woke up sometime after 8 a.m., she received a call about the strike. "At the time I was thinking, 'Wow! Awesome!'" Because workers from the same department had a habit of hanging out together, everyone was quite close, and since Xiaocao was always one of the more active in the group, she was immediately given a task. "They asked me to call journalists, but I didn't know a single one, so I figured I should call Guangdong TV or something. I just went online to find a phone number."

What did striking mean to Xiaocao at the time?

> Actually I had never heard of strikes before.... But among the workers in the factory, any time the assembly line stopped for whatever reason, it was a cause for celebration, because then they could get some rest.... Basically, you can just not work during the time when you're actually supposed to be working, and wait for someone to give you some kind of a proper response (真确的答复).

But if they didn't have to stay on the assembly line, then where would they go? What would a proper response be anyway? At the time, Xiaocao didn't have any clear idea about that, but in any case she wanted to participate in the strike. She could not stay home because her friends were at the factory and she didn't know what would happen next. [...] Each work team

had its own group on QQ [a social media platform] to make it easy for them to keep in touch. Everyone in the transmission assembly division's QQ group was sending out messages, saying the early shift people spent the whole morning sitting in the basketball court and then stayed in the canteen after lunch. This is why Xiaocao and her other workmates decided to go to the canteen to meet up with the people from the morning shift.

Not Seeing Each Other Breaks Mutual Trust

That evening, Xiaocao and her workmates from the transmission assembly division returned to meet with the people in the canteen, but when they arrived at the gate, the managers were blocking the way and wouldn't let them in. They were all dispersed and redirected to the factory's recreational area. Then the general manager came and made a gesture of accepting a few complaint slips filled out by workers, in all 117, and said he would reply within a week. While everyone was still deliberating how to respond to this situation, the managers were already taking their first steps toward dividing the workers.

Workmates from the same shift sat down together as usual, and among them was a team leader who didn't really support the strike. At some point he silently stood up and tried to lead everyone towards the assembly line. Less determined people didn't know what to do so they just followed, and eventually everyone from the second line left. Xiaocao thought this might have happened because during the strike everybody was following the leaders. No overall plan was ever made, so the shopfloor managers' actions could influence people to break formation.

"Then our manager said, 'Look, people from Line Two are all back in production, and the general manager promised to give an answer on Monday, so why don't you just go back to work?'" This was really something, and people around Xiaocao started grumbling that they had clearly made an agreement with Line Two not to resume work, that it was was really irresponsible of them to do that. Feeling they had no choice, Line One gave up and went back to work.

Although everyone resumed work, this went against their gut feelings. And when they sat down together during break, they couldn't stop complaining to each other. But it was only then that everyone figured out the managers' trick:

> Everyone on Line Two was waiting to see if Line One would participate in the strike, and then the manager said, "Look, Line One has already gone back to work." Only then did Line Two resume work. As for us [on Line One], we knew only that Line Two went back into the workshop, not whether they were actually working or if the machines were running. Later people from both lines were accusing the others of going back to work first. It was then that I realized the management was using this trick to sow mistrust.

Refusing to Stop, Combining Our Strength

That day it wasn't the whole factory that joined the strike but only two or three hundred workers from the transmission assembly division. The biggest department in the factory was called the "shaft machining division" (轴物加工科). There were some workers there who supported the strike and held a small-scale strike of their own on the same day, but once they heard the general manager's promise to respond by the next

week, they returned to work. Although everyone was waiting for the manager's response, they didn't become complacent.

> It was natural for us to think we needed a place where everyone could be connected, so we created a new QQ group. The people who created the group weren't thinking too much. First the key people joined and later more and more people followed. A lot of people set up new QQ accounts for this purpose, but I just used my regular account.

Although most of the members were using pseudonyms, it was always roughly known who was who because everyone was familiar with each other.

Three days after going back to work, new information started circulating among the workers. There were rumors that the factory was bringing over a bunch of new student interns from Zhanjiang to replace everyone who had participated in the strike. This caused a big alarm. On top of that, everybody felt that the meeting between the general manager and the worker representatives on May 20th didn't go well at all.

> We chose some of the representatives simply because they were team leaders, while others were chosen through internal deliberation among the workers. But the company representatives weren't negotiating in good faith. They just kept saying that they had received 117 suggestions and would read them out one at a time: "The first suggestion is…," "The second suggestion is…," —and that was it. Some of the workers asked, "Why don't you give us printouts so we don't have to copy all these down ourselves?" But the company reps didn't agree to that, so the representatives from our department just got up and left. They felt the company

> wasn't negotiating in good faith. The chair of the labor union, whom everyone already knew from before, was just sitting next to the general manager like a yes-man. He didn't utter a word of support for the workers.

Unhappy with the situation, Xiaocao and her workmates got together with some workers from the shaft machining division. They decided it was time to unite and stop the company from continuing to mess with everyone like that. Workers from both departments met on the evening of May 21st and, after exchanging news, discussed what to do next.

> We decided unanimously that after dinner they'd lead our workmates in the shaft machining division away from the shopfloor and down to the basketball court, "to observe the stars and the moon." Our department would do the same. This was the beginning of the second strike!

Convincing More People to Join the Strike

People were more mentally prepared for the second strike, and there were more people who took part as well.

> We started thinking about how to agitate to bring more people from other divisions to join our ranks. We heard about some people from another division who found out that we didn't go back to work after dinner, so their department chief quickly took them out to the recreational area.

The recreational area was the place where striking workers gathered during the first strike, but this time the chief took the

workers there in order to keep them away from people who had already joined the strike.

> The recreational area was between two workshops, separated by transparent glass. The department chief stood while the workers were sitting. People from our two [striking] departments were circling around outside the recreational area, excitedly calling them to come out and join the strike. But they were afraid to look at us and seemed rather helpless, just sitting there with their heads bent.

After more than an hour of this, the workers in the recreational area were still passive. They had lost heart a bit and kind of gave up, so they went out to chat on the grass.

> When we left, their leaders stopped paying attention and then suddenly the workers came out. When we asked why they were behaving like that just a while ago, they said, "Let's not talk about that, it's too humiliating. Next time we have to do something, we'll do it for sure."

That evening, the striking workers didn't make any further moves, but just sat in groups on the grass and talked. "We didn't really talk about anything special, like how long we should do this or what concrete results we wanted to achieve. Instead we just chatted about this and that." But, after they came together, seeing each other face to face, Xiaocao became more certain that they were destined to become a community (命运的共同体) that would be ready to use its collective power to fight for something—even though it wasn't yet clear what exactly they would fight for.

Everyone Joins the Strike

The things that happened over the following ten days went beyond anything Xiaocao previously imagined, attracting widespread attention.

> On the evening of [May] 21st, some managers came and grabbed the work-cards of the more militant workers in order to find out who they were, and to take photos of them. There were a few hundred of us, and yet the managers just swooped in and did as they pleased. That put us in a bad mood.

After the managers left, people started marching around the factory building in protest. This was not the only time they marched. Later many demonstrations occurred for various reasons, such as when the company announced their plan to raise wages by only a fraction of what we demanded, and when they fired Tan Guocheng, the worker who had initiated the strike.

> The usual places to gather for a protest were in the canteen or under the footbridge outside the compound. We never brought any signs or anything. At the time we didn't even think about what route to march. It was all confined within the factory premises. We would walk around once or twice and sing a song, something like that. In any case it was too boring to just sit and chat all day.

All this was happening in early summer, so it was rather hot. When there was nothing to do, the men and women would each retreat to their respective locker rooms to rest. Because the decision to protest was usually made at the last moment, Xiaocao would often check to see what was happening

on the QQ groups, and when someone was calling for a demonstration, she would ask all the girls to come out together. She would often stand in the first row of the demonstration and pay attention to what was happening around her. Some of her workmates would be shy, and this was when Xiaocao would tell them, "I am a girl and yet I can step up, so what are you people afraid of?"

The QQ group got a lot of traffic. The workers were not very happy with the company's stammering proposals regarding the wage increase, not to mention that some of the demands weren't even mentioned. So everybody started seriously considering what they actually wanted. QQ limits the membership of its groups to two hundred members each, so later when more and more people wanted to join, they couldn't. "When we were talking face to face, we always talked about the latest news or something else, but the QQ group was the only place where we could coordinate our ideas." Sometimes people were too emotional and couldn't control themselves, and that was when trouble started.

> Too many people were using bad language and flaming was common, so QQ groups often had to be shut down. This is why we decided to forbid bad language in our group. The idea of "striking in a civilized manner" was something that a few people had emphasized from the beginning.

Within these groups everyone was a bit more relaxed about what they were saying, and, anyways, they were supposed to be anonymous.

> In these conversations, a lot of ideas were forming and we could discuss what sort of goals we wanted to achieve. There was a low-level manager who would

> gather all the suggestions, and then others would print out the demands on flyers and throw them down from the footbridge for everyone to read and pass on. At the time it seemed like a lot of fun.

Where Was the Company's Good Faith?

Xiaocao's assessment of the situation was as follows. When the strike spread to the entire factory, this caused a lot of problems for the company. Management felt compelled to resolve things because, previously, there had been no way for workers to express their grievances.

> The boss was thinking, "If something bothers you, just say it." He behaved as if he didn't understand the point of sitting down [to negotiate]. When we went on strike, the boss was even more confused as to why [we were doing that], so we just waited for him.

But once the boss knew [why they were striking], would he want to resolve the issue together with everyone, or would he try to use the fastest means of suppressing the demands? The latter, obviously. The boss's response only increased the workers' discontent, leading to an even more energetic backlash.

Xiaocao's feeling was that, since everyone lacked experience, many actions were taken without thinking, and certain practices from the company's side made everyone think it was clearly being disrespectful. For example, the workers from the transmission assembly division were always on the front lines of the strike and very active. The reason they never returned to the workshop after they started striking was that the transmission

workshop was dust-free, and the sealed environment made everyone feel stressed out, and also that they could be easily controlled. This is why they would only assemble in the shade of the footbridge, where they felt more relaxed.

> When people from other departments came out to demonstrate, they would occasionally return to their respective production lines for the air conditioning, but nobody ever went back to transmission assembly (except for a few people who didn't join the strike). The locker rooms had air conditioning, but people from the company came and turned it off, so everyone had to sit under the bridge.

During the strike, the company's actions made us feel like it didn't want to negotiate in good faith, but rather it felt like they were trying to break the workers' will to strike in every way imaginable.

> What they were doing all the time was trying either to sweep something under the rug or to beat down on you, devising ways to give you a [disciplinary] warning, and to implement a series of other measures like firing people, trying to split them apart, making everybody sign commitment letters, and so on.

Union Unmasked as Yellow When it Assaulted Workers

What truly pissed the workers off was the incident of union officials assaulting workers on May 30th. That day, a group of more than one hundred people wearing yellow hats came onto the factory grounds and blocked the workshop doors, and

managers started forcing people to go back to work. After spending the whole morning in a stalemate, many workers felt they couldn't hold on any more, so a dozen or so went out through a refuse disposal emergency passage. When they were going out of the transmission workshop, managers shouted after them that they were no longer considered employees.

When they got out of the workshop, the people with yellow hats tried to push these workers off the factory grounds. As they shuffled, there were instances of workers' faces being cut and women being kicked in the stomach. "Among those who were beating people were union officials, as well as police with handcuffs and even residents of the village [where the factory was located]." Other police at the scene were just observing the whole incident without lifting a finger, feeling like they were being left out of the fun. Shortly thereafter, vans parked nearby drove in at high speed, picked up the union officials and drove off. Some workers tried to stop them but were too late. These officials from the township federation of trade unions, who in the past ten days had never stood up for the workers, finally stooped so low as to violently repress them.

In theory, unions are supposed to be organizations of the workers, a platform they could use to raise issues with the boss and discuss working conditions. The factory already had a union, but in Xiaocao's view it was only used for recreational activities, and union officials would never utter a word when it came to dealing with issues that really mattered. The conditions in China are such that an enterprise union is directed from above, from the subdistrict, township [or district] and prefectural federations all the way up to the All-China Federation of Trade Unions (ACFTU). Since the ACFTU is in no way independent but something controlled by the party and the government, the enterprise union does not stand up for the workers most of

the time, but instead does the bidding of the company and the local government in order to prevent workers from fighting back.

After ten days, the strike was finally getting some attention from both domestic and foreign media. We use the term "yellow" to describe those unions that collude with management and wipe the boss's arse rather than speaking up for the workers, and this union's officials fit that description in both their behavior and, literally, their attire. One can't really say whether their actions were stupid or smart. They presumed that the workers would, like most ordinary people, back down after being threatened. They didn't anticipate that their ridiculous appearance, wearing yellow hats and union emblems while assaulting workers who called for a "harmonious strike," would be broadcast around the world via the cameras of onsite journalists. Xiaocao said that upon hearing that the union was beating people up, even the workers who were not present became indignant: "We were angry and demanded an explanation." When workmates from workshops that had already returned to work heard the news about union people hitting workers, they stopped production once again.

Alliance with the Media

This was the first factory where Xiaocao had worked. Normally she would hang out with her workmates after work. She had less contact with her classmates from the vocational school because they all worked in different factories. But because of media reports about the strike, her old classmates living in different cities contacted her with encouraging words. "Some classmates even came down from Guangzhou to visit me just because of this. They said, 'You guys are really awesome!'"

After the strike started, the workers managed to stay united, but since they were doing a thing they had never done before, they were always feeling the terrain one step at a time while bearing all the weight of the strike.

Besides the mutual support among themselves and encouragement from classmates and friends, the workers had another ally: journalists. They believed that reporters would spread the news about what was going on in the factory, so that other people would know and the company and government would think twice before doing something. As far as the workers were concerned, the fact that others took notice was already a form of support. This is why they added journalists into the QQ group for circulating new information. On top of that, some workers established connections with journalists and helped them with reporting. One journalist later recounted:

> First we got in touch with workers to get more details about what it was like working there. Some workers drew detailed maps of the whole factory for journalists and even helped them to reenact [the course of the strike]. In contrast with the previous generation, these young workers born in the 1990s displayed a cool-headed, rational and tireless determination to achieve their reasonable goals.

In recent years, workers have become active users of social media. Besides QQ, now there are also Weibo and WeChat, where they can send out information and their friends and supporters can in turn spread the news until it gets some attention. Once people start talking about something online, the media will get a hold of it sooner or later. You can't really depend on your relationship with the media alone, because journalists can't freely choose what they report about. This

is both because media are profit-oriented and also because they are restricted by party-state censorship. Whether the media cover a labor action depends, first of all, on whether they consider it special and serious enough. If they think that something is too commonplace, they will just come by and ask a few questions, write a hundred words and wrap it up. There are certain media that come to report about workers with good intentions, but this depends on whether the state and party agencies approve of their reporting, because the latter often consider this kind of news as something that could "disturb social harmony."

When the incident with the union assaulting workers took place, Xiaocao heard that on May 31st domestic media received instructions to cease reporting on the matter. This meant the workers would have to rely on themselves, for the most part. On the morning of June 1st , the workers, both those going into work and those leaving, marched into the factory and demanded an explanation. "We went to find the Japanese managers and ask them why we had been assaulted, and they said it was something that the union did on their own, that they had nothing to do with it, so we should go talk to the union."

A Mysterious Appearance

At that point, multiple foreign news agencies gathered outside the factory. Some of their names sounded familiar and some didn't. As the angry workers were coming out to be interviewed, a man wearing a suit accompanied by a secretary emerged from the crowd.

Who was this man? He was someone with two identities, one being that of a high-ranking manager of the business group with which the factory was affiliated—a half-boss, basically.

His other identity was more interesting: a member of the National People's Congress, so, theoretically at least, he was representing the people, even though nobody knew how he had come to be their representative.

> He'd just arrived, but we were angry and didn't want to talk to him. If he wanted to talk to someone he could see the general manager. He gave us a business card, but we threw it away.

At that moment a furious worker who was ready to give an interview to the press came out of the workshop, but the senior manager was there telling everyone not to speak. His secretary came to Xiaocao and tried to reason with her.

> He asked whether I had considered the fact that everyone just wants this matter to be resolved, that we should not make things worse. We should not talk to the foreign media, he said, because we can't be sure how foreigners would present the whole matter. They might distort our country's image, so what was the point of talking to them? Besides, we had our National People's Congress representative here, who was willing to mediate.

Was the People's Representative a Friend or a Foe?

After ten days of striking, though morale among workers was still high, there were some bottlenecks with regards to action. Although the workers' determination surprised people both inside and outside of China, and multiple news agencies still had people there watching, this was not enough to pressure the company into making concessions, or to get any justice for

the workers. The union that claimed to represent workers was beating them up, and the authorities were just telling everyone to go back to work. The workers had no one they could count on, so they felt isolated and were waiting for some kind of a breakthrough.

We don't know what kind of an agreement the government came to with the boss. When governments are trying to attract investment, they have to make guaranties to the foreign-owned firms that the wages will be acceptable to both the firms and the workers, because that is the role of a government which serves the people. But when companies come crying to the government that the costs are going up and business is tough, the government will, in order to appease the big fish, forget about its responsibilities towards workers and the people, offer all kinds of favorable policies to the companies, and help them to continue exploiting workers at low wages. And when workers come together in resistance, the local government will step in to suppress their actions and then clean up the mess for the company.

But with this strike it was a bit different. The workers' willingness to hold out for many days actually achieved some results. With both Chinese and foreign media reporting onsite, the local government suddenly became more concerned about making a bad impression. A sympathetic explanation would be that the government did not really know how to deal with the situation, and since workers did not trust the government or the union, who else was there to mediate? For the local government, the arrival of that senior manager was a godsend. He had both a professional relationship with the company and the rank of a People's Representative in government, so during the mediation he would be held in esteem by both workers and the company. He would make things run smoothly, and

his willingness to cooperate with the local government would bring this dispute to a "harmonious" end.

At the time, Xiaocao thought that since everybody was hoping to hear something from the union, even though the senior manager's arrival was not ideal, it was nonetheless seen as rain amidst drought.

> We made him go in front of the cameras and promise that he would take a stand for us and find a solution that would be to our satisfaction. After that, all of us who were going to be interviewed dispersed, walking off or going back to the factory.

She wasn't sure how he managed to find the people who were beaten up and lobby with them. They would then tell other workers that the senior manager was hoping to meet workers' representatives who would let him know what the issues were. Since everybody thought that Xiaocao had guts and was good at expressing herself, they chose her and another twelve people from the transmission assembly division to go together.

The sudden appearance of someone claiming he could resolve everyone's issues made Xiaocao a bit suspicious. No one was really clear about the specific rank of this man, they just knew he was half government and half boss, but with the scenes of union officials beating workers fresh in everybody's mind, how could they not call for justice? Perhaps it was because they were caught off guard, in a state of mind when they were just trying to get someone to listen to them, that it wasn't hard to get everyone to go along with it.

What happened next in the conference room additionally strengthened everyone's trust in the senior manager:

> We went to the conference room demanding an apology from the township federation of trade unions, and he immediately supported this demand, calling for an apology. By that time the general manager was already worn down and also apologized. We wanted to put pressure on the union federation and make them explain why they hit people. They started speaking, but since we weren't the ones that got beaten up, we demanded a written explanation for the people who weren't present. The senior manager agreed, giving orders to the union people: "Yes! Start writing it for me right away and post it tomorrow morning!" At the time we thought he was really standing up for us.

"Trust: Everyone acknowledges one another, compliments one another and earnestly plays their part."
—The Philosophy of Honda

On the surface, Xiaocao didn't seem like anyone special. She looked no different from any girl you might come across in an industrial district. She was just under twenty years old, growing her hair long, paying a little attention to her looks, with curvy eyes when she smiled and a tender voice when she spoke. She liked to chat and wasn't afraid of intimacy. When she started talking, people felt as if a spring breeze had just blown over them. You found yourself pulled into conversation without realizing it, no matter if the topic was serious or just insignificant wisecracking. [...]

The other workers all liked and trusted her, not only because she was friendly and had this girlish air about her. Everyone knows that someone trustworthy will be there when things get difficult. She would try to figure out what to do, find support, and do her best when she was helping others. Within the group she was part of, she could very calmly start from everyone's

point of view, analyze it, and determine what circumstances were most beneficial and what kind of difficulties everyone was facing, what was the source of the predicament, and how it could be resolved. When everyone went out to march together, even though she was walking in the front, she wouldn't forget about the people in the rear. [...] Because it was everybody's action, it shouldn't always be led by the same one or two people—everyone should equally participate in the strategic decisions. During collective actions, workers need this kind of leading personality rather than the sort of leaders who only take the role of field commanders.

Of course, she was not the sort of model worker promoted in former times, who never stopped marching forward. She was just a nineteen-year-old with limited life experiences, not sure what to do under pressure, and who could freeze up when nervous. Other workers of the same age were the same, but that didn't mean they would allow people to step on them. What they needed was mutual support, help and concern for other people's moods and conditions, which could make them feel they were not lone individuals doing things that the whole world disapproved of.

Misplacing Trust and Getting Conned

Xiaocao was very conscious of the fact that she was not super capable. She knew that precisely because she was just an individual among many, so she could not make decisions on behalf of others. Most of her workmates thought the same. Then the senior manager told the worker representatives that since he had already made the general manager apologize, and that the union would write a statement regarding its assault on the workers, everyone should go back to work. At the time, they were just talking things over and no agreements were

made. Everyone was still expecting that the senior manager would help them but could not promise anything for the time being due to matters of principle.

But after they left the meeting room to face the other workers from the whole factory, everyone immediately figured out that their relationship with the senior manager was very weak. Everyone was mentally and physically exhausted.

> Although we were not working at the time, we were still very tired. We had to deal with the company, the government and the union all the time. Otherwise, the managers would again find a way to do something behind our backs to divide us. Suddenly they went and hired a batch of student interns, so we had to find these interns and talk to them to figure out what kind of conditions the company had promised them.

At that point, the senior manager turned everything upside down with one sentence.

> In the conference room we had talked about first discussing the matter with the other workers and then deciding whether to go back to work. The few of us could not make the decision on behalf of everyone else. But as we were preparing to hold a general assembly on the recreational grounds, in front of everyone, he [the senior manager] declared that the twenty of us [representatives] had already agreed to go back to work.

They stood there dumbfounded. What they had never promised had now been turned into a fact, and no amount of talk would change that.

> The senior manager asked us to come out again. We were so nervous! People from other departments were objecting, repeatedly asking why we were going back to work. But the people outside were usually from the transmission assembly division, since all the rest would only came out during demonstrations. We just hoped the issue would be resolved, otherwise we couldn't get anything out of it, so we decided that the transmission department would go back to work first and if other departments wanted to take the initiative, then we would fully support them. This is how we all returned to work that day. We weren't sure what would come next. We no longer had unity amongst ourselves.

Issuing Statements is Not Something Only the Union Can Do

On June 2nd, Xiaocao and some of the more militant workers from her workshop got together to discuss what to do next. One of them brought a newspaper. This was how they learned that journalists were already reporting on the apology that the senior manager had made the union write the previous day. Although the apology addressed the "esteemed employees of the company," they described the events in a completely twisted way, claiming that because of misunderstanding and excitement on the part of the workers, a physical altercation occurred with union staff—implying that those who had insisted on continuing the strike were the ones to be blamed. Nothing was mentioned about how the company had disrespected its employees from the start and the union had used violence against the workers.

Everyone was pissed off and felt that the union was shameless to make this kind of statement. But then they read another report where Guangdong's Party Secretary Wang Yang described the strike as a "dispute between labor and capital." This, by contrast, implied that the reason for such a long and eventful work stoppage was the contradiction between labor and capital regarding the distribution of profits, rather than an attack on social order or an upheaval with ulterior motives.

Although this wasn't ideal news, the comment by Secretary Wang pointed toward a possible direction of further labor actions. Some proposed that if the union could issue a statement, so could the workers. Among the twenty employees who went to see the senior manager, most were from the transmission assembly division, so they could not speak for the whole factory. Writing a statement at that time thus had two goals: first, to make clear that, although they were returning to work for the time being, their demands had not yet been met; and second, by circulating an open letter, to find people from the other workshops who could become new representatives. The letter, composed through discussion among the transmission workers, was titled "Open Letter to All Workers and All Sectors of Society by the Striking Workers' Bargaining Delegation at Foshan Honda."[9] It included the name and contact details of one worker.

The letter reiterated the workers' principal positions, including the demand for a wage rise, implementation of collective bargaining mechanisms, employees' right to organize, etc. It also responded to the union's apology statement, condemning its attempt to divide the workers and calling on people from all walks of life to offer support. In Xiaocao's words: "The appeal

9 The letter can be found here: 佛山本田罢工工人谈判代表团致全体工人和社会各界的公开信, 3 June 2010, <http://www.ideobook.com/29/open-letter-by-foshan-honda-workers/>

was basically the same as the one we discussed on QQ prior to that, just more worked out, with a few quotations from newspaper articles." Since a meeting with the senior manager had already been scheduled for the following afternoon, they were in a rush to find representatives from other departments before that time. This is why the end of the letter was signed by an indistinct "Bargaining Delegation," and contact information was included to make it easier for everyone to find them.

An Accusation of Illegality

That evening, workers talked long into the night, until three or four in the morning. The next day, when they woke up sometime after ten, Xiaocao and her workmates from the transmission division printed out leaflets of the open letter and rode a motorbike back to the plant to distribute them. [...]

> Originally, we hadn't planned on sending this open letter to the media. It was only when we were already handing them out that this occurred to me. I guess I felt that speaking only to the workers inside the factory seemed too isolated and that we also needed to be concerned with the outside world. So I gave one to the journalist we were always in contact with, but I didn't mention this to the other workers at the time.

Distributing the leaflets succeeded in putting them in touch with other workers. Xiaocao received numerous phone calls and text messages from workers in other departments. At the time of the meeting, when the senior manager saw the open letter for the first time, he didn't react to it, but later one of the Japanese managers took a copy to the meeting room and said these leaflets had been spread all over the factory. It was

only then that the senior manager found out he wasn't the only one who had read it, and he immediately went berserk.

> He started scolding people, saying, "Do you really think you are representatives chosen by the workers of the whole factory? You dared to use the word 'strike' in an open letter! Do you believe me when I say that the moment you leave this room you'll be arrested?" He said we were uncontrollable. The letter demanded a satisfactory response within three days, to which he replied, "Did I make this sort of promise to you? What would a satisfactory response mean anyway?" He wouldn't stop shouting at us.

Afterwards Xiaocao thought that maybe everybody was already prepared to go to jail, and this was why, when the senior manager said he would have all the leaflets in the factory destroyed, everyone remained calm. His secretary told him that the open letter was already online, and Xiaocao even told him that she was the one who had posted it before it was picked up by the media. "When he said a lot of its contents were illegal, I told him that I was the author as well." The senior manager grew even angrier, pointing his finger at her and yelling:

> You think you're the only one who's going to take all the blame for this? Everyone in this room is implicated! None of you are genuinely elected representatives!

"My mind went blank, because I didn't know if we were really breaking the law." Nothing came of the meeting, so everyone just went to sit in the grass outside the factory. They were feeling pretty useless. Xiaocao couldn't think of anything to say. She had wanted to shoulder all the responsibility, but in the end it seemed that all her companions (伙伴) would be implicated. To her surprise, "The other representatives actually

came to comfort me, saying it was OK, we would all just go and retrieve the leaflets." But the letter actually had the intended effect—it was quickly spreading online, so the media kept reporting about it. That evening, each workshop carried out a more formal selection of representatives.

> One of the demands we issued in the letter was the election of new [plant-level] union [officials] (改选工会), and this put pressure on the senior manager. Maybe he thought that if factory-wide elections were held right away, we might not be elected, since we hadn't been chosen by a proper casting of ballots in the first place. So he asked the union to hold an election for "consultation representatives."[10]

Contacting a Legal Advisor

Meanwhile, the accusation of illegality settled over Xiaocao like a haze. The letter had already been written, so there was no going back at this point. "I sent a message to that journalist asking if he could take the letter offline, without saying why." There wasn't much use in doing that: even if he took it off the agency's website, there was no way of stopping the letter from spreading through other channels. But what she heard next gave Xiaocao some hope. "[The journalist] gave me the phone number of someone named Professor Chen who, he said, might be able to give us free legal advice." Professor Chen taught industrial relations at a university and had been following news about the strike all along.

10 "Consultation" is the standard translation of *xieshang* (协商), the state's preferred term for collective bargaining in industrial relations, which is used here. This is considered less antagonistic than the more commonsensical term *tanpan* (谈判), which we've translated as "bargaining," as in the "Bargaining Delegation" named as the author of the open letter above.

That evening some of the workers called him. The question they were most worried about was whether there was something illegal about the open letter. Through the receiver came the voice of this professor they had never met before: "There's nothing illegal about it! You wrote it very well!" Xiaocao could finally let out a sigh of relief.

> Then we asked if he would be willing to be our legal advisor and he immediately accepted. He just wanted us to write something to give him power of attorney. But at the time we had no idea what power of attorney was, so we asked a workmate from the office to help us draft it. At the time we were asking him to serve as both our bargaining representative and our legal advisor, but when he came he explained that he couldn't act as a bargaining representative, just as a legal advisor.

Election of Real Worker Representatives

The election of "consultation representatives" spread like wildfire to every workshop in the factory. The union-organized election had basically no candidates, so each worker just wrote the name of the person they wanted to elect on a piece of paper and threw it into a box the union had prepared, and that was it. There were no regulations and no campaigning. On the shopfloor people just said that if no one received more than one third of the votes, the election would have to be repeated.

> Although no one really wanted to be a representative, the mood was still solemn. Everybody had already taken into consideration that the person elected would be representing everyone else during negotiations

> with the company, so they were concerned about who would shoulder this responsibility.

As one of the people actively engaged on the front lines ever since the beginning of the strike, Xiaocao didn't really have much ambition to be a representative. She didn't even know what it would be like to win or lose the election. What she really wanted to know was who would be elected in the *other* workshops and whether they would agree to let Professor Chen serve as legal advisor for this hurriedly assembled bargaining delegation. The election started at 10 p.m. on June 3rd, voting continued through the next morning, and the results were out at noon. In the end, Xiaocao was elected as one of the representatives of her department.

> […] Although I had participated all along, I wasn't sure whether anyone would notice all the things I had done. After so many people voted for me, I felt that the masses truly have sharp eyes!

Chaotic Negotiations

June 4th was the day for resuming negotiations that the workers finally won after more than ten days on strike. Under the senior manager's plan, the company reps and the workers' consultation representatives, who had been directly elected in each workshop the previous day, would, before starting the talks, go through all the points in the open letter. They began the negotiations at 4 p.m. Before that, at 2 p.m., all the worker representatives had a meeting in which they came to a consensus about their positions.

> They were awesome! Everybody came. Some were people I hadn't seen before, from other departments.

> Most were ordinary frontline workers, some were line leaders. They totally supported the demands listed in the open letter and also agreed to have Professor Chen as our legal advisor.

Chen received their authorization that day and immediately bought a plane ticket to get down to Guangdong as quickly as possible.

Things were pretty chaotic. As they sat down for negotiations, the worker representatives discovered they weren't prepared at all. "We hadn't imagined what it would be like because there wasn't any time to think it over." The chief of the municipal labor bureau was presiding over the meeting. The company had sent the general manager, a few division chiefs and a legal advisor who came from Honda's Guangzhou headquarters just for the occasion. Although the union chairperson looked soft, he was the one who, according to the *Union Law*, had to be the workers' chief representative in collective consultation, and all the elected representatives had to wait for his permission to speak. "I only spoke on rare occasions. I always wrote what I wanted to say and passed it on to the chief representative, and then he would say it."

The workers' consultation representatives went through all the demands from the open letter point by point, and, although everyone's position was identical, Xiaocao still felt they didn't really discuss it much.

> We wanted to deal with all the demands in detail—how much the wage rise should be now and each year into the future, how the union should be reorganized, etc. But during the negotiation we couldn't discuss much. We didn't make any special emphasis, we only managed to talk about the wage rise, leaving the rest

> as mere promises. The company told us they would increase the wage according to levels in similar factories nearby based on their investigation. We disagreed. We didn't explain why, but the point was that we couldn't account for the other workers.

There was nobody making statements. They used text messaging and QQ to keep in touch with the workers outside and report on the course of the meeting. Professor Chen arrived at the factory around five or six and then finally joined the meeting.

Regarding the wage, the open letter reaffirmed the demand that the basic wage must be increased by 800 yuan [per month] for all employees including student interns. Three days before the negotiations, the company came up with a wage rise proposal to increase the minimum monthly wage to 1,910 yuan. This seemed high but wasn't in accordance with the workers' demands, since the basic wage is just one part of the "minimum monthly wage," which also includes overtime and various allowances. If the company kept the basic wage low and only let it increase via other allowances, this could have two consequences: first, employees would have to continue relying on overtime for most of their wage, and second, the amount of Social Insurance contribution the company pays on the basis of workers' basic wage would be very little.

Arbitration as the Worst Case Scenario

In the meeting room, the managers who joined the negotiations would of course not agree to a plan for an 800 yuan rise across the factory. They kept repeating that the most they could offer was 500.

> At the time, we were thinking about the question of how the 500 yuan would be split—how much would go for the basic wage, how much for allowances, so we held out. But the company wouldn't back down and said that if we didn't accept it, there would have to be an arbitration.

The workers couldn't hide their mistrust of state agencies. Even without the incident of the union beating workers, this would have been understandable. It was easy to hear about factories with ample profits that planned to raise wages in order to retain employees, only to be dissuaded by the local government or village committee, who claimed that if one factory raised the wage, this would result in a wage disparity causing problems for other factories in the area. Factory workers generally earn little, the gap between the rich and the poor is already as big as can be, yet the issue is not being resolved by raising wages, but by keeping wages down and everyone's expectations low. Does this seem fair? To the workers it seems absurd, but to local governments, who want to keep firms where they are, this kind of reasoning comes naturally.

When examining strikes in recent years, something easily noticed is that, after a strike has begun, many workers go to the Labor Bureau to lodge a formal petition. They do this because there is no other channel for appealing and this is the only way to force the government to put some pressure on bosses to come out and talk to the workers. Sometimes the government really does that, but more commonly it suppresses or deliberately refrains from protecting workers' interests. When angry workers go to the government, the latter has two instruments at its disposal: one is sending the police to disperse or detain the people in front of the building, the other is to play around with the workers by saying the demands are

not according to law or exceed legal frameworks—in other words, washing their hands of the whole thing.

This is why Xiaocao and her workmates were so clearheaded in this respect: they quickly realized that if the government wasn't with them, it was against them. When the company said "if we can't come to an agreement there will have to be an arbitration," it was clear that the local government would use arbitration to stall for time and would not come up with a decision that would cause much damage to the company. In theory, when two parties can't come to an agreement they have to find a third party to mediate, but in fact this was nothing but an undisguised threat. For the workers, the ideal thing would be to settle everything at the negotiating table, but in this case they seemed to have encountered a bottleneck.

Outside the Meeting Room, the Crowd is Restless

The mood inside the meeting room depended on how the talks were going, but the people outside could only imagine or guess from hearsay what concrete progress was being made. They had to stay outside waiting for information and spent their dinner break all keyed up. Sometime after 7 p.m. they could no longer remain subdued, and Xiaocao received information that the transmission assembly division was on strike again.

> Actually, when I was in the meeting room, they kept sending me text messages asking what the situation was. But we were inside so long that they decided if no progress had been made by dinner time, they would go on strike again. I knew that would happen. I didn't feel too comfortable talking about it, but I didn't tell them they shouldn't do it. When they actually did

> go back on strike, managers who had been behaving alright until now became hostile. They claimed that we couldn't strike during negotiations.

For Xiaocao striking seemed appropriate, but then Professor Chen agreed that they shouldn't strike at this time because it could affect the negotiations. This is why Xiaocao and other representatives hurried back to their respective workshops and explained this to everyone, asking them to go back to work a little longer and see what happens before taking further action.

Unfortunately, managers who had previously seemed friendly were no longer behaving that way. "This one Japanese guy was looking at me as if he wanted to strangle me, but we were in a hurry so I didn't have time to think about it much." The workers' consultation representatives went to another room with Professor Chen, who told them that certain subjects shouldn't be addressed for the time being—especially the issue of union reorganization. Unions were workers' organizations, so their reorganization was not something they should be discussing with the company, otherwise they would never get anywhere.

Who Can Consultation Representatives Actually "Represent"?

Under these intense circumstances, Xiaocao and the other representatives had lost track of time and missed dinner. [...] "We were under immense pressure, so it was hard to make decisions appropriate to the circumstances."

Xiaocao thought that under ideal circumstances, even if she and other representatives already had enough grasp of the situation to make a decision, they should not be making

decisions themselves, but should first explain things to the people who elected them and then decide after hearing what they had to say. In the meeting room, roughly one third of the representatives had the same idea, but unfortunately the force of circumstances was such that they had to compromise.

> This kind of temperature checking would really drag things out. There were a lot of government officials present. We didn't really know who they were, but they kept whispering that the wage rise we were getting was already good and that we should keep in mind the wage level in the industrial park where we were located.

Although each bargaining representative was directly elected by their workshop, did this really prove that Xiaocao could replace everyone and agree to things the others knew nothing about and could not discuss first?

This question is not something that just became evident in this negotiation, but has been an issue in many countries that already have democratic union elections. If a person can vote for someone to participate in decision-making instead of themselves, then what is their relationship? Do I have any more responsibility after voting? Do I have the right to interfere with the decisions my representative is making in my name? And what kind of responsibilities does my representative have towards me? Under what circumstances is my representative faithfully representing my opinion, replacing my participation in a strategic process closely related to me?

The End of the Negotiations, A Victory for Everyone

The company was no longer willing to talk to the worker representatives. In order to break the deadlock, Professor Chen and the senior manager went to negotiate with the company.

> The result was beyond everyone's expectations. The wage rise was still to be 500 yuan, but of this 300 would go to the basic wage. Everyone accepted this and they immediately began preparations to sign an agreement.

Strictly speaking this result was not achieved by the representatives themselves, and everyone's negotiating skills still needed improvement, but if the strike over the previous two weeks had lacked the organizational strength to show the bosses how determined they were, then no matter who they sent to the bargaining table, they would have failed. In this sense, the next day's media reports about "the workers' victory" were not exaggerating.

After the agreement was signed, the dust finally settled. Xiaocao gathered the courage to ask Professor Chen, whom she didn't really know before, if he'd like to go to the transmission assembly workshop to meet her workmates. People were saying that Chen, who had flown in from far away, was surely tired and wanted to rest, but he interjected, "No problem! Lead the way, Xiaocao."

The most important part of a car, besides the engine, is a transmission. A transmission takes all the mechanical power produced by the engine and transforms it into more effective power that feeds into the drive shaft, wheels and other equipment, making the car run. This strike started in the

transmission assembly division, and it was workers from this department who became the most active force during the strike. Their spirit and actions influenced everyone's morale. One can well imagine that the pressure they bore was immense.

When Xiaocao brought Professor Chen to the workshop, she first introduced him as their volunteer legal advisor. "But as we were chatting, people kept asking how things were going and whether no more strikes were allowed while the agreement was in effect. . . . They wanted me to read it out loud, so I didn't hear Professor Chen's conversation with the others." Later a workmate told her that Chen's words had moved him to tears. "In the past we had all been constantly beaten down and there was never anyone who would praise us in such a positive manner."

Throughout the entire process, no matter how high the pressure grew, Xiaocao would grit her teeth and pull through. One day she received a text message from her dad. "He said he admired my courage but was afraid that I was too young to bear all this. Then he said that I compared favorably with any boy." She couldn't hold back the tears. She kept that text message for a long time. "It's because he always wanted to have a son."

If you are doing the right thing, there will always be people who appreciate it and all the blood and sweat won't be in vain.

Looking Forward to Greater Changes: the Union Election

Even though an agreement was signed, Xiaocao still had other things on her mind.

> Professor Chen said we should not discuss union reorganization during negotiations, that we should deal with that issue on our own. But we weren't sure when to prepare for the union election.... I was neither happy nor unhappy, but since I was a representative, what worried me most was whether the others had any issues with the outcome.

After the negotiations concluded, work returned to normal and Xiaocao went back to the assembly line, but at the same time she tried to follow what was happening with the union. She was sure that if there were no real union to represent the workers, then the implementation of the deal they had signed would be in the hands of the company, without any way for the workers to supervise it.

> I was brave at the time. When I saw the general manager come into the workshop I took off my gloves, ran up to him and said, "We were striking in good faith! Hopefully in the future there will be a channel for peaceful communication!" He said they would immediately start building this channel and so forth. I was hoping all this would bring about some great changes, push some things in a positive direction. I didn't have any ill intent.

The "great change" she was hoping for hasn't happened yet, but from the way the authorities were behaving one can see that this strike really contributed to a rising feeling of crisis within the government, along with attempts to resolve it. Everyone thinks that the draft *Regulations on the Democratic Management of Enterprises* that the Guangdong provincial government issued at the end of 2010 was a response to the wage rise demands issued during this strike. In order to prevent workers from resorting to strikes when raising demands, the government

wanted to promote "orderly collective consultation," allowing labor and capital to have regulated and established channels for exchange of views and consultation on working conditions. During the following year's National People's Congress, the ACFTU was questioned regarding this strike. The incumbent vice-chair of the time, Zhang Mingqi, also acknowledged that all the reported contradictions between workers and capital resulted from companies not sharing profits with workers, stating that these issues could be resolved through the method of collective bargaining but that relevant regulations had not yet been perfected.

Although the draft *Regulations* stirred up a lively debate throughout society, they still haven't been implemented as law because of strong opposition from companies. Under the eyes of the whole world, however, a reorganization of the union at this factory actually took place. The effects of this reorganization have yet to be discussed. About ten days after negotiations ended, Xiaocao ran across some information in a newspaper.

> The Guangdong Provincial Federation of Trade Unions [GFTU] told the media that they would carry out a pilot scheme for union reorganization in our factory. Previously we had never known when we could elect [new plant-level union officials], but now we had a chance, the federation was claiming.

This is why Xiaocao gathered all the people who were active during the strike and told them the good news.

> At the time I was really charismatic and could get all kinds of people together. I don't know why they listened to me. It seems funny when I talk about it now, but at the time I didn't think much of it.

The union leader was also saying that the workers' demand for elections was reasonable, so he would help us push for this. Xiaocao pinned a lot of hope on him. But the workers did not feel the same.

> I was the only one to run for elections. Everybody thought it was just a formality and nothing more. They thought having this election made no sense and there wouldn't be much difference if we had them or not.

The Devil Is in the Details of the Election System

> Although we already had experience with elections, this time everything seemed a bit more official. We started with the shop stewards (工会小组长), one elected by each shift (班组). There were no candidates. The voting was anonymous, and again it was done by writing the name of the person you wanted on a slip of paper. After the shop stewards were elected, the stewards themselves had to nominate four branch (分会) candidates, posting information about them so everyone could read it first, then the whole workshop had to vote and choose three people. So this was a form of indirect election.

The [three people] elected in the branch election were one chairperson and two [other] committee members, but they were not yet considered union committee members.

> In the end the union committee was elected. Each branch nominated people, and the twelve people

> that made up the election committee elected the candidates for union committee members.

It sounded like twofold indirectness, all unfavorable for frontline workers. A lot of people in the workshop knew Xiaocao from the strike, so it seemed ok in this case.

> In the shift-level elections, everyone wanted to vote for me, but there was a manager who went to the assembly line telling everyone not to, so I wouldn't be elected on the shift level. But on the workshop level there were other people as well, so if the whole workshop voted together I'd become a branch committee member.

But in the next step this became impossible.

> The seven people on the election committee were previous union committee members, all "deputy section heads" (副科级) [in the state's civil service ranking system]. I was one of five new committee members and the only one from the front line. There were two others who were low-level managers, and in the end they were the only two who voted for me. I had no chance of being elected. I just didn't have enough strength to fight them. If the election had been done all across the factory together, I would have stood a chance.

Failing to become a union committee member, there was not much hope of achieving anything as a mere branch committee member. Shop stewards and branches were a new arrangement and could make networks more robust. Everybody was hoping that they would have some rights and responsibilities, but what

they experienced was layers and layers of institutional red tape. There was very little one could do.

> The GFTU never agreed to dismiss the union chairperson, who we considered someone who never pushed for anything. He was annoying, so why shouldn't we get rid of him? But in the end we didn't manage to make him go, merely appointing a new vice-chair. [...]

Leaving the Factory and Attending College: Struggle and Resistance Continue

That year Xiaocao was only 19 years old. Although the strikes, negotiations and union elections that followed brought some changes into her work and life, she still felt she was going around in circles. Xiaocao became aware that she was still on the assembly line, doing the same repetitive work day after day. "I didn't see a future, I wanted to escape that environment."

After some encouragement from older workmates, Xiaocao, who had graduated from a vocational secondary school (中专), decided to take the college entrance exams.

> Because I never went to an academic high school(高中), I never got a chance to take certain courses. I could only review my textbooks during occasional breaks, and after work I'd go home and force myself to go through the stuff I had to learn. Once during a holiday, I rented a single room for 50 yuan next to the university where two of my classmates from middle school were enrolled, and they took turns teaching me subjects such as mathematics.

During the summer of 2011, she scored well enough on the exam to get into vocational college (大专) with an eighty percent discount on tuition. Besides attending classes, she worked in a restaurant to pay the bills. Xiaocao seemed to break away from her status as a factory worker she had held for three years, but there was still some intangible haze shrouding her life.

During the strike she had already become aware that sometimes people somehow knew things she had never told to anyone. The first time was after the open letter was published, her dad wanted to see her and said he was coming with the village party secretary. Who would have thought that a village official would arrange for a police car to take them all the way without stopping. And next to the guesthouse where they stayed there were a lot of men working for the Ministry of Public Security.

A few months after the strike ended, Xiaocao got invited to a conference about workers.

> It was an academic event, and it seemed as if I, as the one grassroots voice, would be the highlight of the whole thing. It didn't seem like a big deal and I didn't think much of it.

She never told anyone about it, but before even asking for a day off, the union leader already knew about it and came straight to the workshop to tell her not to go. "I didn't listen to him and went anyway, but it made me hesitate."

A third incident occurred after she had started college, at an awards ceremony.

> I felt then that I was being monitored, but I didn't know why. I had trouble explaining this to others.

> They would say, "You think you're in a James Bond film?"

Xiaocao never knew who was monitoring her.

> They were contacting people around me, and [trying to] influence me through them. They'd say you can't do this, you can't do that. At the beginning I felt dismayed even though I wasn't actually doing anything! After a while I finally relaxed.

After Thinking It Over, I Realized that I Belong to the Working Class

After starting to attend college, Xiaocao became intrigued by other questions. In order to escape the confines of school life, Xiaocao hoped to forge a completely new path. As she came in touch with more and more people, she gradually discovered that there are already many who were concerned about workers. Why didn't she learn this earlier?

> I was very young at the time, so I was hoping that teachers, scholars and experts would tell me what to do. I hoped to have others show me the right way.

Xiaocao received a lot of invitations from students and professors who wanted to interview her and her former workmates. But she discovered that workers don't like to talk about their situation with others. What kind of feedback could they expect?

> I discovered that a lot of people collect data from workers, but afterwards they don't concern themselves with them anymore. I think that's unfair.

What kind of questions is everybody faced with? How can we contribute to workers' solidarity? This is what Xiaocao wanted to know.

She did not believe that because she became a student, she somehow turned into someone who had nothing to do with workers. Besides, her problems had in no way vanished. "At first I was thinking of going to work in HR or something, but then I saw my classmates running into all sort of problems, such as going through temp agencies to work for the government and receiving only one tenth of the pay received by civil servants." Leaving the factory and going to college in no way changes the reality that workers are exploited, but merely the shape and setting of exploitation. [...]

Xiaocao will graduate soon. She isn't sure if she'll go back to the factory, but she's sure she'll do something related to workers.

> I often interview people, I get in touch with frontline workers. I talk to them and I don't feel so lost any more. Their situation is rough.... Although I can't really explain how to solve their problems, as long as I return to be by the side of workers, we can think about these questions together.

A Collectivity is Gradually Forming and a Real Movement is Just Beginning

Xiaocao is quietly doing her own thing. Did the strike end here, with no further impact on society? From actions that happened after this strike we can see that it affected not only workers from that one factory but an entire mass of people.

After the strike ended, workers from nearby Japanese auto plants started striking one after another. Their demands were obviously formed with reference to the experience of Xiaocao and her workmates, and they also demanded a rise of 800 yuan. In the past, striking workers usually demanded that factories implement labor standards according to the law, but now the implementation of legal norms had become the bare minimum of workers' expectations. People became confident enough to question the current norms as insufficient and fight for conditions more in accordance with their actual needs.

More importantly, labor issues began to receive more attention, and workers themselves became aware of this. Before the strike, Xiaocao had never imagined there were so many experts, scholars and students interested in workers, that there were all kinds of foreign and domestic media and NGOs, big and small, that were being pulled forward by workers' actions and were trying to exchange information and build mutual support networks. Can such networks persist and aggregate more force to push, in the short run, for an improvement of the lives workers' currently have, and, in the long run, to change the system of economic development based on the exploitation of cheap labor power? As a part of the community of workers (工人群体), let's explore this together and strive for it in the days to come.


美容
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Photo by Eleanor Moseman

Spirit Breaking

Capitalism and Terror in Northwest China

by Adam Hunerven

Soon after I arrived in Ürümchi in 2014 I met a young Uyghur man named Alim. He grew up in a small town near the city of Khotan in the deep south of the Uyghur homeland near the Chinese border with Pakistan. He was a tall, quiet young man who had come to the city looking for better opportunities. Critical of many of the rural people with whom he had grown up, he saw them as lacking capitalist ambition and an understanding of the broader Muslim world. But he was even more critical of the systemic, ongoing issues that had pushed Uyghurs into migrant labor and limited their access to Islamic knowledge. There were far too few economic opportunities and far too many religious and political restrictions in the rural

areas of Northwest China, he explained. Since the beginning of the most recent "hard-strike campaigns" that lead up to the implementation of the "People's War on Terror" (Ch: *renmin fankong zhanzheng*) in May 2014, many people in the countryside had reached a new level of despair and hopelessness.[1] Alim told me: "If suicide was not forbidden in Islam many people would choose this as a way out." After praying in the mosque he often saw men crying in each others' arms—the promise of future redemption matched by the brokenness they felt in their own lives. "Have you seen the Hunger Games?" he asked. "It feels just like that to us." But it was hard for him to put into words what, exactly, this felt like. He was grasping for a cultural script with which to contextualize the devastating feeling of being so powerless. As a young Uyghur male, he was terrified that he would be caught up in the counter-terrorism sweeps. Every day, he tried to put the threat out of his mind and act as though it was not real.

As I got to know Alim better, he began to tell me more explicit stories about what was happening to his world. "Most Uyghur young men my age are psychologically damaged," he explained. "When I was in elementary school surrounded by other Uyghurs I was very outgoing and active. Now I feel like I 'have been broken'" (Uy: *rohi sunghan*). He told me stories of the way that friends of his had been taken by the police and beaten, only to be released after powerful or wealthy relatives had intervened in their cases. He said, "Five years ago [after the protests of 2009] people fled Ürümchi for the South (of Xinjiang) in order to feel safer, now they are fleeing the South

1 The "People's War on Terror" names the ongoing state of emergency that was declared by the Chinese state in May 2014 following a series of violent incidents involving Uyghur and Han civilians. See Zhang Dan, "Xinjiang's Party chief wages 'people's war' against terrorism," *CNTV*, May 26, 2014. <http://english.cntv.cn/2014/05/26/ARTI1401090207808564.shtml>

in order to feel safer in the city. Quality of life is now about feeling safe."

By 2014 the trauma people experienced in the rural Uyghur homeland was acute. It followed them into the city, hung over their heads and affected the comportment of their bodies. It made people tentative, looking over their shoulders, keeping their heads down. It made them tremble and cry. Many Uyghur migrants to the city had immediate relatives that remained in the countryside who they stayed in touch with over social media. Rumors of what was happening in the countryside were therefore a constant part of everyday conversation. Once, meeting Alim in a park, he said that a relative stationed at a prison near Alim's hometown had told him what was happening there. Over the past few months many young Uyghur women who had previously worn reformist Islamic coverings had been arrested and sentenced to 5 to 8 years in the prison as religious "extremists" who harbored "terrorist" ideologies. As he spoke, Alim's lower lip trembled. He said the Uyghur and Han prison guards had repeatedly raped these young women, saying that if they did this "they didn't miss their wives at home." They told each other "you can just 'use' these girls." Alim told this story in a very quiet voice, hunched over on the park-bench. His knee was touching mine. His shoe was touching mine. Among Uyghur men, having an intimate friend means sharing the same space and sharing each others' pain. Nearby a Uyghur woman was shaking apple trees, while two other women filled bags with small stone-sized apples (Uy: *tash alma*). I looked away from Alim so that I wouldn't cry.

Many Uyghurs repeated such claims. They described beatings, torture, disappearances and everyday indignities that they and their families suffered at the hands of the state. At times these stories seemed to be partial truths, but many times the level of detail and the emotional feeling that accompanied these stories

made them feel completely true. Part of the widespread psychological damage that Alim mentioned above, came precisely from hearing about such things in an atmosphere that makes all kinds of atrocities possible. Even if the individual claim might be false in some instances the particular type of violence it describes was probably occurring nonetheless, or it would soon. As a result the Uyghur present was increasingly traumatic and there was no end in sight.

Part 1

How did the Uyghurs become a Chinese minority?

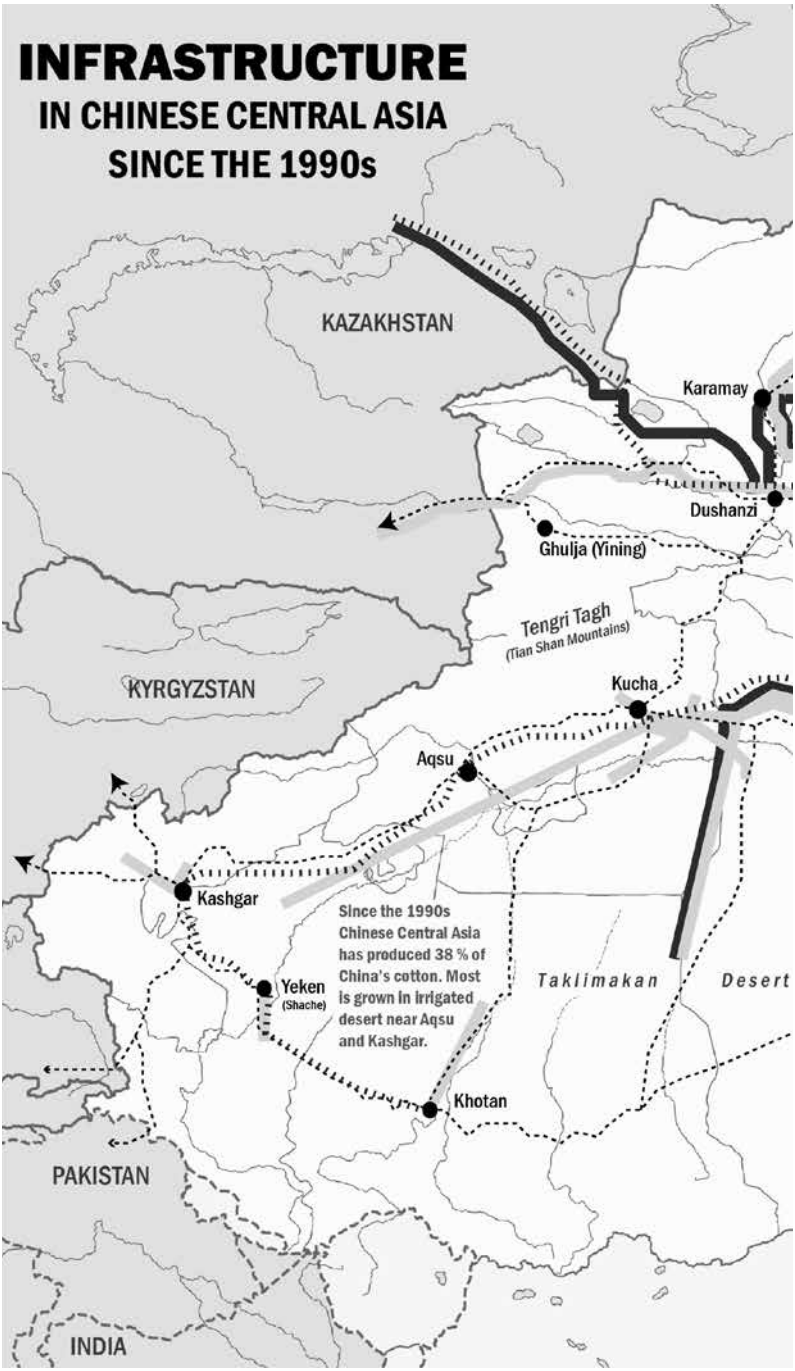
In official accounts of its rule of Chinese Central Asia the Chinese state positions itself as the inheritor of an empire that is over two thousand years old. Although the nineteenth century Chinese name for Chinese Central Asia (*Xinjiang*, or "New Frontier") belies this history, the state nevertheless describes the Uyghur homeland of contemporary Southern Xinjiang as an inalienable part of the nation. In official histories, the intermittent presence of military outposts administered by the progenitors of the contemporary Han ethnic majority first during the Han Dynasty and then centuries later in the Tang and centuries later again in the Qing lends a feeling of continuity of rule across the millennia. In these histories the fact that the region spent nearly 1000 years outside of the control of Chinese empires is unacknowledged. These state histories do not acknowledge the fact that state-sponsored migration of people identified as Han from Henan, Shandong, Zhejiang and elsewhere did not reach more than 5 percent

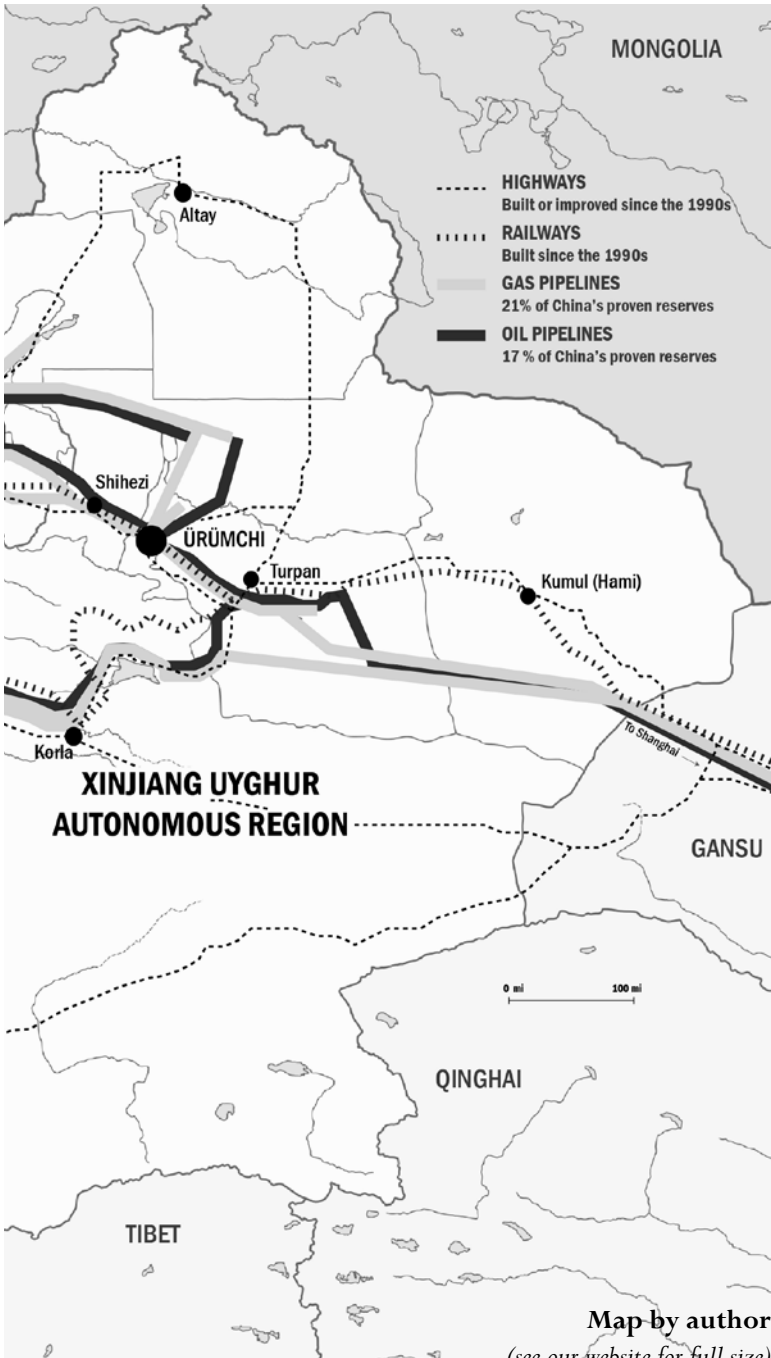
of the population of the region until the 1950s. It is rarely mentioned that Xinjiang was not named an official province-level territory until 1884, following what in the Uyghur oral tradition is referred to as a "massacre" of native Muslims by a general from Hunan named Zuo Zongtang and his armies.[2] These Muslims, the ancestors of contemporary Uyghurs, had attempted to regain their sovereignty in the 1820s and 1860s, much like they would again in the 1930s and 1940s.

Instead of acknowledging the centrality of native sovereignty in the Uyghur homeland throughout its history, in its narration of Xinjiang's history the contemporary Chinese state emphasizes "the liberation" of the Uyghurs and other native groups by the People's Liberation Army in the 1940s.[3] Non-Han groups are often represented as living in "backward," "feudal" conditions in "uncivilized" (Ch: *manhuang*) lands prior to the arrival of their socialist "liberators" from the East. Since the 1949 revolution, so the self-valorizing narrative goes, Uyghur society has entered into a tight harmony with their Han "older brothers." Their solidarity in shared socialist struggle is said to have resulted in ever-increasing levels of happiness and "progress." Uyghurs and the 10 million Han settlers who have arrived since 1949 are said to share a great deal of equality and "ethnic

2 Eric T Schluessel,"The Muslim Emperor of China: Everyday Politics in Colonial Xinjiang, 1877-1933." PhD dissertation, Harvard University, 2016.

3 Throughout this article Uyghurs are referred to as "natives." This is the closest English approximation to the term *yerliq* which Uyghurs commonly use to refer to themselves. The term could also be translated as 'local,' but since *yerliq* also carries with it a feeling of indigeneity or rootedness to the land of Southern Xinjiang I have chosen to use "native" as a descriptor. Occasionally I also use the term "indigenous" (*tuzhu*) to refer to the knowledge and cultural practices that Uyghurs employ, but since this term is not in wide usage among Uyghurs (there is no translation for this term in Uyghur and in this context, its usage in the Chinese is forbidden by the Chinese state), I do not use the term to describe Uyghurs themselves.


INFRASTRUCTURE
IN CHINESE CENTRAL ASIA
SINCE THE 1990s
KAZAKHSTAN
Karamay
Dushanzi
Ghulja (Yining)
Tengri Tagh
(Tian Shan Mountains)
KYRGYZSTAN
Kucha
Aqsu
Kashgar
Since the 1990s Chinese Central Asia has produced 38 % of China's cotton. Most is grown in irrigated desert near Aqsu and Kashgar.
Yeken
(Shache)
Taklimakan
Desert
Khotan
PAKISTAN
INDIA



Map by author

(see our website for full size)

solidarity" (Ch: *minzu tuanjie*). Yet only minorities are thought to possess "ethnic characteristics" (Ch: *minzu tese*). Both the sophisticated Han liberators and the "ethnics" (Ch: *minzu*) are described as happy citizens of the thriving nation. Of course, despite this rhetoric of economic liberation and harmonious multiculturalism, all is clearly not well between Uyghurs and the state. In fact, since almost the very beginning of the People's Republic in 1949, the Uyghurs have experienced diminishing levels of power and autonomy relative to Han settlers, and, as Alim's stories demonstrate, increasingly they experience high levels of fear.

Chinese Central Asia or Xinjiang is located in contemporary far Northwest China. It borders eight nations ranging from Mongolia to India. The largest group of people native to this large province are the Uyghurs, a Turkic Muslim minority that shares a mutually-intelligible Turkic language with the Uzbeks, Kazakhs and Kyrgyz. Like the Uzbeks, Uyghurs have practiced small-scale irrigated farming for centuries in the desert oases of Central Asia. At present there are approximately 11 million people identified as Uyghurs according to official Chinese state statistics, though local officials estimate that there may be as many as 13 million. At the founding of the People's Republic of China in 1949, the population of Han-identified inhabitants of the region was less than five percent, with Uyghurs comprising roughly 80 percent of the total population. Today Uyghurs comprise less than 50 percent of the total population and Han more than 40 percent. This shift in demographics began in the 1950s when the Chinese state moved several million former soldiers into the region to work as farmers on military colonies in the northern part of the province. These settlers, members of the Xinjiang Production and Construction Corps (Ch: *bingtuan*), were sent to the borderlands in an effort to secure the frontier against the expansion of the Soviet Union. The primary goal of this project was not primarily to assimilate

native populations, but rather to transform Kazakh pastureland into irrigated farming colonies, redistribute the population of former soldiers, and secure the territorial integrity of the nation.

Although Uyghur lifeways were deeply affected by the socialist reforms of this era, Uyghurs continued to live in Uyghur majority areas in Southern Xinjiang until the 1990s, when private and public investment brought new infrastructure to the Uyghur homeland. Since these projects began, millions of Han settlers have moved into Uyghur lands to work in the oil and natural gas fields and transform Uyghur oasis cities into centers of transnational commerce. This more recent development has had a strong effect on local autonomy, as it has significantly increased the cost of living for Uyghurs while at the same time largely excluding them from new development projects. The widely held perception of Chinese state occupation of Uyghur lands has prompted widespread protests among the Uyghur population. The state's response to this discontentment has been an increasing effort to force Uyghurs to assimilate into mainstream Han society by transforming the education system from Uyghur medium to Chinese and implementing ever-tighter restrictions on Uyghur cultural and religious practices. At the same time new communication infrastructure, such as smart phones and region wide 3G networks, have given Uyghurs access to a broader Islamic world that was previously unavailable to them. This has produced a widespread Islamic piety movement among Uyghurs. Although in most cases this movement is simply a Uyghur adaptation of mainstream Hanafi Sunni Islam,[4] it has been interpreted as a wave of "religious

4 The Hannafi school of Sunni Islam represents one of the largest populations within the Muslim world. Most Muslims in Turkey, Egypt, Central and South Asia subscribe to this juridical school. Nearly one-third of all Muslims across the world identify as Hanafi. It is typically described as one of the most flexible forms of pious orthopraxy with regard to

extremism" by local authorities. This turn toward new forms of religious practice has been linked by Party officials, often quite tangentially, to violent incidents involving Uyghur and Han civilians. Following a series of such incidents from 2009 to 2014 both in Xinjiang and in other parts of China, on May 26, 2014 the party secretary of the province, Zhang Chunxian, along with Xi Jinping, announced a special state of emergency that they labeled the "People's War on Terror."

Since the implementation of this ongoing state of emergency the situation for Uyghurs has become increasingly dire as rising Chinese Islamophobia has been joined by rising American Islamophobia and tactical support from private security firms connected to the Trump administration.[5] The widely reported activity of several hundred Uyghurs in the Islamic State has lent credence to Chinese claims of wide-spread "extremism" among the population of 11 million Uyghurs as a whole. As a result, nearly all Uyghurs are now seen as guilty of "extremist" tendencies and subject to the threat of detention and reeducation. Tens of thousands of Uyghurs, particularly young men under the age of 55, have been detained indefinitely.[6] In many cases, children have been taken from Uyghur families

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relations with non-Muslims, individual freedom, gender relations, and economic activity. See Christie S. Warren, "The Hanafi School," *Oxford Bibliographies.* <http://www.oxfordbibliographies.com/view/document/obo-9780195390155/obo-9780195390155-0082.xml>

5 Chris Horton, "The American mercenary behind Blackwater is helping China establish the new Silk Road." *Quartz*, 2017. <https://qz.com/957704/the-american-mercenary-behind-blackwater-is-helping-china-establish-the-new-silk-road/>; and Rune Steenberg Reyhe, "Erik Prince Weighing Senate Bid While Tackling Xinjiang Security Challenge." *EurasiaNet Analysis*, 2017. <http://www.eurasianet.org/node/85571>

6 *Human Rights Watch*, "China: Free Xinjiang 'Political Education' Detainees," 2017. <https://www.hrw.org/news/2017/09/10/china-free-xinjiang-political-education-detainees>

and are being raised in Chinese language boarding schools as wards of the state.[7]

The state of emergency in contemporary Xinjiang is more than a simple "ethnic conflict" or "counter-terrorism" project. It is instead a process of social elimination that is being applied to a people native to Northwest China that joins the racialized dispossession inherent in capitalist development to the racialized policing that is inherent in the rhetoric of terrorism. Throughout its history, capitalism in Europe and North America has incorporated a form of "original" capital accumulation that was naturalized through the production of ethnic or racial difference. These differences were used to justify the dispossession and domination of minorities. Of course, the modern Chinese state was also included a socialist developmental scheme, a marked difference from European and North American projects this difference no longer appears to hold sway in a time of terror. Now, despite their position within the socialist history of the nation, Uyghurs are framed as subhuman under the sign of "terror," much like native "savage" populations in European and North American wars of conquest and accumulation.

7 Darren Byler and Eleanor Moseman, "Love and Fear among Rural Uyghur Youth during the 'People's War.'" *Youth Circulations*, 2017. <http://www.youthcirculations.com/blog/2017/11/14/love-and-fear-among-rural-uyghur-youth-during-the-peoples-war>

Part 2

The Effects of the Chinese Politics of Ethnic Recognition

In Europe, the lexicon and practice of imperialism was shaped by the way French colonists looked to the Russian Empire as a model of conquest, and in turn by the way the Russian imperialists looked to the US conquest of Native American lands as a model for their own colonial efforts in the steppes and deserts of Siberia and Central Asia.[8] This genealogy of Russian colonial thinking is important because it decenters the dominance of Western Europe as the progenitor of empire and colonial expansion. In fact, Chinese imperial projects in the Qing dynasty and Republican-era China were also mobilized around "a virulent form of racial nationalism" vis-à-vis other Asian populations precisely out of the comparative process of empire building.[9] Late-Republican reformers looked to Japan and Russia, their nearest competitors, and the British Empire to the South, as they too built their nation on the scaffolding of dynastic rule.

The process of political and material expansion of the People's Republic of China into Chinese Central Asia in the early 1950s

8 Ann Laura Stoler and Carole McGranahan, "Refiguring Imperial Terrain" in *Imperial Formations*, eds. Ann Laura Stoler, Carole McGranahan, Peter Perdue. Santa Fe: School of Advanced Research, 2007. pp 3-42.

9 ibid. 25.

was characterized by relationships of domination and projects of social engineering and elimination. As in the Soviet Union, the PRC followed a logic of sociocultural reengineering under the guise of eliminating "counterrevolutionary" threats. Of course, these threats of "local nationalism" were in many cases simply a euphemism for ethno-racial difference and native sovereignty.[10] In Xinjiang the fact of native Uyghur existence was thus one of the primary obstacles to this project. This challenge produced multiple outcomes. On the one hand, the state strove to diminish the religious and cultural institutions of Uyghur society while, on the other, it sought to create a new socialist society on native lands. Although the lack of infrastructure, poverty and linguistic difference slowed the completion of this process of reengineering, the overall goal of the PRC settler state was from the beginning one of access to land and resources and the ongoing elimination of all obstacles that stood in its way.

In an effort to achieve its reengineering objectives, the Chinese ethnic minority paradigm that was instituted in 1954 laid out particular forms of permitted difference in minority societies.[11] This process was enabled by social scientists who began to use ethnology, particularly linguistic anthropology—borrowed from British and Russian colonialists and shaped by older Han-specific modes of identification—in order to identify "nationalities" (Ch: *minzu*) on the peripheries of the young People's Republic.[12] The identification of China's multinational

10 David Brophy, "The 1957-58 Xinjiang Committee Plenum and the Attack on 'Local Nationalism.'" *Wilson Center,* December 11, 2017. <https://www.wilsoncenter.org/blog-post/the-1957-58-xinjiang-committee-plenum-and-the-attack-local-nationalism>

11 Louisa Schein, *Minority rules: The Miao and the feminine in China's cultural politics*, Duke University Press, 2000.

12 Thomas Mullaney, *Coming to terms with the nation: ethnic classification in modern China*, Vol. 18, University of California Press, 2011.

demographics broadened certain categories and disintegrated others into a legible index of discrete ethnic minorities. Thirteen groups, including the Uyghurs, were thus identified in Xinjiang. By the late 1950s, many Uyghur cultural and religious institutions—ranging from schools to mosques—had been transformed into institutions of the developmental regime. This form of minority recognition served the purpose of forcing a native group to participate in a narrative of "harmonious" socialist multiculturalism. It also defined improper forms of difference, opening them to state control. This form of human engineering depended on the placing of people within essentialized ethnic or indigenous ascriptions while at the same time deeply restricting the authority and autonomy of native religious and cultural institutions. After 1957, leaders of Uyghur social institutions were appointed by the state,[13] and the content of permitted Uyghur cultural institutions was itself selected and codified by the state. Minorities in China, particularly those who were phenotypically marked as racially different (Tibetans, Mongolians, Uyghurs and Kazakhs), were slotted into subservient "little brother" social roles in the hierarchy of the nation. Han "liberators" on the other hand described themselves as "big brothers."

In the Uyghur case, multiculturalism, as a relation of Han domination over minorities, resulted in a widespread invention of new cultural categories. Under the direction of Zhou Enlai in the early 1950s "teachers, scholars and experts" were sent to teach Uyghurs how to be ethnic.[14] By the mid-1950s the identification process began to codify cultural practices and oral traditions in relation to an imposed ideology: song and

13 Brophy 2017

14 Han Ziyong, 'Han Ziyong: Xinjiang wenhua shi Zhongguo wenhua de yi ge buke huo que de siyuan.' (Han Ziyong: Xinjiang culture is an indispensable resource for Chinese culture). *CCTV.com*, 12 June 2009. <http://news.cctv.com/xianchang/20090612/103290_1.shtml>

dance troops abounded, ethnic costumes were identified and essentialized, and new genres of socialist literature and performance were invented.[15] The decentralized forms of oral tradition and indigenous Muslim sacred space that were central to the knowledge systems of the people native to the Uyghur homeland were thus shaped into a manageable form for the Chinese state.[16] As in the British and Russian colonies, differences were permitted and encouraged as long as they did not conflict with the dominant ideals of the state.

This cultural transformation also directly impacted the organization of Uyghur life. During the Great Leap Forward (1958-1962), many families in the Uyghur homeland were moved from single family homesteads into village communes in which every building was the same height and daily meals were shared. As in other parts of China, work was collectivized and the surplus not ceded to the state was shared. Although populations of Han workers were moved into state farming colonies in Northern Xinjiang, Uyghurs continued to live in Uyghur dominated areas in Southern Xinjiang. In the early period of the PRC, socialist multiculturalism was strongly felt by Uyghurs in terms of an imposed ideology and in forms of production and consumption. Yet, a lack of infrastructure and resources prevented the full assimilation of Uyghur society into the Chinese nation. In fact, during this period Han-identified officials that were stationed in the Uyghur homeland often learned Uyghur and became active members of Uyghur communities. Young Uyghurs still grew up speaking Uyghur. Many rural Uyghurs did not meet native Chinese speakers until the 1990s, when a wide-spread transformation of the

15 Xinjiang Weiwuer Zizhiqu Bianjizu, *Nanjiang Nongcun Shehui* (Southern Xinjiang Village Society), Xinjiang Renmin Chuban She, 1953.

16 Thum, Rian Thum, *The Sacred Routes of Uyghur History*, Harvard University Press, 2014.

Xinjiang economy brought millions of people identified as Han to the Uyghur homeland.

After the Second Liberation: Socialist Legacies and Capitalist Development

Fulfilling the old model of multiculturalism was further complicated by the emergence of market liberalization in Xinjiang beginning in the early 1980s. As the state moved in fits and starts from socialist development to capitalist accumulation and the accompanying suppression of "terrorism," the displacement of native lifeways became more acute. Many Uyghurs refer to the 1980s as a "Golden Era" when the possibilities of life seemed to open up. The relative economic, political and religious freedom that accompanied the Reform and Opening Period seemed to promise a brighter future. Many Han settlers that had come to the northern part of the region during the Maoist campaigns to secure the borderlands were permitted to return to their hometowns in Eastern China. But with the collapse of the Soviet Union in December of 1991 and the independence of the Central Asian republics, the Chinese state was suddenly faced with rising tensions regarding Uyghur desires for independence. At the same time the fracturing of Russia, China's long-term imperial rival, offered new zones for building Chinese influence. Even more importantly, it created opportunities to access energy resources. A chief concern among state authorities in the region was that the new freedoms that Uyghurs had enjoyed in the 1980s threatened to flower into a full-throated independence movement. As Uyghur trade relationships increased in emerging markets in Kyrgyzstan and Kazakhstan and cultural and religious exchange with Uzbekistan was rekindled, the Chinese authorities became increasingly concerned that Uyghurs would begin to demand the autonomy they had been promised in the 1950s. The state

was deeply concerned that the newly independent republics of Post-Soviet Central Asia would serve as allies in the Uyghur struggle for greater autonomy. As a result of these concerns, the underlying goal of the Chinese state's attempts to control Central Asian markets and buy access to its natural resources became that of ensuring "that these states do not support the Uyghur cause in Xinjiang or tolerate exile movements on their own soil."[17]

At the same time that the Chinese state was extending its control in post-Soviet Central Asia, it also announced a new policy position that would turn the Uyghur homeland into a center of trade, capitalist infrastructure and agricultural development capable of further serving the needs of the nation. One of the primary stresses in the new proposal was the need to establish Xinjiang as one of China's primary cotton producing regions. Given the exponential growth in commodity clothing production in Eastern China in the 1980s the state was determined to find a cheap source of domestic cotton to meet the accelerating demand for Chinese-produced t-shirts and jeans around the world.

As a result of this initiative, infrastructure investment in Chinese Central Asia expanded from only 7.3 billion yuan in 1991 to 16.5 billion in 1994. Over the same period the gross domestic product of the region nearly doubled, reaching a new high of 15.5 billion.[18] Much of this new investment was spent on infrastructure projects that connected the Uyghur homeland to the Chinese cities to the north. By 1995 the Taklamakan Highway had been completed across the desert, connecting the oasis town of Khotan (Ch: *Hetian*) to Ürümchi, cutting travel

17 N. Becquelin, "Xinjiang in the Nineties." The China Journal, Volume 44, 2000. pp. 65-90: 66.

18 ibid. 67.

time in half. By 1999 the railroad had been expanded from Korla to Aqsu and Kashgar, opening the Uyghur heartland to direct Han migration and Chinese commerce. Over the same period the capacity of the railways leading from Ürümchi to Eastern China were doubled, allowing for a dramatic increase in natural and agricultural resource exports from the province to the factories in Eastern China.

As infrastructure was built, new settlement policies were also put in place. Like the settler policies from the socialist period, these new projects were intended to both alleviate overcrowding in Eastern China and centralize control over the frontier. But unlike those earlier population transfers this new settler movement was driven by capitalist expansion as well. For the first time, Han settlers were promised upward mobility through profit in the cash economy and capital investment. Initially this enterprise, formally labeled "Open Up the Northwest" (Ch: *Xibei kaifa*), was centered around industrial scale cotton production. The state put financial incentives in place to transform both steppe and desert areas for water-intensive cotton cultivation by both native Uyghur farmers and increasing numbers of Han settlers. As part of this process they introduced incentive programs for Han farmers to move to Xinjiang to grow and process cotton for use in Chinese factories. By 1997 the area of cotton production in Xinjiang had doubled relative to the amount of land used in 1990. Most of this expansion occurred in what had been Uyghur territory between Aqsu and Kashgar. In less than a decade, Chinese Central Asia had become China's largest source of domestic cotton, producing 25 percent of all cotton consumed in the nation.

Yet despite this apparent success, important concerns began to emerge as well. Chief among these was the way the new shift in production and settlement was affecting the native population.

Many Han settlers profited from their work in the Xinjiang cotton industry as short-term seasonal workers who received high wages, as settlers who were given subsidized housing and land, and as managers of larger scale farms. But many of the Uyghurs who were affected by the shift in production did not benefit to the same degree. They were often forced to convert their existing multi-crop farms to cotton in order to meet regionally imposed quotas. They were also forced to sell their cotton only to Han-run state-owned enterprises at low fixed prices. These corporations in turn sold the cotton at full market price to factories in Eastern China. In this manner many Uyghur farmers were pulled into downward spirals of poverty, while many (though not all) Han settlers continued to benefit from the shifting economic trends. Labor exploitation coupled with dispossession gave rise to increasing feelings of oppression and occupation. These feelings continued to increase as the need for cheap sources of energy increased in the rapidly developing cities of Eastern China.

By the early 2000s, the Uyghur homeland had come to resemble a classic peripheral colony. In the context of the nation as a whole, the primary function of the province was to supply the metropoles of Beijing, Shanghai and the Pearl River Delta to the East with raw resources and industrial supplies. Cotton production continued as it had in the 1990s, but by the early 2000s industrial tomato production had also been introduced as primary export product. By 2012 the region produced approximately 30 percent of world tomato exports.[19] At the same time, as in most peripheral colonies, the vast majority of manufactured products consumed in Xinjiang came from the factories in Eastern China. The clothes manufactured using

19 See Shao Wei, "China Becomes Tomato Industry Target," *China Daily*, June 15, 2012. <http://www.chinadaily.com.cn/china/2012-06/15/content_15506137.htm>

Xinjiang cotton were thus purchased from clothing companies in Eastern China at inflated prices. The same was true of the natural gas and oil that began to flow to Eastern China from Xinjiang after the completion of pipeline infrastructure in the early 2000s.[20]

In the 2000s the buildout of infrastructure for natural resource extraction that followed behind the new road and rail projects in the mid to late 1990s again began to shift the center of Xinjiang's economy. Within a few short years, oil and gas sales came to represent nearly half of the region's revenues. At the same time, given the push to reduce the nation's dependence on foreign cotton, oil and gas and to accelerate the settler-colonization of the Uyghur homeland, the central government continued to provide nearly two-thirds of the region's budget. In the early 2000s the Hu Jintao administration took the older regional project "Open up the Northwest" to a new level, rebranding it as "Open up the West." Now all of peripheral China, including Inner Mongolia and Tibet, became the target of settlement and development projects, though Chinese Central Asia continued to receive a greater number of new settlers relative to other regions. Given the way the older "Open up the Northwest" project had resulted in rapid and sustained economic growth of over ten-percent-per-year since 1992, the state was eager to take the development projects further, opening new markets and new sites for industrial production.[21] By the early 2000s the Uyghur homeland had become the country's fourth largest oil producing area with a capacity of 20 million tons per year. Given that the area had proven reserves of petroleum of over 2.5 billion tons and 700 billion cubic meters of natural gas, there is little doubt that the

20 N. Becquelin, "Staged Development in Xinjiang." *The China Quarterly*, Volume 178, 2004. pp. 358-378.

21 ibid. 363.

region was thought of as one of China's primary future sources of energy.[22]

Between 1990 and 2000 the population of Han settlers grew at twice the growth rate of the native population. By the late 2000s it had superseded the size of the Uyghur population, though it was still less than a majority of the overall population of the province and many areas in the Uyghur homeland still had a high majority of Uyghurs. The development of fixed capital investments and industrial agriculture export production that accompanied the "Open up the West" campaign had the effect of rapidly increasing the rate of Han settlement in Uyghur and Tibetan areas.[23] New infrastructure (railroads, pipelines and real estate) has vastly benefited the millions of new Han settlers and produced exponential increases in costs of living and widespread dispossessions of Uyghurs from land and housing. The costs of basic staples such as rice, flour, oil and meat have more than doubled. Urban housing prices have doubled or tripled, while projects to urbanize the Uyghur countryside have placed Uyghurs in new housing complexes that are dependent on regular payments for centralized heat and power. The system of small-scale Uyghur mixed-crop farming with small herds of sheep and garden plots has also been undermined through this process. Underemployment has been further exacerbated by the widespread consolidation of Uyghur land into industrial farms and, more recently, restrictions on labor migration.

The lucrative chaos of rapid development and dispossession has produced tremendous opportunities in real estate speculation, natural resource development and international trade for Han

22 ibid. 365.

23 Emily T. Yeh, *Taming Tibet: landscape transformation and the gift of Chinese development*, Cornell University Press, 2013.

settlers.[24] At the same time, this capitalist chaos has increased indebtedness among Uyghurs, who are systematically blocked from low interest lines of credit by nationalized banks, which place restrictions on loans to Uyghurs due to their assumed disposition toward the "three forces" of Islamic reformism, national self-determination, and violent resistance. According to many Uyghur migrants, Han landlords or bankers have increasingly found ways of evicting Uyghur business-owners or homeowners and replacing them with Han settler tenants. Many Uyghur migrants note that they encountered prejudice when seeking loans or authorizations of sales and purchases.[25] Banks and landlords were often quite eager on the other hand to provide Han settlers with loans for purchases of real estate or discounts on business investments.

An insidious ethno-racism is often the driver behind such choices. Uyghurs, unlike Han settlers, are often seen by Han lenders as not possessing the discipline necessary for capitalist development. As the Xinjiang state economic advisor Tang Lijiu put it, "Because of their lifestyle, asking (Uyghurs) to go into big industrial production, onto the production line: they're probably not suited to that."[26] For many Han businessmen dealing with Uyghurs was just too much "trouble." It was for the same reason that Uyghurs are told they need not apply for high-skilled jobs in natural resource development, which are universally controlled by Han settlers. Because of the supposed threat that Uyghurs pose as potential "terrorists" the state also

24 Tom Cliff, "Lucrative Chaos: Interethnic Conflict as a Function of the Economic 'Normalization' of Southern Xinjiang," in Hillman, B., & Tuttle, G. (Eds.), *Ethnic Conflict and Protest in Tibet and Xinjiang: Unrest in China's West*, Columbia University Press, 2016. pp. 122-150.

25 Based on interviews conducted in 2014 and 2015.

26 The Economist, "Let them shoot hoops," *The Economist*, July 30, 2011. <http://www.economist.com/node/21524940>

refuses to issue legal documents to the vast majority of Uyghurs in order to travel and trade domestically and internationally. As a result, native minorities frequently found themselves caught in the downward spiral of poverty even as the Han society that was growing around them was increasingly affluent.

The rapid corporate development and Han settlement of the Uyghur homeland coupled with the arrival of "terrorism" rhetoric had the effect of adapting older forms of socialist multiculturalism into a distinctly capitalist process of racialization. This process became particularly apparent after the beginning of the United States' "Global War on Terror" in 2001, when nearly all forms of resistance by Uyghurs began to be described as terrorism by the Chinese state and in Han popular culture. The "dark" bodies of Uyghur men became synonymous with danger and "wild" (Ch: *yexing*) virility. This way of describing Uyghur bodies was institutionalized by the police and government officials through frequent state media reports on Uyghur protests. Many officials and Chinese terrorism experts that I interviewed described Uyghur young men explicitly in these terms. Posters were placed throughout Uyghur districts of Ürümchi in 2014 that depicted and labeled the appearance of rural-origin religious Uyghur young men and women as evidence of terrorism. The police actively profiled low-income rural-origin Uyghur youth at check points. This institutionalization of power over the bodies of Uyghurs defines these phenomena as not simply features of ethnic discrimination but as an expansive process of racialization, comparable to similar processes that took place within the US, the British Empire, and places like South Africa.[27]

27 A simplified definition of this process of capitalist development and racialization is when state institutions that support the economic development of a dominant group allow the bodies and values of a dominant group to be read as superior to those of minority others. This basic form of racialization allows for the rapid dispossession of minority others

Yet many accounts of the violence that has occurred in this region describe it as an "ethnic conflict," placing it in the same category as internecine violence elsewhere in the "developing world." What such accounts ignore is the possibility of new sequences of racialization, comparable to the institution of Apartheid in South Africa or the violent segregation of Palestine, perhaps since Han themselves have often been the subject of European and American racism. The racism that is being produced in the Uyghur homeland through contemporary processes of racialization is of course unique to this particular moment and this particular place. It is nonetheless important to name such processes as racial, rather than ethnic or cultural, because it enables us to see how economic and political institutions sediment differences among groups. Naming this process as racialization centers the way capitalist exploitation is embodied. Individual workers' inner characteristics are framed by legal, economic and educational institutions "through their skin color, dress, language, smell, accent, hairstyle, way of walking, facial expressions, and behavior."[28] Uyghurs are subject to a particular form of racialization, driven by the Chinese state and the Han settlers under its purview. This racialization provides an a priori justification for expansive institutions of control and the populations they benefit, even while these institutions are themselves constantly producing and reinforcing the process of racialization itself, in the form of direct ethnic domination over the Uyghur population.

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through the institutions of the law, police, and the school. Because the bodies of minorities are read as inferior they are not granted the same protections as those seen as racially superior. This process of "original accumulation" and racialization is part of the logic capitalist development. See Cedric J. Robinson, *Black Marxism: The Making of the Black Radical Tradition*, Univ of North Carolina Press, 1983.

28 Sareeta Amrute, *Encoding Race, Encoding Class: Indian IT Workers in Berlin*, Duke University Press, 2016. p. 14

Part 3

The Terror Shift

The power of the ethno-racial imaginary of inclusiveness or multiculturalism has been both a blessing and a nightmare for minority peoples in China.[29] On the one hand, such a politics of inclusion reduces the impulse toward a mass physical genocide of the type seen in early North American colonization. On the other hand, it creates a false sense of "goodness" on the part of the colonizer and a misrecognition of systemic racism. In contemporary China, colonized minorities such as the Mongols, Uyghurs and Tibetans "have often been criticized for loving their own groups too much. Their self-love has been denounced as minzu qingxu (nationality sentiment)."[30] This sentiment or spirit is said to manifest as "separatism," "terrorism," and religious "extremism." It results in "hate crimes" (Ch: *chouhen zuixing*) by minorities toward members of the "good" majority who have "liberated" their territories by settling them and bringing them modern economics and Han morality. Crimes of being too native are of course crushed by the state. But even as the state crushes dissent, many Han, who consider themselves "good people" on the side of socialist inclusion, ask the question "Why do they hate us so much after we have done so many good things for them?" The lack

29 Uradyn E. Bulag, "Good Han, Bad Han: The Moral Parameters of Ethnopolitics in China," in Mullaney, Thomas S., James Leibold, Stéphane Gros, and Eric Vanden Bussche, *Critical Han Studies: The History, Representation, and Identity of China's Majority*, University of California Press, 2012. pp. 92-109

30 ibid. 109.

of an independent Chinese press and academia forecloses the possibility of having an open critical dialogue about why only minority-on-Han crime can be categorized as hateful or terroristic.[31] Instead "good" inclusive Han citizens of the nation feel compelled to teach ungrateful Uyghurs a good lesson in being tolerant of Han moral instruction. Minority claims to the sovereignty of their own land, faith, language, knowledge and being can thus be read as bad, as resistant to Han goodness.

The moral bankruptcy of the Chinese multicultural project came to a head in 2009, when Uyghur protests in Ürümchi over the mob killing of Uyghur factory workers by Han factory workers turned into widespread violence. In the months that followed, state authorities began a process of urban cleansing that directly targeted low-income Uyghur communities.[32] Many Uyghur areas of Ürümchi and other traditionally Uyghur cities were targeted for demolition and over the next few years the Uyghur migrant populations were moved into tightly controlled government housing on the outskirts of cities. Their land was turned into commodity housing for Han settlers and real estate speculators. At the same time, the state began to institute a radical shift from Uyghur-medium education to Chinese-medium education throughout the province. In 2010 the state introduced smart phones and 3G networks across the countryside as a way to link Han settlements and extraction infrastructure to the rest of the nation. One of the latent consequences of this new development was that Uyghurs were exposed to new ways of understanding the practice and instruction of Islam. Over the next four years many Uyghurs became involved in global piety movements

31 This is best exemplified by the lifetime imprisonment of the moderate Uyghur scholar Ilham Tohti.

32 "Ürümchi plans to complete 36 shantytowns reconstruction projects this year," *Central People's Government*, 2012. <http://www.gov.cn/jrzg/2012-02/17/content_2069917.htm>

that were introduced to them via their new Internet access. A small minority of those who turned to new forms of orthopraxy were drawn into contemporary conservative political or Salafi Islam, but the vast majority simply began to practice mainstream forms of Hanafi Sunni Islam. After four short years of relatively open use of social media to promote the thought of Uyghur Islamic teachers in Turkey and Uzbek teachers from Kyrgyzstan, the state instituted new restrictions on Islamic practice.

The People's War on Terror

In May of 2014 after an increase in Uyghur violence toward Han civilians—first through a mass killing at a train station in Kunming, then a mass killing in a Han street market in Ürümchi and a suicide bombing at the Ürümchi train station—the state declared a "People's War on Terror" centered on rooting out Uyghur Islamic reformist practices (or "extremism"), national independence (or "separatism") and violent resistance (or "terrorism"). As in many other parts of the world, the concept of "terrorism" in China was strongly influenced by Bush Era American political rhetoric. Prior to September 11, 2001, Uyghur violence was almost exclusively regarded as nationalist "separatism." Since 2001, according to official state reports Han settlers in Xinjiang have become victims of "terrorism" on a regular basis. [33] By 2004, "splitist" incidents from the previous decade were relabeled as "terrorist" incidents.[34] Everything from the theft of sheep, to a land seizure protest, to a fight with knives can now be labeled "terrorism" if there are Uyghurs and Han involved in the conflict. It appears as though "terrorism"

33 G. Bovingdon, *The Uyghurs: strangers in their own land,* Columbia University Press, 2010.

34 ibid. 120.

(or the "three forces" continuum—separatism, extremism, terrorism—which are now understood as manifestations of the same phenomenon) has come to signify Uyghurs who are verbally and physically unsubmissive and "unopen" (Ch: *bu kaifang*) to Han cultural values. Now Chinese "terrorism" has come to be "any perceived threat to state territorial sovereignty, regardless of its actual methods or effects vis-à-vis harm to others."[35]

Passbook Systems, Home Invasions and Mass Detentions

This rhetoric of terror was taken to a new level with the 2014 "People's War on Terror" against the Uyghur population of the country. One of the first things instituted under the emergency provisions of "the war" was a pass-book system that restricted the movement of Uyghur migrants.[36] This system, known as the "People's Convenient Card" system (Ch: *bianminka*; Uy: *yeshil kart*) required Uyghurs whose household registration (Ch: *hukou*) was not in an urban location to return to their hometowns and obtain a "good citizen" card in order to return. Like the passbook system that was instituted in Apartheid South Africa, the goal of this system was to force the unwanted racial other from locations that were desired by the settler population.

Based on my interviews, the most typical form of the process of obtaining the card was as follows:

35 Emily T. Yeh, "On 'Terrorism' and the Politics of Naming." Hot Spots, *Cultural Anthropology*, April 8, 2012. <https://culanth.org/fieldsights/102-on-terrorism-and-the-politics-of-naming>

36 "The Race Card." *The Economist,* September 3, 2016. <https://www.economist.com/news/china/21706327-leader-troubled-western-province-has-been-replaced-he-will-not-be-missed-its-ethnic>

1. Applicant asked for a bianminka from local police. He or she was told to come back tomorrow when the "holder of the stamp" will be there. That person was often not there the next day or was not receiving visitors. Eventually the applicant was formally denied or gave up on the formal process.

2. Applicant went to the home of the village leader of the local "production brigade" (Ch: *dadui*) at night. Applicant presented all of the documents he or she has proving that he or she was from: (a) a "5 star" family based on the marks they had been given by the local police on the gate of their house; (b) Father and mother had a good peasant background (no religious training etc.); (c) It was helpful to prove that poor economic circumstances necessitate that a member of the family must migrate in order to financially support the family back in the village; (d) absolutely no "extremist" religious ideas were present in the applicant or in family members of the applicant (including cousins, uncles etc.). Applicant also gave the team leader a "small" (Uy: *kichik*) gift of around 500 yuan, telling him he or she knew it was not enough, but please "accept this humble gift" and so on.

3. If the team leader was convinced, he told the applicant which member of the local government to contact. The applicant was told to go to that officer's home at night with a gift of 1000-4000 yuan (in some places the regular rate was 1000; in others 4000; in others, as much as 10000) in an envelope. The team leader told the applicant that under no circumstances should he or she tell the officer that he sent the applicant to the officer. The team leader also told the

applicant to wait one week or more before visiting the officer, so it would not be obvious that the night visits to the people's homes were related.

4. After visiting the officer and delivering the bribe, the applicant was told that within a certain amount of time they would receive a phone call and they could come in to get their *bianminka*.

Needless to say it was very difficult for Uyghur migrants to obtain this card. Only around one in ten were able to do so.[37] This resulted in around 300,000 Uyghur migrants to the city of Ürümchi and hundreds of thousands of migrants to regional centers such as Korla, Aksu and Kashgar being forced to leave. Without the card it was impossible for them to rent housing, find a job or even stay in a hotel.

By May of 2016 the system was taken to a new level. Now even if Uyghurs had the card, those without urban household registration were not allowed to leave their home counties without permission. There were checkpoints between every county, and crossing the county line required a letter and with a stamp from local authorities. As a result, even those who previously had legal permission to live in Ürümchi and other urban locations were now forced to return to the countryside. Often when they arrive back in the countryside they are subject to detention.

Following the implementation of the People's War on Terror in May 2014, a police state has rapidly taken form in Xinjiang. By the beginning of 2017 the state has recruited "nearly 90,000 new police officers" and increased the public security budget of

37 Based on interviews with state officials and failed applicants.

Xinjiang by 356 percent.[38] These new additions to the special-teams armed police force (*wujing budui*) are organized in a segmented manner throughout every prefecture and county in support of local Uyghur officers who staff checkpoints and work as informants at every level of Uyghur society. Because of widespread underemployment Uyghur officers have been drawn into the force in large numbers. Because of the stigma of their collaborator position and the tight supervision of their Han superiors, these Uyghur officers often treat Uyghur suspects even more harshly than Han officers. In general, the rising budget for the occupation police force has produced tremendous increases in surveillance technology and gridded policing infrastructure made through interlocking systems of walls, gates and "convenient" police checkpoints in cities and towns. Across the province the state also began instituting regular inspections of the homes of Uyghurs.

During these inspections of homes in Uyghur neighborhoods, the police first scanned the QR code that they had installed on the front door of apartments.[39] Images and files associated with the registered occupants of the apartment would then be displayed on the police officer's smart phone. Following this review of legal occupants, the police then proceed to search the home for unregistered occupants. They look in closets, under beds. They would vary the timing of inspection to make sure that the occupants would be unprepared. At times, they would ask to look through the books and magazines of the occupants. Other times they ask to inspect their phones and computers. Any refusal to comply meant that the person would

38 Adrian Zenz and James Leibold, "Xinjiang's Rapidly Evolving Security State." *China Brief*, Volume 17, Issue 4, March 14, 2017. <https://jamestown.org/program/xinjiangs-rapidly-evolving-security-state/>

39 These inspections were observed by the author during a year spent in Ürümchi in 2014 and 2015.

be detained. If the occupants were not home at the time of the inspection, they would be notified that they were required to appear at the police station within the next 24 hours.

In the countryside these inspections were even more terrifying. There, the armed police were accompanied by groups of Han and conscripted Uyghur volunteers armed with clubs. They visited people's homes on a regular basis to check their phones and computers for any unapproved religious material and to make sure that they were watching Chinese language television. They made sure that the men were not growing beards and the women were not covering their heads. They questioned Uyghur children in order to make sure that they were being sent to school and that their parents were not teaching them about Islam at home. They asked about mosque attendance, prayer times and whether or not they had ever listened to unapproved Islamic "teachings" (Uy: *tabligh*). They asked Uyghurs to attend weekly patriotic education meetings, sing patriotic songs, dance patriotic dances and pledge their undying loyalty to the Chinese state. Every household was responsible to send at least one member of the family to such meetings. Failure to comply with any of these forms of inspection and action resulted in arrest.

Since 2014 thousands of Uyghurs have been placed in indefinite detention.[40] As detainees they are forced to attend political education and Chinese-language education classes in reeducation centers. Thousands more have been serving sentences in labor camps for minor offenses (such as not attending political education meetings, praying or studying

40 Based on dozens of interviews conducted by the author with friends and relatives of those that had been arrested as well as interviews with government officials.

Islam illegally, wearing illegal clothes) under the new anti-terrorism and extremism laws. The detentions began in the summer of 2014 with young people (under the age of 55) who had practiced forms of reformist Islam being taken by the police and held without charge. The disappearance of youth into the depths of the police state was soon being euphemistically referred to as being taken behind "the black gate" (Uy: *qara dereveze*). Many of these initial detainees are still in detention 3 years later.

Since February of 2017 there has been a new wave of detentions. Now it appears that any Muslim minority citizen, whether they be Hui, Kazakh or Uyghur, who does not advocate for the repression of religion and the assimilation of the Uyghur population can be seen as a threat to the state. As a Uyghur intellectual at one of the institutions in Ürümchi told me recently, "if you wear white shoes, they will arrest you for not wearing black shoes. If you wear black shoes, they will arrest you for not wearing white shoes." He worried that he himself would be arrested after hearing that the president of Xinjiang University along with around 20 other Uyghur faculty members had been arrested for not teaching their courses on Uyghur literature solely in Chinese. Nearly all Uyghurs have a friend, colleague or family member who has been detained. Even Uyghur Communist Party members are not immune from detention. By the end of 2017 an estimated 1 million men and women had been sent to the "transformation through educations" centers that had been built across the region.[41]

In the spring of 2017 the local police were ordered to begin to rank Uyghurs using a number of metrics of extremist

41 Zenz, Adrian. (2018). "'Thoroughly reforming them towards a healthy heart attitude': China's political re-education campaign in Xinjiang." *Central Asian Survey*, 1-27.

existence or behavior.[42] The primary categories of assessment were as follows:

1. Between Ages of 15 and 55
2. Ethnic Uyghur
3. Unemployed or underemployed
4. Possesses passport
5. Prays five times per day
6. Possesses religious knowledge or has participated in illegal religious activities (often meaning that the individual has studied Arabic or Turkish and/or listened to unapproved Islamic teachings)[43]
7. Has visited one of 26 banned countries (including Egypt, Saudi Arabia, UAE, Turkey, Syria, Iraq, Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, Malaysia among others).
8. Has overstayed a visa while traveling abroad.
9. Has an immediate relative living in a foreign country
10. Has taught children about Islam in their home

42 Based on interviews conducted by the author with Uyghurs who have been detained and released, the relatives of detainees as well as leaked official documents.

43 Based on interviews conducted by the Uyghur intellectual Eset Sulayman and police officers in Kashgar prefecture, one of the main ways in which this religious knowledge is detected is when a Uyghur destroys his or her SIM card or refuses his or her phone to communicate with others. The lack of phone activity is read as a sign of deviance and results in an automatic interrogation. See Eset Sulayman "China Runs Region-wide Re-education Camps in Xinjiang for Uyghurs And Other Muslims," September 11, 2017, *Radio Free Asia*, <http://www.rfa.org/english/news/uyghur/training-camps-09112017154343.html>.

Any individual whose existence or behavior corresponded to three or more of these categories could be subject to questioning. Since two of the categories were simply being born Uyghur and being between the ages of 15 and 55, for many Uyghurs their very existence made them suspicious. Any individual that met five or more of these criteria could be subject to detention and political reeducation for a minimum of 30 days. Many were detained indefinitely. They were told that their beliefs and way of life were a form of social "cancer" (Uy: *raq*) that needed to be excised. They were told to celebrate the process of having their lives reengineered because it meant that they would be freed from "prejudice" (Uy: *kemsitish*) after they had been taught to despise their religion and lack of assimilation into Han society. Some among the detained and released Uyghurs and their relatives who I have interviewed with the most depth have exhibited signs of post-traumatic stress. They said that small issues they encounter now result in deep feelings of anxiety. Many now have problems with panic attacks and depression.

After they or their loved ones were released they were often asked to write "vows of loyalty" (Ch: *fasheng liangjian*; Uy: *ipade bildürüsh*) to the state.[44] These statements force Uyghurs to articulate views that are not their own. The statements ask them to re-narrate their personal biographies in a way that places them in complete opposition to reformist Islam and in undying loyalty to the state. They strongly resemble the personal statements that many were forced to publicly declare during struggle sessions in the Cultural Revolution, but in this case they are racialized (i.e. Uyghur specific) and directly assimilationist, or oriented toward Han state culture. The

44 Here is an example from this widely circulated *Communist Youth Party* journal <https://mp.weixin.qq.com/s/Fy2tcdVgOf8SVhPdNG-0PhQ>

gaslighting effect of the repetition and widespread circulation of these vows (particularly by well-respected Uyghur public figures) is one of the most potent tools of the reeducation campaign. It is here that the "thought-work" of social re-engineering is really taking place.

Many Uyghurs, like Alim who I introduced at the beginning of this essay, spoke with me about these processes of inspection, detention and harassment as a process of "breaking their spirit" (Uy: *rohi sunghan*). They said that when their loved ones came back to them they were changed as individuals. They were silent. They submitted to whatever they were asked to do. They were fearful. Something essential to their being was gone. The trauma of knowing that their life was in the hands of the police state, made many of them lose hope. When they came back they began to parrot things they had been told in their classes. It was as if they had been reprogrammed. They said that the part of them that was Uyghur was broken, all that was left was a patriotic Chinese shell.

Conclusions

Chinese Framings of Terror Capitalism

The new framing of minority protests against state domination, Islamic piety movements and violent resistance as each a manifestation of "terrorism" has produced an academic growth industry across China. Centers for Terrorism Studies have sprung up across the country where Chinese academics reemphasize and validate the pronouncements of the state. The activities of several thousand Uyghurs in Turkey and Syria have

been used as justification for the detention and re-education of hundreds of thousands of Uyghurs. The state of emergency and state funding that accompanied the People's War on Terror has allowed for numerous experiments in securitization. As in the United States, new infrastructures of border security, biosecurity and cybersecurity are being introduced to buttress older forms of control. In the United States, counter-terrorism securitization is built on the legacy of the Cold War.[45] In China, counter-terrorism targets a specific group of native Muslim citizens and their resources. As such, the implementation of the "People's War on Terror" is manifested differently in China than the "war on terror" elsewhere. It centers around a settler campaign that is facilitating the ongoing accumulation of natural resources from Uyghur lands. Accompanying this is a pervasive system of domination extending to all facets of Uyghur life.[46] In North America this type of thought work has not been forcibly implemented on a subjugated population in recent memory, though it is reminiscent of North American boarding schools where native populations that survived genocidal encounters with American pioneers were taught to embrace Christian values and denounce their "savagery." In Afghanistan and Iraq, the American military has attempted to "win the hearts and minds" of those whose land they have occupied, but that process was never as fully institutionalized as it is in contemporary Xinjiang. The American criminal justice system likewise attempts to rehabilitate inmates and turn them toward disciplined behavior while at the same time profiting from their incarceration. But the Chinese "People's War on Terror" is something different. In effect it is the outlawing of an entire way of life.

45 Joseph Masco. (2014). *The theater of operations: National security affect from the Cold War to the War on Terror.* Duke University Press.

46 Darren Byler. (2017). "Imagining Re-Engineered Uyghurs in Northwest China." *Milestones: Commentary on the Islamic World*.

This process has been aided by the permissiveness of the world community toward the violent policing of Muslim populations. In particular, the Chinese case has found common ground with the Trump Administration's policies towards Muslims. Many Chinese politicians and "terrorism studies" academics applaud the Trump administration's ban on Muslim travel.[47] They saw it as validation for the travel restrictions the Chinese administration has imposed on Uyghurs. Meanwhile, the Chinese state has hired Erik Prince, the founder of the private mercenary army Blackwater, to set up training facilities for Chinese security forces in "counter-terrorism" among Tibetan and Uyghur populations. These direct linkages between American and European counter-terrorism efforts and the Chinese attempts to turn them on their own citizens, makes framings of the Uyghur and Tibetan issues as merely domestic ethnic disputes increasingly untenable. This understanding makes clear that domination and new sequences in racialization can be deployed in non-Western spaces. Like native groups elsewhere, the Uyghurs were asked to participate in a multiculturalist project whose contents were dictated by the state. They were asked to reengineer themselves along the lines of permitted difference and accept the terms that were laid out to them by the state. When they failed to do this, they found that the institutions of the state were used to sequester their bodies and destroy their families.

Today Uyghurs speak often of the brokenness they feel as a people. They say they have no words for how they feel. They

47 Al Jazeera. (2017. "China's Communist Party hardens rhetoric on Islam." <http://www.aljazeera.com/news/2017/03/china-communist-party-hardens-rhetoric-islam-170312171857797.html>; and Steenberg Reyhe, Rune. (2017). "Erik Prince Weighing Senate Bid While Tackling Xinjiang Security Challenge." *EurasiaNet Analysis.* <http://www.eurasianet.org/node/85571.>

say they can't reconcile what is happening and who they are as human beings. When they say they are broken, they are saying they are no longer whole as individuals. Their sense of self has been damaged. Mostly what they are saying is that they are terrified of how this will affect those they love. Stories of the systemic rape of women who have been detained circulate widely. Rumors of organs being harvested from young men accused of terror crimes are a part of daily conversation. Uyghurs worry that these stories are true or may become true. They worry that the biometric data that has been taken from them is part of some sort of systemic elimination process. They feel that they have nothing to protect themselves and those they love. They are being terrified by the normalization of terror capitalism and the way it is taking even limited forms of autonomy away from them.


VINH QUAN
CINÉMA MÁY LA

Eternal Enemies

The 20th Century Origins of Vietnamese Sinophobia

by J. Frank Parnell

On May 2nd 2014, National China Offshore Oil Corporation dispatched the Hai Yang Shi You 981 oil platform to disputed waters off the southern edge of the Paracel Island chain, 120 nautical miles east of Vietnam. From May 3rd to the 5th, twenty-nine Vietnamese Coast Guard ships were sent to intercept and disrupt the rig, but were blocked by an air-supported eighty-ship Chinese escort, resulting in six injuries and significant damage to Vietnamese vessels. The Vietnamese Ministry of Foreign Affairs denounced the violation of its sovereign exclusive economic zone. In Vietnam, widespread popular anger met with rare, but short-lived, acquiescence on the part of the party-state. Perhaps in an effort to provide an ostentatious display of national unity against perceived foreign aggression, uncommon public protests were allowed to take place in the largest cities across the country.

However, perceived parallels with other party-mobilized nationalist spectacles break down under scrutiny. State acquiescence was immediately preceded by the May 5th arrest of the country's most famous dissident blogger Nguyễn Hữu Vinh (Anh Ba Sàm).[1] A former police officer and son of the late ambassador to the Soviet Union, Nguyễn Hữu Vinh, wrote a blog that was among the most popular in the country. This was in no small part because of its relatable, humorous prose and trenchant criticism of the party's corruption and supposed collaboration with Chinese expansionist plots. Indeed, human rights activists have long paired demands for intellectual freedom with conspiratorial propaganda portraying the ruling Communist Party of Vietnam (CPV) as traitors who have "sold out the nation" (*bán nước*) to the Chinese.[2]

These disaffected liberals wasted no time framing the current crisis in similar terms. Later that day, independent blogs and news sources recognized an oppurtunity and called for expanded protests. Independent news website *Dân Luận* (Public Opinion) rhetorically asked,

1 "Vietnam Bloggers: Nguyen Huu Vinh and Minh Thuy Jailed", BBC, 3/23/2016, http://www.bbc.com/news/world-asia-35876228 (accessed 7/11/18)

2 See for example: Thạch Nhạn, "Bí ẩn quan hệ Việt-Trung," Ba Sàm: Cơ quan ngôn luận của Thông Tấn Xã Vỉa Hè, 6/10/16, https://anhbasam.wordpress.com/2016/06/10/8683-bi-an-quan-he-viet-trung/ (accessed 7/11/18); Embassy Hanoi "Deputy Secretary Steinberg's September 27, 2009 Conversation with Political Dissident Dr. Pham Hong Son," Wikileaks Cable: 09HANOI843_a, 9/29/2009, https://search.wikileaks.org/plusd/cables/09HANOI843_a.html (accessed 7/11/18); Embassy Hanoi, "How much influence does China have over Vietnam's internal politics?", Wikileaks Cable: 10HANOI11_a, 1/27/2010, https://search.wikileaks.org/plusd/cables/10HANOI11_a.html (accessed 7/11/18); Bùi Tín, "Tại sao lại đi đêm," VOA, 2310/2014, https://www.voatiengviet.com/a/tai-sao-lai-di-dem/2492547.html (accessed 7/11/18).

> People are asking Dân Luận, should we 'reactionaries' participate even though the state is now encouraging, and even organizing people to go protest. [… Our] response is: YES. Why not? First, this is an opportunity for us to hit the streets and express our opinions, to actually become citizens of a democratic society. We must take advantage of every chance we get. Second, we've hit the streets before when the Fatherland was in danger, so why should we refuse now that the Fatherland needs us? Third, they've invited us to hit the streets with their own plans in mind, but we have the right to bring whichever message we choose. So then bring the message of FREEDOM, DEMOCRACY, and HUMAN RIGHTS! Hit the streets with portraits of the patriots they've imprisoned![3]

An attached letter, signed by "twenty civil society organizations" and addressed to "All Patriotic Vietnamese," argued that the Vietnamese party-state, through incompetence, cowardice, and malevolence, was complicit in Chinese violation of Vietnamese sovereignty.[4]

3 "Lời kêu gợi biểu tình yêu nước của 20 tổ chức dân sự Việt Nam"[The call to patriotic protest from 20 civil society organizations], Dân Luận [public opinion], 5/7/14, https://www.danluan.org/tin-tuc/20140507/loi-keu-goi-bieu-tinh-yeu-nuoc-cua-20-to-chuc-dan-su-viet-nam (accessed 7/11/18). (This and all other translations are the author's unless otherwise cited.)

4 The letter read: "Instead of uniting with the nation's people and with one heart protecting our national sovereignty, Vietnam's rulers have continued to repress the very patriots who oppose the invaders. [… Arresting the patriotic blogger Anh Ba Sàm] is a continuation of years of arrests in which China is a factor. […] Can we believe in a regime that not only fails to protect the fatherland, but also represses citizens who want to demonstrate their patriotism, and safeguard the Fatherland? No. A regime that is repeatedly cowardly in the face of foreign encroachment and repeatedly arrests those that do oppose the invaders IS NEVER a patriotic regime." Ibid.

From Thursday to Sunday, protests with tacit state approval slowly built momentum, then unexpectedly exploded into a mass factory revolt. On Thursday the 8th, fifty-five "public intellectuals" (*nhân sĩ trí thức*) requested that the Ho Chi Minh City (HCMC) People's Committee "create advantageous conditions" for a rally that Sunday in front of the Metropolitan Opera House. The next evening, a small group of youths and dissident intellectuals gathered in front of the Chinese embassy in Hanoi, protesting for an hour without police intervention before disbanding of their own accord.[5] Momentum continued to build the following day when more than a hundred people gathered at the Chinese Consulate in HCMC. State affiliated newspapers appeared to support the gatherings, with HCMC-based *Tuổi Trẻ* ("Youth") sympathetically reporting: "The People of HCMC Peacefully Protest at the Chinese Consulate." Perhaps encouraged by the sympathetic reporting, Sunday's protests spread throughout every major city, becoming the largest in recent memory. The state was prepared, preventing noted dissidents from leaving their homes, and dispatching Communist Youth League "state-owned protestors" to blend into the crowd, deactivate audio equipment, and attempt to silence anti-regime agitators.[6] Nevertheless, the protests garnered international attention and set the stage for the maelstrom of the coming week.[7]

5 Thanh Phương, Thuỵ My, "Vụ giàn khoan HD-981: Biểu tình phản đối Trung Quốc tại Hà Nội" [The HD-981 Oil Platform Affair: protests to oppose China in Hanoi], RFI, 5/9/2014, http://vi.rfi.fr/viet-nam/20140509-vu-gian-khoan-hd-981-keu-goi-bieu-tinh-phan-doi-trung-quoc-ngay-1105 (accessed 7/11/18)

6 For a collection of photos and videos, see: "Tường thuật trực tiếp diễn biến các cuộc biểu tình phản đối Trung Quốc ngày 11/5/2014"[live reporting on the unfolding protests against China 5/11/2014], Dân Luận, archived at http://web.archive.org/web/20140511074524/https://www.danluan.org/tin-tuc/20140510/tuong-thuat-truc-tiep-dien-bien-cac-cuoc-bieu-tinh-phan-doi-trung-quoc-ngay-1152014 (accessed 7/11/18)

7 Vu Trong Khanh, "Vietnamese Gather at Chinese Embassy to

This relatively calm though somewhat contentious atmosphere was transformed when the work week began again the next day. Late in the afternoon on Monday, May 12th, sporadic protests broke out at the Việt Nam-Singapore 1 Industrial Zone in Bình Dương, a province on the northeastern outskirts of HCMC: the manufacturing center of southern Vietnam. The next morning, 20,000 or so workers demonstrated in three industrial zones. Rioting exploded around lunchtime. Chinese owned factories were targeted first. Masked men wearing workers' uniforms and bearing Vietnamese flags arrived on foot and by motorbike, pulled down factory gates and clambered over walls, urging others to join the march and allegedly even paying workers the equivalent of five to ten US dollars to participate in the vandalism, looting and arson. One worker reported to the BBC, "The protestors requested that workers making products at the companies follow [the protestors]—whoever came along wouldn't have problems, but whoever didn't come along wouldn't be spared."[8] The rioting quickly spread to Taiwanese, Korean, and even Vietnamese factories. According to celebrated independent journalist and historian Huy Đức, "Of the 315 investors damaged by the events in Bình Dương, twelve companies were seriously burnt (with many burnt to the ground), three were partially burnt, thirty-three were looted, 196 factories were smashed, and 241 offices were ruined, with many others completely torched and destroyed."[9]

Protest Against Oil Rig, The Wall Street Journal, 5/11/2014, https://www.wsj.com/articles/vietnamese-protest-oil-rig-at-chinese-embassy-1399789211 (accessed 7/11/18); AFP, "Large protests in Vietnam over China oil rig", AFP 5/11/2014, http://newsinfo.inquirer.net/601239/large-protests-in-vietnam-over-china-oil-rig (accessed 7/11/18)

8 BBC, "Công nhân biểu tình 'phản đối TQ'" [Workers protest to oppose China], BBC 5/13/2014, http://www.bbc.com/vietnamese/vietnam/2014/05/140513_binhduong_protests, (accessed 7/11/18)

9 Huy Đức, "Mồi lửa và đống củi" [The flame and the kindling], Truong Huy San personal Facebook account, 5/19/14)

The vast majority were Taiwanese-invested, mainland Chinese-managed textile manufacturing plants.

The next day, a similar sequence of events took place in Central Vietnam at the Taiwanese-invested, Chinese-staffed Formosa Plastics steel mill in Vũng Áng—the same place a horrendous chemical spill would trigger another set of nationwide protests two summers later.[10] It began in the early morning with twenty masked, motorbike-riding, flag-bearing protestors demonstrating in workers' uniforms outside the main gates. At 10:30 they barged through the gate into the administrative area and collected sixty more protestors before being convinced to leave. At 1:30 pm they suddenly returned with two hundred protestors and broke through the gates, attacking passing vans carrying Chinese workers. By 4:30 the group had swelled to around five hundred protestors. According to one witness, activists within the group began yelling to passersby that "a Vietnamese person has been beaten to death at the worksite," quickly swelling the protest to around five thousand. This group attacked a group of about one thousand Chinese workers, set fire to dormitories, and stole construction equipment and appliances. Four Chinese workers were killed and 130 injured, with twenty-three left in critical condition. One Vietnamese worker interviewed by state media speculated that the flag-bearing protestors who first barged into the factory were not workers on that site.

10 Van Hải, Đức Hiệp, "6.000 người xô xát tại Vũng Áng vì câu nói kích động"[6,000 fight in Vung Ang due to a provocateur], VN Express, 5/15/1014, https://vnexpress.net/tin-tuc/phap-luat/6-000-nguoi-xo-xat-tai-vung-ang-vi-cau-noi-kich-dong-2991183.html (accessed 7/11/180); Gerry Mullany, "Chinese Company Puts Death Toll in Vietnam Riots at 4, New York Times: Sinosphere, 5/21/14, https://sinosphere.blogs.nytimes.com/2014/05/21/chinese-company-puts-death-toll-in-vietnam-riots-at-4/ (accessed 7/11/18)

Who started the factory riots of 2014? Of the four hundred subsequently arrested in southern Vietnam, most were young laid-off men, languishing among the migrant worker population. Furthermore, there is no doubt that miserable workplace conditions and anger towards oppressive managers were necessary to make such an explosion of violence and property damage possible.[11] Nevertheless most accounts feature a vanguard group, well prepared with flags, batons and money, who came to mobilize workers and instigate the destruction. The Vietnamese government blames Việt Tân (the Vietnam Reform Revolutionary Party), a Pittsburgh-based anti-communist, pro-democracy organization founded in 1981 by Vietnamese refugees and remnants of the former Saigon government and military. Considered an illegal terrorist organization by the CPV, they are often scapegoated for domestic unrest. Việt Tân's radio station, *Chân Trời Mới* ("New Horizon"), shot back that the riots were orchestrated by the party to strike back at Beijing, having the added benefit of giving the state justification for clamping down on peaceful protests and shifting public anger away from China.[12] Both explanations are unconvincing.

We may never find out exactly how the quasi-sanctioned protests escalated into factory riots on Tuesday the 13th, but that shouldn't distract us from the way this controversy hinges on

11 Ivan Franceschini, "Interview with Angie Ngoc Tran", New Mandala, 7/29/14, http://www.newmandala.org/interview-with-angie-ngoc-tran/ (accessed 7/11/18) Bill Hayton, "Vietnam-China tensions: Why protests are not just jingoism", BBC 5/16/14, http://www.bbc.com/news/world-asia-27435612 (accessed 7/11/18)

12 "Ông Lý Thái Hùng nhận định về việc CSVN vu cáo Việt Tân đứng sau các cuộc bạo động ở Đồng Nai"[Mr Ly Thai Hung comments on the CPV accusing Viet Tan of being behind the violence Dong Nai] Chân Trời Mới Media, 6/1/14, https://chantroimoimedia.com/2014/06/01/ong-ly-thai-hung-nhan-dinh-ve-viec-csvn-vu-cao-viet-tan-dung-sau-cac-cuoc-bao-dong-o-dong-nai/ (accessed 7/11/18)

an important weakness of the Vietnamese state. Unlike Chinese protests against Japan, Vietnamese anti-China protests always border on movements against the regime. Why should this be? After all, didn't the CPV represent the anti-colonial aspirations of the Vietnamese people? As heirs to a two thousand year-old anti-colonial tradition, didn't the Communists lead the nation to defeat French, Japanese, American *and* Chinese imperialists and their puppets, just as their forefathers had done against the Han, Song, Yuan, Ming and Qing empires?

This two-part primer aims to give readers the background necessary to understand contemporary Vietnamese perspectives on China. This first article offers a cursory sketch of Sino-Vietnamese relations leading up to the market reforms (1986), paying particular attention to how this modern configuration of nationalist history was first formulated by literati revolutionaries in the colonial era, and then propagandistically reinterpreted by the two competing Vietnamese states throughout thirty years of civil and revolutionary war. Soon after the North Vietnamese tanks rolled triumphantly into Saigon in 1975, strained relations between Beijing and Hanoi developed into an outright war that re-politicized the distant and recent Sino-Vietnamese past. During the ten years that followed, the Vietnamese state was entangled in sporadic skirmishes with the Chinese People's Liberation Army (PLA), along with a costly and bloody Cambodian occupation, which combined to solidify hatred toward the "eternal enemy" across the northern border. Then, as the Soviet Union was disintegrating, a secretive September 1990 conference was held in the Chinese city of Chengdu, precipitating an unexpected about-face. An agreement on removing Vietnamese troops from Cambodia was reached, a path to Sino-Vietnamese normalization was opened up, and the preceding ten years of open warfare were scrubbed from official media, leaving the Vietnamese national position on

China in disarray. A subsequent essay to be published in the third issue of *Chuang* will then analyze the actions of reform-era dissidents and the multiplying conspiracy theories that have emerged since the Chengdu Conference against the backdrop of the global economic reorganization that has taken place since 1980.

These otherwise marginal conspiracy theories have taken on contemporary importance because of China's rise to geopolitical prominence, and especially the correlated shifts in the geography of global commodity production that have occurred in the wake of the Great Recession. By 2013, combined FDI into the five largest ASEAN economies had already surpassed FDI into China, with low-wage Vietnam one of the premier sites for global textile and apparel manufacturing.[13] These investors include Chinese firms, which are moving production abroad to flee the rise of domestic costs such as wages. If, in line with Vietnamese practice, one includes Taiwan, Hong Kong, and Macau under the umbrella of "Chinese investments," then China is by far the largest investor in Vietnam, with $56 billion USD invested in 4,759 projects as of 2016—more than a quarter of GDP.[14] While mainland China accounted for only about $10 billion of the total, the division is somewhat artificial, as non-mainland firms make heavy use of mainland employees and managers, and are associated with China in the popular imagination.[15] Furthermore, the outflow

13 Heng Shao, "Manufacturing Beyond China," Forbes Asia, 8/25/2014, https://www.forbes.com/sites/forbesasia/2014/08/25/manufacturing-beyond-china/

14 Bach Duong, "Top FDI Source China Pours over $56 Billion into Vietnam with Nearly 5,000 Projects," VNExpress, 5/4/2016, <https://e.vnexpress.net/news/news/top-fdi-source-china-pours-over-56-billion-into-vietnam-with-nearly-5-000-projects-3397081.html>

15 The clearest example of this is the controversy surrounding the abovementioned Vũng Áng Formosa Steel Plant, which besides being the site of fatal brawling between mainland Chinese workers and Vietnamese

of capital is accelerating because of the US-China trade dispute, which has prompted Guangdong manufacturers to prioritize already existing plans to diversify production into the lower wage countries of Southeast Asia to avoid US tariffs.[16]

Yet instead of allaying popular Sinophobia, Chinese investments appear to have actually intensified it, as mainland-affiliated projects have been notoriously plagued by huge cost overruns, relatively high interest loans, ballooning public debt, and especially favorable breaks from tax and environmental regulations—feeding popular suspicions of corrupt backroom deals between the Vietnamese and Chinese Communist Parties at the people's expense. A few notable examples are illustrative: The Cat Linh-Ha Dong Metro line in Hanoi, Vietnam's first metro, has gone more than forty percent over budget and is buried under interest payments from the $669 million worth of loans taken from China EximBank.[17] The metro still hasn't opened, yet already appears outdated. Even more controversial have been the Chinalco-invested Central Highlands bauxite

protestors in 2014, was also the cause of widespread popular protest in 2016 after it released enough carbonic acid into the ocean to kill all marine life along a 200 kilometer stretch of coastline. Popular conspiracy theories also circulated placing the Vũng Áng plant as a "concession" territory secretly ceded to mainland China. See: Angel L Martinez Cantera, "We are Jobless because of Fish Poisoning: Vietnamese fishermen battle for justice," Guardian, 8/14/2017,< https://www.theguardian.com/global-development/2017/aug/14/vietnamese-fishermen-jobless-fish-poisoning-battle-justice>. For an example of conspiracies about Formosa see: Tran Dai Quang, "Tìm Hiểu Tô Giới Vũng Áng Hà Tĩnh," Kontum Que Toi, <https://kontumquetoi.com/2016/05/02/tim-hieu-to-gioi-vung-an-ha-tinh/>

16 Ben Bland and Nicolle Liu, "China's Factories Eye South-East Asia to Avoid US Tariff Threat," Financial Times, 7/19/2018, <https://www.ft.com/content/da53939c-8bdb-11e8-bf9e-8771d5404543>

17 Kiều Linh, "Đường sắt Cát Linh- Hà Đông: Mỗi năm trả nợ Trung Quốc khoảng 650 tỷ," VnEconomy, 22/01/2018, <http://vneconomy.vn/duong-sat-cat-linh-ha-dong-moi-nam-tra-no-trung-quoc-khoang-650-ty-20180122162846335.htm>

mines, which initially received unprecedented public criticism on environmental, economic, and national defense grounds in 2010. So far the two mines have eaten up nearly $1.4 billion USD. This is already more than twice the originally projected cost, and yet the mines show little prospect of ever achieving profitability. These astounding financial losses are in no small part due to relatively antiquated and uncompetitive technology installed by the Chinese contractor, which, in addition, pollutes more than contemporary global standards.[18] More recently, the Vĩnh Tân Electrical Center in Bình Thuận, a coal plant that is 95% Chinese funded, is staffed by a small city of mainland Chinese workers, and its pollution has obliterated the domestic fishing and aquaculture industries. Nationwide popular protests broke out against proposed special economic zones near the plant in early June 2018. Opposition to the plant escalated into violent skirmishes in which protestors set fire to provincial government buildings, beating and capturing security forces.[19] Testifying to the unpopularity of Chinese-invested projects, the plant has now been placed under "Special Security Protection."[20]

18 See: Anh Thư, "Rót 32.000 tỷ vào bãuit, alumin Tây Nguyên, kết quả giờ ra sao?" Dân Trí, 2/22/17, <http://dantri.com.vn/kinh-doanh/rot-32000-ty-vao-bauxit-alumin-tay-nguyen-ket-qua-gio-ra-sao-20170221232425294.htm>; Staff, "Vinacomin's Two Grave Missteps," Vietnamnet Business, 05/03/2017, <http://english.vietnamnet.vn/fms/business/173836/vinacomin-s-two-grave-missteps.html>

19 For an account see: Do Son, "Fear and Loathing in 'the Pacified South': Conspiracies and SEZs in Vietnam," Chuang Blog, 6/11/2018, <http://chuangcn.org/2018/06/vn-sez-sinophobia/>

20 "Nhiệt điện Vĩnh Tân cần được bảo vệ an ninh đặc biệt," Radio Free Asia, 6/29/2018, <https://www.rfa.org/vietnamese/news/vietnamnews/vinh-tan-power-plant-proposed-to-be-in-the-case-of-special-security-protection-06292018084749.html>

This all shows that popular Sinophobia in Vietnam is important because it indexes the increasingly precarious position of the ruling Vietnamese Communist Party, and therefore has implications for China's continued expansion into Southeast Asia. This two-part series descibes the origins and explains the causes of widespread Vietnamese Sinophobia with three broader questions in mind: will the Party be able to accomadate Chinese expansion while economically developing, thereby vindicating the Sinophilic minority within both the ruling party and the population, or will popular Sinophobia win a mass base, form an effective vehicle for anti-regime activism led by liberal-democratic partisans, and further constrict state maneuvarability, or even lead to civil strife? Secondly, how do class positions and memories of the socialist period influence the character and prevalence of this Sinophobia? Finally, how does Vietnamese Sinophobia compare to similar ideologies in other parts of Southeast Asia, and what implications do these ideologies have for China's geopolitical and economic expansion throughout the region? In order to approach these broader questions, we must first start at the surprisingly recent crystallization of a unified and distinctively Vietnamese nationalist perspective on China.

Early Civilization

Readers familiar with American wartime activist scholarship may take it for granted that the Vietnamese have long hated all things Chinese.[21] This misreading of the history, which from

21 For a brief discussion of the historiography, see Tuong Vu, Vietnam's Communist Revolution: The Power and Limits of Ideology, Cambridge, 2017, 7; for examples see: George Kahin and John Lewis, *The United States in Vietnam*, (New York: Delta, 1969) 326-327; George Herring, America's Longest War, 4th ed. (New York: Mcraw-Hill, 2002), 3-4;

its origins was more about rebutting the "domino theory" than analyzing Sino-Vietnamese relations, obscures a delicate, if at times conflicted, partnership between the polities.

The first recorded settlements in the Red River Delta sprung up between 600 and 200 BCE. Radiocarbon dating puts the reinforced structures of Cổ Loa at 300 BCE, perhaps a sign of the first centralized economy capable of dominating surrounding settlements. Whatever the features of this civilization, it was soon conquered by a series of migrants from the North. In 111 BCE, the Han Empire officially incorporated the territory stretching from modern Guangdong to Thanh Hoá into the frontier commandery of Jiaozhi, where it remained, with some alterations, for a thousand years.[22]

Far from the center of power, the Han colonial project extracted goods such as pearls, ivory and lapis lazuli[23] through a diverse series of indigenous chieftain collaborators. As time passed, the Northern empires opened their armies, academies and administration to Jiaozhi's best and brightest, further integrating the peripheral elite culture into the core. Indeed, men born in the Red River Delta would hold powerful positions throughout subsequent Northern administrations well into the 20th century.[24] This process, often glossed as "Sinicization," involved mass technology transfer as the world's most sophisticated farming techniques, record keeping

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Marilyn Young, *The Vietnam Wars*, 1945-1990 (New York: Harper Perennial, 1990), 2; Frances Fitzgerald, *Fire in the Lake: The Vietnamese and Americans in Vietnam* (Boston: Little, Brown 1972), 8.

22 For a thorough survey of early history see Taylor. This account is based on the short summary of early history in Goscha. Keith Weller Taylor, *A History of the Vietnamese*, Cambridge University Press, 2013; Christopher Goscha, *Vietnam: A New History*, Basic Books, 2016

23 Goscha 2016, p. 51

24 Ibid., p. 53

practices, manufacturing expertise and political philosophies followed centuries of settlers to the polyglot, polymorphic Southern frontier. The social dynamic engendered by settlers, political incentives and economic centralization gave birth to an elite culture and language that came to dominate the administration of the more densely populated lowland and coastal settlements, while leaving difficult-to-access highland and scattered rural areas as reserves of precious forest goods. The elite culture that would eventually become Vietnamese had little in common with the vast linguistic and cultural diversity nominally administered by the state. Nevertheless, elite members of the governing apparatus defined the culture of the Việt (Ch: *Yuè*) imperial system, and aspects of their pre-modern self-identification would be reconfigured into the 20th century nation.

However, one should not overstate the degree of integration and consistency in premodern Việt elite culture. There were lengthy civil wars between powerful ruling families with significant regional differences in economy and court culture. At times, different Buddhist, Taoist and Confucian traditions predominated among elites, and plenty of borrowing also took place from the neighboring non-sinitic competitors of Angkor, Siam and Champa. The regional variation grew as Việt settlers percolated south and eventually conquered Cham and Khmer territories, subduing the Mekong Delta on the eve of French colonization in the mid-19th century. Despite these variations, the Việt elite were firmly planted in the East Asian cultural sphere.

Pre-Colonial Visions of "The North"

Nationalist historiography roots the consolidation of an independent Vietnamese polity in the collapse of the Tang

Dynasty, when decades of intermittent conflict fractured the Red River Delta. In 968 Đinh Bộ Lĩnh wrested control of the area from local warlords, becoming the leader of Greater Viet (Đại *Việt*). Though declaring himself emperor, he was only recognized as "Commandery Prince" (*quận vương*) by the Song Dynasty (960-1279).[25] A tributary relationship was established, and despite brief conflicts, maintained until the French colonial era. In the 12th century the Song upgraded this title to "king" (*quốc vương*), prompting court annalists to write and rewrite the Việt genealogical relation to the northern dynasties in an attempt to ground imperial sovereignty in Việt sharing of civilized Northern habits, knowledge, and an advantageous geomantic configuration.

Far from writing their history as one of popular resistance to the North's colonial subjugation, annalists familiar with northern sources and precepts turned to the northern canon to fashion a political identity based on a genetic lineage to the northern dynasties through Shennong, a mythical founder of "Chinese" civilization. According to the elite Việt worldview elaborated in the premodern era, civilization and morals were brought south by virtuous Northern individuals, and the process was codified in heavenly signs that legitimized the Southern Kingdom as a new locus of civilization with its own powerful geomantic currents that in turn generated venerable Southern individuals.[26]

25 Nationalist historiography emphasizes a radical break at this time, calling the preceding era "Thousand years of northern domination". More scholarship is instead seeking to extricate this history from anachronistic notions of independence and nationalism purveyed by 20th century scholars. The narrative related in this section relies on: Liam Kelley, "From a Reliant Kingdom in Asia: Premodern Geographic Knowledge and the Emergence of the Geo-Body in Late Imperial Vietnam," *Cross Currents: East Asian History and Culture Review*, No.20 (September 2016), pp. 12-13

26 See section on "Celestial Scripting," in ibid. p. 19

Despite the fact that many of these talented individuals are now celebrated for their exemplary bravery in patriotically battling "Chinese" invaders, previous rulers of the Southern kingdoms originally promoted their deification with different purposes in mind. For example, Trần Hưng Đạo, Vietnam's most revered hero, renowned for defeating the Yuan Dynasty's Mongol forces in a riverine ambush in 1288, was previously celebrated for his strict adherence to ideals of royal and filial loyalty.[27] Even when his martial prowess was celebrated, he would be compared to Northern generals. As late as the 19th century, martial shrines (*võ miếu*) were constructed to celebrate such exemplary militarists. While Trần Hưng Đạo was granted first position among the Southern generals, he was still subordinated to personages "from the 'Northern Court' (Bắc Triều), [such] as Guan Zhong, Zhang Liang, Han Xin, Zhuge Liang, Li Jing, Guo Ziyi, and Yue Fei."[28] Subordinating Trần Hưng Đạo in this manner proves that his exemplary qualities did not include opposition to "China." On the contrary, he was exemplary because he mirrored qualities most perfectly exhibited by his Northern counterparts. In sum, historical figures celebrated in present Vietnam for patriotic, anti-colonial, and anti-Chinese purposes have a long history of acting as both efficacious regional deities and state-promoted tutelary personages for popular moral rectification, but their promotion as patriotic heroes was a development of the colonial and revolutionary period. In the early 20th century, the metaphysical foundation for a consubstantial yet inferior relation with the North dissolved as reformers found themselves thrust into a world of competing nations caught in a zero-sum survival of the fittest.

27 Liam Kelley, "From Moral Examplar to National Hero: The transformations of Trần Hưng Đạo and the emergence of Vietnamese nationalism," Modern Asian Studies, Vol. 49 Iss. 06 (November 2015), pp. 1968-1975

28 Cited in: ibid., p. 1973

Colonial Reformers

This cosmological-political system was thrown hopelessly out of synchronization in the mid-19th century. One hundred years before, in the mid-18th Century, the Việt lands were nominally under the authority of the Lê emperor, but effectively controlled by two rival warlord families: the Trịnh in the north, and the Nguyễn in the south. The Nguyễn were hopelessly engaged in expansionist operations into the disputed frontier marshes of the Mekong Delta: a key Southeast Asian rice basket that fed cash-cropping and construction activities around the Nguyễn political center in Huế.[29] In the late 17th century the Qing had lifted the ban on direct trade with Japan and limited trade in Southeast Asia, precipitating a long crisis in the Nguyễn's raw material export industry. The Nguyễn disasterously sought to make up for the shortfall by overvaluing its zinc currency, and when that proved catastrophic, by bringing more of the highlands into taxation, increasing corvée, and compelling rice traders to deliver at below market rates. The stresses were concentrated at the midway port town of Quy Nhơn, triggering the 1770 Tây Sơn rebellion: a highlander-affiliated provincial revolt led by Nguyễn Huệ (no relation to the ruling dynasty) that metastasized into all-out war and eventually forced the sole surviving Nguyễn heir to flee, while obliterating the Trịnh and Lê royal families.

The Tây Sơn army sought to further expand its power northward and capitalize on a defeat of the pro-Lê Qing Empire forces by sending an expeditionary force to annex Guangxi and Guangdong. Meanwhile, the Nguyễn Dynasty's last surviving

29 Li Tana, Nguyễn, *Cochinchina: Southern Vietnam in the Seventeenth and Eighteenth Centuries*, Cornell University Press, 1998, p. 139

heir, Nguyễn Phúc Ánh, exploited the Tây Sơn's preoccupation with northern conquest by allying with a Siamese effort to seize the Khmer territories and reclaim the Mekong Delta.[30] Tây Sơn leader Nguyễn Huệ's unexpected death in 1792 left his fledgling regime in a succession crisis, while Nguyễn Phúc Ánh's multinational coalition of mercenaries steadily reclaimed and consolidated vast swaths of the southern delta, dividing and conquering the Tây Sơn zones and uniting territory under the Nguyễn Dynasty in 1802.

French naval officers provided pivotal training, fortification engineering, weapons sourcing, and battle commanding functions for Nguyễn Phúc Ánh's reconquest. However, the French Revolution and subsequent Napoleonic Wars prevented an intimate role by the French state, and the Frenchmen involved remained loyal to Nguyễn Phúc Ánh, eventually establishing Vietnamese families and assimilating into Vietnamese society.[31] The aloof attitude of the French state shifted as inter-imperial competition intensified during the French Second Empire (1852-1870). Bristling at increasing European intervention at the First Anglo-Burmese War (1824-1826), Nguyễn Phúc Ánh's son, Emperor Minh Mạng, combined a policy of political and cultural centralization with an unprecedentedly virulent anti-Christian propaganda campaign that depicted the faithful as agents of Western imperialism. By the 1850s, the anti-western sentiment had swollen into rolling pogroms against local Christian communities, while overtures for trade relations made by French monopoly trading houses, financed by the Bordeaux Chamber of Commerce, were flatly rejected by the justifiably suspicious Nguyễn regime.[32] Unperturbed by the hostility, Louis Napoleon's naval forces had already

30 See: Taylor, *A History*…, pp. 374-380

31 Taylor, ibid., p. 385

32 ibid., pp. 441-445

begun scouring the Chinese coast for paths into the interior, and rescuing persecuted Christians proved a convenient justification to the less-than-pious French naval officers looking for a river route into the prosperous markets of the Yangtze Plain, which would allow them to circumvent British dominance of the Pearl River Delta.

The Second Anglo-Burmese War (1852-1853) intensified French fears of being beaten to a southern route to the Chinese interior. In 1858 the French were repelled at Đà Nẵng, and shifted their attack to Saigon, which they annexed through the treaty of the same name in 1862. By 1874 they had annexed the rest of the Mekong Plain and Cambodia, sending expeditions upriver in search of a water route to Yunnan, China. When the upper Mekong proved unnavigable, they turned their sights to the Red River, bisecting Hanoi. Unrest in the Metropole during the Franco-Prussian War and Paris Commune (1870-1871) delayed official support for what were increasingly adventurist activities of untethered naval commanders in a European dash for Asian territory.[33] French entrepreneurs, especially the Lyon silk industry, emerged as powerful competitors on the global commercial stage.[34] The Third Republic, anxious to grab a share of the Asian pie, seized the whole of what would become Indochina, formally ending Qing vassalage by forcing a protectorate on the Nguyễn Dynasty in the 1883 Treaty of Hue. From 1885 to 1889, the last spasm of open royalist resistance to French conquest fizzled out in the malarial hills, as a contingent of renegade scholar-generals led by Phan Đình Phùng preferred death to recognition of French control over the court. Eventually they succumbed to disease,

33 Goscha, *Vietnam*… pp. 62-72

34 Martin J. Murray, *The Development of Capitalism in Colonial Indochina (1870-1940),* University of California Press, 1980, pp. 12, 53-55; Pierre Brocheux and Daniel Hemery, *Indochina: an Ambiguous Colonization 1858-1954*, University of California Press, 2009. p.22

hunger and betrayal as dynastic revanchism proved unable to rally sufficient sympathy from lowland compatriots and hostile highland polities.

Discovering Vietnam and Vietnamese Heroes

The old cosmology, like the tributary regime that anchored it, did not vanish overnight. Nevertheless, from 1900 to 1930 a sea change occurred in intellectual debates, increasingly dominated by reformers and revolutionaries who viewed the once celebrated Northern customs as backward, feudal and, most importantly, a threat to the continued existence of what was increasingly seen as the *Vietnamese nation*. Ironically, this anti "feudal" attitude wasn't promoted by the French colonizers, who propped up the defanged Nguyễn Dynasty well into the revolutionary period (1945-1954), but by Chinese literati reformers and their Vietnamese admirers. Soon after the turn of the century, nationalist and Social Darwinist ideas flooded into Indochina through the East Asian circuits travelled by tireless literati activists like Phan Bội Châu, who first read essays by Chinese nationalist Liang Qichao while in Saigon, and then spent the next few decades in and out of prisons while travelling between Japan and South China. Châu exhorted young Vietnamese to "go east" (đô*ng du*) and study Meiji examples, while he collaborated with Liang, Sun Yat-sen and others on diplomatic, propagandist, and military recruitment missions.[35] The connection to the Sinosphere remained crucial,

35 Notably, Vietnam wasn't subject to the same complicated overlapping racial complications that plagued Chinese anticolonialism, where Manchu, Japanese, British, and others would vie for control of the territory. In Vietnam, fears of racial extinction were framed in starker terms: the yellow man versus the white man, see: Hue-Tam Ho Tai, *Radicalism and the Origins of the Vietnamese Revolution,* Harvard University Press, 1992, pp. 20-21; David G. Marr, *Vietnamese Anticolonialism, 1885-1925*, University

as the debates prevalent in Indochina were replicas of those propagated by the late Qing modernizers. Indeed, Liang Qichao himself inspired, introduced, and published Châu's influential *History of the Loss of Vietnam* (*Việt Nam vong quốc sử*): a text first circulated in China to warn young patriots about the fate of nations who succumb to colonial domination, a fear voiced by the Chinese revolutionaries of 1911, who chanted, "Only one thing makes us afraid: losing all hope of recovery like Annam."[36]

Part and parcel of these debates were a slew of concepts that increasingly framed the world in terms of territorially bound ethnic nations locked in a timeless battle for survival. Neologisms such as "fatherland" (Vn: *Tổ Quốc,* Ch: *zuguo),* "patriotism" (Vn: Ái quốc, Ch: *aiguo),* "democracy" (Vn: *Dân chủ,* Ch: *minzhu),* "republic" (Vn: *Cộng hoà,* Ch: *gonghe)* and "compatriot" *(*Vn: Đồng *bào,* Ch: *tongbao)* initially entered Vietnamese, not through French, but through the Chinese reformers exiled in Japan.[37] While giants like Phan Bội Châu loom large, the grunt work of popularization was accomplished by a slew of literati education reformers who promoted "modern" textbooks on subjects like geography and history. These scholars reimagined the dynastic annals and geomantic configurations with the explicit intention to foster a popular nationalist consciousness. In so doing, they hoisted the old Southern tutelary deities up

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of California Press, 1971, Ch. 4-5; Rebecca Karl, *Staging the World: Chinese nationalism at the turn of the Twentieth Century,* Duke University Press, 2002, p. 164

36 Annam is a common older referent for the people of Vietnam. During the Colonial Era it was the name of the Central Vietnamese protectorate centered in the imperial capital, Hue. Interestingly, *History of the Loss of Vietnam* is credited with first popularizing the term Vietnam, See: Hue-Tam Ho Tai, ibid., p. 21; Chinese student chant cited in: Brocheux and Hemery, ibid., p. 293

37 See discussion in Kelley, "Tran Hung Dao…," p. 1982 and "From a Reliant Kingdom…," p. 32

from their previous subordination to Northern models, and invested these newfound "heroes" (Vn: *anh thư*, Ch: *yingci*) with the national character: a supposedly two thousand year old anti-colonial tradition. These new heroic configurations were screens bearing the projections of elite Việt panic over the prospect of racial extinction. Nevertheless they were subsequently inherited by both the Republican and Communist states.[38] When the Cold War inflated what might have been a relatively small anti-colonial and civil war into a horrific proxy war, the two rival states contested each other's revolutionary pedigree by drawing on examples presented by their recently minted heroic ancestors. While the Communists portrayed Ho Chi Minh as the next generation's exemplary hero, Republicans pointed to Hanoi's reliance on China to portray their enemies as collaborators with a new wave of Northern invaders.

Communist Connections, Chinese Aid, and Vietnamese War Communism

Nguyễn Sinh Cung, the man later known as Ho Chi Minh, was only one of countless activists from the colonial world who gathered at Versailles in 1919 to submit a futile petition in hopes of realizing Woodrow Wilson's hollow advocacy for national self-determination. An erstwhile advocate for a more humane colonial patronage, over the next two years, Ho, like many of his peers, grew disillusioned with the reformist agenda and became radicalized in the postwar Parisian atmosphere. Lenin's Colonial Theses, published in *L'Humanité,* affected him deeply. And he had good company, brushing shoulders with

38 See epilogue chapter "Retrospective," in Keith Taylor, *A History of the Vietnamese,* pp. 620-626

the likes of Zhou Enlai, Li Lisan, Deng Xiaoping, as well as activists from Madagascar, Algeria and Dahomey, with whom he published an anti-colonial newspaper called *Le Paria*. When, in December 1920, the French Communists broke with the Second International, Ho followed, becoming a founding member of the French Communist Party. In 1923 the Comintern invited him to Moscow, and in late 1924 he was sent to Guangzhou as a communications specialist. Once there, he founded the Vietnamese Revolutionary Youth League, which published communist and anti-colonial tracts to be smuggled into Vietnamese Indochina, where they found a receptive audience among the nascent patriotic student movement.[39]

The Indochinese communists were part of the global revolutionary movement, which officially had its nerve center in Moscow, but had its Asian base in Southern China. The Guomindang's (KMT) 1927 violent turn against the CCP forced the Vietnamese Revolutionary Youth League to close, pushing Ho into Southeast Asia. Nevertheless, while he busily set about organizing parties in Malaya, Laos, Thailand, and perhaps Cambodia, the communist organizations within Indochina continued to grow independently of Comintern oversight, albeit in fits and starts due to periodic mass arrests. In 1929, the Comintern's Far Eastern Bureau (FEB), based in Shanghai, began to push local communists to reorganize into Comintern-approved communist parties. This work was primarily done through the Nanyang Committees: Comintern-affiliated anti-imperial revolutionary organizations established during the First KMT-CCP United Front Period (1923-1927) and dominated by communists from the Chinese diaspora, who sought to organize and unite fellow diaspora with indigenous communists in such far-flung lands as San Francisco, Cuba,

39 For Ho's biography, see: Sophie Quinn-Judge, *Ho Chi Minh: The missing years 1919-1941,* University of California Press, 2002,

Peru, and Malaya, to name a few places where the Committees were active.[40]

For the Vietnamese, this effort culminated in the establishment of the Indochinese Communist Party (ICP) in Hong Kong in the Spring of 1930. Led by Trần Phú, with Ho as Comintern liaison, the party's founding coincided with a communist-led peasant rebellion and the establishment of soviets in the North-Central Provinces of Nghệ An and Hà Tĩnh. Not only was the rebellion locally ratified without approval from the nominal center based in South China. The somewhat adventurist rebellion may have even been coordinated by Li Lisan's agents in the Nanyang Committees, which were just rolled into the ICP, and were brimming with Chinese communists who had fled the KMT crackdowns a few years prior. This disastrous episode testifies to the way the Indochinese communist movement, from its earliest days, was not only linked to the Chinese communist movement via its bases in Hong Kong and Guangzhou, but was also linked at the quasi-independent locales through the Nanyang Committees.

The Nghệ Tĩnh soviets were brutally crushed by French airpower, triggering a colony-wide crackdown on political radicals and sending a generation of revolutionaries into colonial prisons, themselves proving an effective incubator for the radical ideas that would later strangle French colonial

40 For speculation on Nanyang committees role in this period of party formation and uprisings see: Sophie Quinn-Judge, *Ho Chi Minh* pp. 165-176; For overview of political history in the period see: Goscha, "The Failure of Colonial Republicanism," p.123; on the Vietnamese Communist's ideology during the period see: Tuong Vu, *Vietnam's Communist Revolution*, pp. 31-89: For an overview of Nanyang Committees see: Anna Belogurova, "Networks, Parties, and the 'Oppressed Nations': The Comintern and Chinese Communists Overseas, 1926-1935," *Cross Currents East Asian History and Culture Review*, No. 24 (September 2017).

power in Asia.[41] Ho fled back to Moscow, but others weren't so lucky. Many in the Central Committee were arrested in Hong Kong in 1931. While a renewed surge of leftist radicalism overtook the colony, this time centered around Saigon, Ho was sidelined in Moscow, undergoing self-criticism and reeducation for promoting a united front strategy while the party line was emphasizing "class struggle."

Ho's path changed course again in the early 1940s. Ascendant European fascism and Japanese militarism caused Moscow to renew united front tactics. The French Third Republic fell to the Wehrmacht, and the resulting axis-aligned Vichy government was forced to allow Japan to station troops throughout Indochina, ruling the colony through a fragile co-governing arrangement. Inspired by wartime shortages and France's humiliation at having capitulated to a nation of the supposedly inferior "Asian race," the Southern Uprising (*Nam kỳ khởi nghĩa*) shook the Mekong Delta in late November 1940. Yet another brutal crackdown followed in its wake, this time effectively neutralizing the Southern communists. Fortuitously for Ho, he was back in Southern China to assist in the Second CCP-KMT United Front (1937-1941) just as the center of Vietnamese communism shifted from Cochinchina into the frontier highlands on the Yunnan border.[42] It was from here, especially after the March1945 Japanese internment of French colonists, that the ICP-led Vietminh solidified and expanded into a formidable guerrilla force with a large presence and widespread support in the densely populated rural Red River

41 Peter Zinoman, *Colonial Bastille: A History of Imprisonment in Vietnam 1862-1940,* University of California Press, 2001.

42 Cochinchina was the southernmost territory of the Indochinese Union, and unlike the protectorates of Annam, Tonkin, Laos, and Cambodia, it was a full French Colony subject to direct rule under French law. For more on the role of the failed Southern Uprising in fortuitously conditioning Ho's eventual triumph, see: Goscha, *Vietnam,* p.193.

Delta, where they acted as OSS (Office of Strategic Services, a US intelligence agency) liaisons to reconnoiter and sabotage the Japanese occupation, providing famine relief to the beleagured countryside by raiding Japanese grain stores.

With the French in prison, Japanese surrender in August immediately precipitated an anti-colonial insurrection. The Vietminh organizations, being the most disciplined military and political force in the territory, was best situated to capitalize on the mayhem, sweeping in to capture administrative centers throughout the country and establish the Democratic Republic of Vietnam (DRV), cementing their reputation as steadfast nationalists with connections to the victorious allied forces and untarnished by collaboration with the defeated Japanese.[43] Nevertheless, the Allied leaders convened at the Potsdam Conference had already decided that the surrender of Japanese controlled Indochina would be accepted by Chiang Kai-shek in the North and Britain in the South. Regional divergences intensified as the KMT recognized *de facto* Vietminh authority in the North, while the British deferred to the French and stood by as they overthrew and exterminated the local Vietminh apparatus to regain a foothold. Fearful of a KMT-backed anti-communist coup, the ICP officially dissolved from 1945 until 1951, when they were reestablished as the Vietnamese Workers' Party (VWP).[44] They still secretly

43 For a history of the "August Revolution," see: David Marr, *Vietnam 1945: The quest for power,* University of California Press, 1995. For an insightful critique, which argues that the ICP played a commanding role throughout the popular uprisings, see: Alec Holcombe, "The Role of the Communist Party in the Vietnamese Revolution: A Review of David Marr's Vietnam: State, War, and Revolution (1945-1946)," *Journal of Vietnamese Studies*, Vol. 11, Issue 3-4, pp. 298-364.

44 At this second party congress in 1951, the former ICP agreed to split into three parties, one each for Vietnam, Laos and Cambodia, but under the provision that "the Vietnamese party reserves the right to supervise the activities of its brother parties in Cambodia and Laos." The Cambodian branch became the Khmer People's Revolutionary Party later that

dominated the state administration, and local anti-communist nationalists weren't fooled, but in an ironic twist, international communist allies began to seriously doubt the Vietminh's communist credentials.[45] The suspicion was exacerbated by the fact that, after the French recaptured the lowlands in 1946, the Vietminh were once again pushed into the Yunnan border region, and almost completely cut off from the world communist movement. Indeed, Stalin was so concerned with maintaining French communist competitiveness in Europe that he couldn't risk denouncing the nation's colonial reconquest in Southeast Asia, even to the point that he advocated for Indonesian independence while ignoring the Vietnamese.

The CCP, on the other hand, provided much needed aid to the struggling and isolated Vietminh, despite being preoccupied by full-blown Civil War. By July 1947 nearly a thousand officers, soldiers, specialists and intelligence agents had received training at the behest of the Guangxi Vietnam Border Interim Working Committee.[46] This trickle grew to a flood when diplomatic relations were established in January of 1950, and a steadily increasing flow of arms and advisors proved decisive in the Vietminh shift from a stalemate guerrilla insurgency in the far-flung highland frontiers to set-piece attacks on French positions and eventual victory at Điện Biên Phủ.[47]

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year, but the Pathet Lao's organization (originally named "Lao People's Party") wasn't formally established until 1955. The VWP was renamed the Communist Party of Vietnam in 1976, after formally merging with the People's Revolutionary Party of South Vietnam in 1975.

45 See: Christopher Goscha, "Courting Diplomatic Disaster? The Difficult Integration of Vietnam into the Internationalist Communist Movement (1945–1950)," Journal of Vietnamese Studies, Vol. 1, No. 1-2 (February/August 2006), pp. 59-103.

46 Qiang Zhai, *China & the Vietnam Wars, 1950-1975,* University of North Carolina Press, pp. 12-35

47 By April, Ho and Liu Shaoqi had determined sites for Vietnamese Military Academies in Yunnan, began retraining top party members in

Chinese advisors like Chen Geng, Wei Guoqing and Luo Guibo did not just teach military tactics and select strategic targets, they also presided over a complete makeover of the DRV's state, party and military organization. In anticipation of a shift from guerrilla war toward "General Counteroffensive" (*tổng phản công*), a Political Advisory Group was established to act as the civilian compliment to the Chinese Military Advisory Group. This consisted of over 100 Chinese advisors who consulted directly with Ho on a range of issues including finance, security, culture, party consolidation and land reform. Class struggle education spread throughout the military and mass organizations, where criticism/self-criticism sessions for petty bourgeois class standpoints were scheduled at regular intervals.[48] The social pressure of these marathon group interrogation sessions is difficult to exaggerate. During one rectification drive, for example, all four thousand new recruits of the Army Officer School in Yunnan confessed to working for "the enemy," with some so distraught that they committed suicide. With Chinese aid freeing the party from a reliance on the financial support of the indigenous bourgeoisie and landlords, training in class struggle intensified, and pretenses of a united front were gradually dropped. Men and women recently deemed the "patriotic bourgeoisie and landlords" for contributing to the resistance war were now increasingly

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Maoist military theory, and formed a Chinese Military Advisory Group composed of 281 persons to be posted at Vietminh army headquarters, three divisions, and a new officer training school. Within five months of establishing relations, the Vietminh had already received at least 14,000 small arms, 1,700 heavy machine guns and recoilless rifles, 150 mortars, 60 pieces of artillery and 300 bazookas, as well as ammunition, medicine, communications equipment, clothes and 2,800 tons of food.

48 Lifetime guerrilla, author, and political cadre turned reformist Nguyên Ngọc recalls, "At that time, us intellectuals had to treat ourselves like manure. I was just 20 years old, not even old enough to have sinned, but I had to self-criticize for secretly harboring lustful dreams." See: Huy Đức, *Bên thắng cuộc tập II: Quyền bính*, Osinbook 2012, p. 12

described as "evil" (ác bá), "traitorous" (*gian*) and "reactionary" *(phản động)*. In early 1953, pilot rent reduction programs were carried out by a parallel branch of specially trained cadres with close collaboration between top VWP leaders and their CCP advisors. A slew of propagandist literary works, both Vietnamese originals and translations from Chinese, were circulated in anticipation of the rent reduction and land reform campaigns that soon swept North Vietnam in a whirlwind of purgative show trials, coupled with famine.[49]

The land reform campaign should be understood as a final step in the consolidation of authority that began with the

49 The early debate on land reform was polarized by the political climate of the 1960s. The problem is compounded by the CPV jealously guarding any data that could be used to accurately estimate the number of executions. While it's difficult, if not impossible, to statistically judge the popularity of the land reform, the subsequent rebellion in Quỳnh Lưu, the resignation of Party General Secretary Trường Chinh, the tearful, if melodramatic, apology by Ho Chi Minh, and the rectification of errors campaign which determined that almost 72% of 'landlords' were miscategorized middle and wealthy peasants, are all signs that there was significant discontent among multiple segments of the population as a result of the violence. In China, land reform seems to have been more popular among poor peasants and also more successful agriculturally, but in both countries an important function of land reform was to destroy local elites as competitors for the new party-state's power. In China (as discussed in "Sorghum & Steel," *Chuang* 1, pp. 33-35), however, this shift of power was centered on control over agricultural surplus, whereas in Vietnam, equally if not more important was peasant loyalty in the seemingly endless war against the French and, later, the Americans. For recent research see: Alec Gordon Holcombe, *Socialist Transformation in the Democratic Republic of Vietnam,* PhD. Diss. UC Berkeley, Spring 2014; Alex-Thai D Vo, "Nguyễn Thị Năm and the Land Reform in North Vietnam, 1953," *Journal of Vietnamese Studies* Vol. 10, No. 1 (February 2015), pp. 1-62. For the original debate see: Hoang Van Chi, *From Colonialism to Communism: A case history of North Vietnam,* Fredrick A. Praeger, 1968; D. Gareth Porter, "The Myth of the Bloodbath: North Vietnam's land reform reconsidered," Interim Report: No. 2, International Relations of East Asia Project, Cornell University, 1972; Edwin E. Moise, *Land Reform in China and North Vietnam: Consolidating the revolution at the village level,* University of North Carolina Press, 1983. For more on the key western academics defending the DRV's official account, the "Committee of Concerned Asian Scholars," see: Fabio Lanza, *The End of Concern,* Duke University Press, 2017.

explosion of PRC aid and advisors in 1950. The early stages of preliminary rent reduction and plans for land reform were first carried out in the liberated zones during preparations for the fateful siege of the French base nestled in the distant mountains of Điện Biên Phủ—the largest battle in colonial history.[50] The timing was no coincidence: land reform was the conclusion of the abovementioned reorganization designed to squeeze an increasing ratio of loyalty from critically strained resources. Previous emulation campaigns proved insufficient to rouse enough peasant enthusiasm for death by napalm, dysentery and machine gun fire. Party General Secretary Trường Chinh made the connection explicit: "Despite the Party's exhortations, a number of peasants have revealed a sluggish attitude (*uể oải*), they do not enthusiastically produce, they do not enthusiastically volunteer for military service. [… The party] must free the peasants from the feudal yoke, it must assist the peasants, in order to mobilize."[51] Despite enjoying widespread approval, eight bloody years of war had taken its toll. By coupling the promise of land with menacing summary executions of "traitors" and "feudalists," land reform was a carrot-and-stick policy that both stimulated flagging support among the peasantry and terrorized potential resistance.

It was also a necessary addendum to the "labor mobilizing policy" passed a few months prior, which automatically enrolled all men and women aged 18 to 50 into a civilian porter program. The incentives of special status, financial support, and family support were reinforced by mandatory prison sentences for draft dodgers. Lacking suitable roads and susceptible to French

50 Christopher Goscha, "A 'Total War' of Decolonization? Social Mobilization and State-Building in Communist Vietnam (1949-54)," *War and Society*, 31:2, pp. 136-162

51 Truong Chinh, 'Bao Cao cua tong bi thu Truong Chinh tai hoi nghi lan thu 4', not dated, Van Kien Dang toan tap, Vol. 14 (1953), pp. 48–50, Cited in Goscha, "A 'Total war'…," p.154.

air power, the war effort depended on an outrageous number of civilians to carry supplies through the forest by foot. This peaked with the battle at Điện Biên Phủ, where 261,451 civilian porters carried artillery pieces, munitions, medicines and food supplies by backpack and bicycle deep into the mountainous, malarial, snake-filled jungles of the far-flung Laotian border. Between 1950 and 1954, the DRV mobilized 1.7 million civilian porters—one fifth of the population—in a total of 53.8 million work-days. Mortality from enemy fire, and especially disease, was astoundingly high, and morale plummeted.[52] By the end of Điện Biên Phủ, the DRV was one of the most militarized societies on earth, a trend that would continue during the even bloodier "American War."

The pressure cooker of international Cold War strategic interests caused the nascent DRV to crystallize as a lopsided rural war machine. Only seven percent of the North Vietnamese population lived in urban areas in 1954.[53] The Geneva Conference agreements for population movement saw another 850,000 flee to the South, most from the more densely populated former French-controlled zones where International Control Commission staff oversight was able to prevent DRV agents from impeding flight.[54] Land reform

52 ibid.

53 N.J. Thrift and D.K. Forbes, "Cities, Socialism, and War: Hanoi, Saigon and the Vietnamese experience of urbanisation," Society and Space Vol. 3, 1985, pp. 279-203

54 The Geneva Accords are written up by later nationalist and some western historians as a Chinese and Soviet sabotage of the Vietnamese revolutionary project. Recent research has shown that this is not the case, and that the CPV had plenty reason to accept a less than ideal settlement. The International Control Commission was a joint force of Polish, Indian, Iranian, and Canadian troops established to oversee the application of Geneva Accord articles on military and civilian movement between into and between North and South Vietnam. See: Christopher Goscha, "'Hell in a Very Small Place' Cold War and Decolonization in the Assault on the Vietnamese Body at Dien Bien Phu," *European Journal of East Asian Studies*,

was followed by cooperativization campaigns and military-led infrastructure and industrial projects focused in rural areas near the northern border.[55] Restrictions on rural migration, which had long been enacted by French colonial tax and worker identification requirements, were greatly expanded with the universal implementation of a PRC-inspired *hộ khẩu* (Ch: *hukou*) household registration system in 1960.[56] This was paired with detailed personal files (*lý lịch*) that recorded class background, daily habits, familial political affiliations and whatever gossip was deemed relevant by the local police, immobilizing the population and creating a tier system for access to goods and services: necessary tools to ensure rural families displayed sufficient patriotism by providing "volunteer soldiers" to infiltrate the South.

The first Five-Year Plan (1960) also established population resettlement schemes designed to spread people evenly over the terrain and combat food shortages by bringing new land under cultivation. In 1965, US President Johnson responded to political instability in South Vietnam by authorizing strategic bombing of the North and mass deployment of American troops in the South. This further accelerated de-urbanization and stunted industrial growth, as what little concentrations of population and industry that did exist soon became prime

9.2 (2010), pp. 201-223; and Pierre Asselin, "Choosing Peace: Hanoi and the Geneva Agreement on Vietnam, 1954-1955," *Journal of Cold War Studies*, Vol. 9 No. 2, Spring 2007, pp. 95-126.

55 For an account of the coordinated tightening of control over both economic and intellectual production, see: Kim Ngoc Bao Ninh, Ch. 5: "The Structure of a Cultural Revolution: The Ministry of Culture," in *A World Transformed: The Politics of Culture in Revolutionary Vietnam, 1945-1965,* University of Michigan, 2002, p. 164.

56 For a brief history of the Vietnamese *Hộ khẩu* system, see: Andrew Hardy, "Rules and Resources: Negotiating the Household Registration System in Vietnam under Reform," *Sojourn: Journal of Social Issues in Southeast Asia*, Vol. 16, No. 2, *Negotiating the State in Vietnam* (October 2001), pp. 187-212.

targets for the gargantuan air power mobilized by the US. Five hundred thousand more people were evacuated from the cities, and industry was further decentralized, making the period from 1954 to 1973 one of zero urban growth.[57]

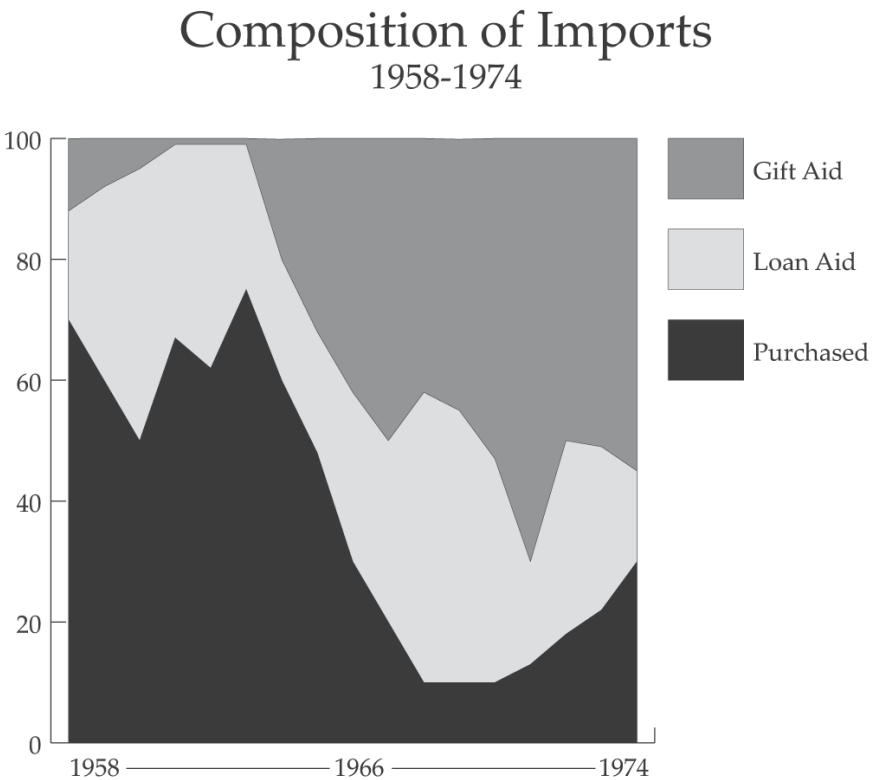
North Vietnamese society was able to survive the bombings and continue waging war in the South because of the military and consumer goods provided by the PRC, and, increasingly under Kosygin's leadership after 1965, the Soviet Union. From 1965 to 1967, aid made up sixty percent of the DRV's annual budget.[58] PRC aid continued to climb during the Sino-Soviet split as the two nations competed for influence over the DRV. Though the USSR contributed high-price items like petroleum, high-tech weapons systems, specialist personnel and advanced equipment, China surpassed the total value of Soviet aid and loans through the massive contribution of less expensive items like food, clothing, medicine, engineers and even hundreds of thousands of soldier-laborers.

With the costs of social reproduction heavily subsidized by the PRC, DRV society dug into a holding pattern of wartime mobilization where the scaling-up of cooperatives, tightening of workplace discipline, and restrictions on black market activity were postponed to ensure that rural morale remained sufficient to allow a steady stream of recruits despite the shortage of agricultural and manufacturing goods.[59] The civilian porter

57 N.J. Thrift and D.K. Forbes, "Cities, Socialism, and War…"

58 Harish C. Mehta, "Soviet Biscuit Factories and Chinese Financial Grants: North Vietnam's Economic Diplomacy in 1967 and 1968," *Diplomatic History*, Vol. 36, No. 2 (April 2012), pp. 301-335.

59 One consequence of this focus on wartime mobilization was that the DRV grew increasingly unable to restrict rampant black-market activity for fear of damaging morale among the loosely connected rural cooperatives, sowing the seeds for later capital accumulation among well-placed provincial officials and cooperative directors, who grew increasingly empowered viz. the central committee. The rapidly expand-

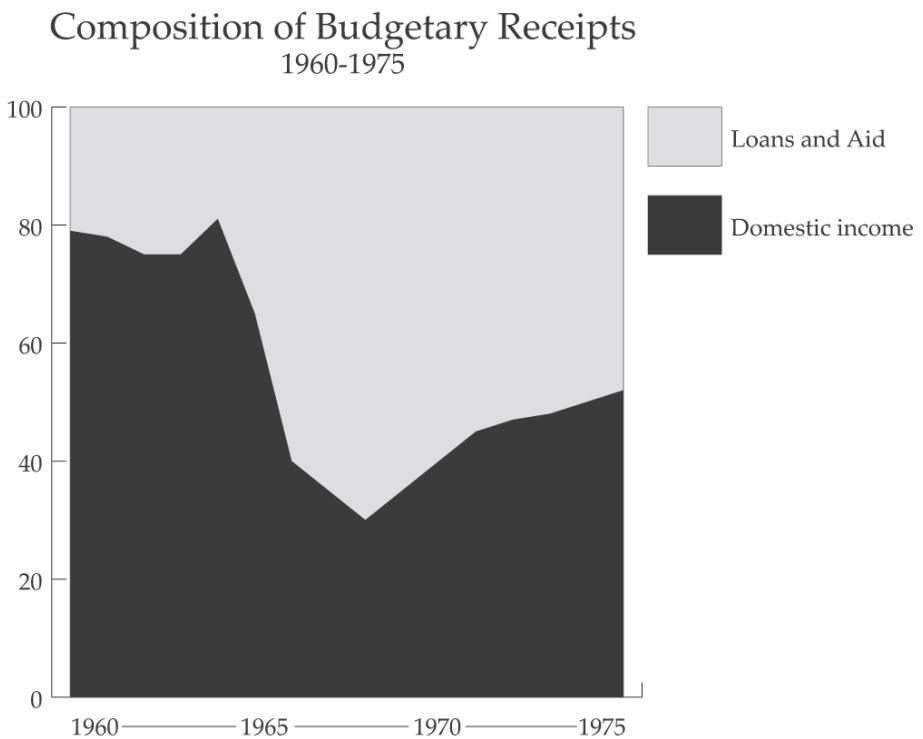


Source: Niên giám thống kê 1981. Tổng cục Thống kê, Hà Nội, 1982, p. 274, as cited in Đặng Phong, Lịch sử kinh tế Việt Nam, tập 2, p. 178

Figure 1

system organized for the French War was dwarfed by the so-called Ho Chi Minh Trail. By 1975 this network, composed of more than 16,700 kilometers of gravel and paved highway along with 5,000 kilometers of fuel pipeline, honeycombed

ing state payrolls further fueled this dynamic by increasing the pool of money relative to goods. See: Adam Fforde, *The Agrarian Question in North Vietnam 1974-79: a study of cooperator resistance to State policy*, New York: M.E.Sharpe 1989.



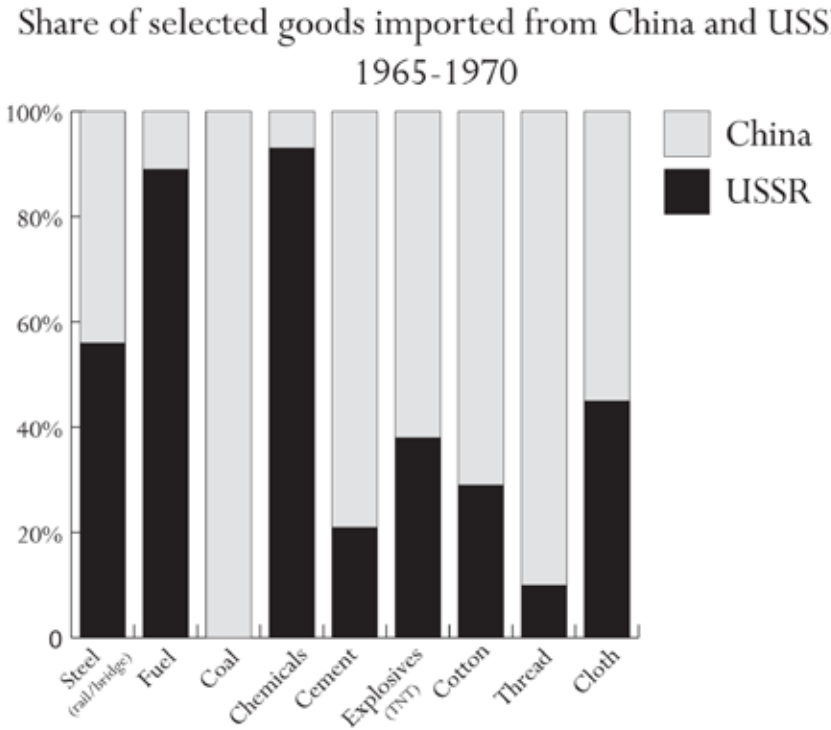
Source: Niên giám thống kê 1981. Tổng cục Thống kê, Hà Nội, 1982, p. 35, as cited in Đặng Phong, Lịch sử kinh tế Việt Nam, tập 2, p. 178

Figure 2

the borderland high-canopy jungles of Laos and Cambodia.[60] The roads carried more than 1.5 million soldiers and millions of tons of weapons. More than 2.2 million small arms, 43,000 anti-tank weapons, 10 million uniforms, and 10,000 vehicles were contributed by the PRC, with an additional estimated $85 million USD per year in economic assistance.[61] Generally

60 Đặng Phong, *Năm đường Hồ Chí Minh,* NXB Tri thức, 2008, p. 119.

61 John W. Garver, *China's Quest: The History of the Foreign Relations*



Based on table in Kosal Path, "Hà Nội's Response to Beijing's Renewed Enthusiasm to Aid North Vietnam, 1970-1972", Journal of Vietnamese Studies, Vol 6, Issue 3 pps 101-139 Source: Hong Văn Diệm, Phó Chủ Nhiệm Văn Phòng Phủ Thủ Tướng to Lê Văn Lương on February 18, 1971, "Báo cáo tóm tắt tình hình viện trợ kinh tế và kỹ thuật của Trung Quốc cho Việt Nam từ năm 1955 đến nay (2/1971)" and "Báo cáo tóm tắt viện trợ kinh tế Trung Quốc và Liên xô cho Việt Nam từ năm 1955 đến nay (2/1971)" pp 68-80 Folder No: 8964, PTT, VNA-III.

Figure 3

speaking, socialist bloc aid allowed Vietnamese war communism to develop into a streamlined system for delivering Northern peasants, bearing Chinese weapons, to strike targets inside South Vietnam.[62]

of the People's Republic of China, Oxford University Press, 2016, p. 239.

62 Despite the triumphalist depictions of life on the trail promoted in state memorialization, men and women on the trail and in the bush suffered appalling casualty rates, as often from hunger, disease and wild

China and the Two Vietnams

Vietnamese Communists built their national image upon *fin-de-siècle* nationalist histories and were conceptually torn between nationalist and class-based poles of analysis. Between these poles, the movement to "save the nation" and embrace "martyrdom for the fatherland" tended to eclipse the more sublime and difficult-to-mobilize identification with an international proletariat. Unable or unwilling to reimagine the essentially "Việt" subject of national liberation, a complicated and contradictory position vis-à-vis their Chinese comrades developed, as the received history of "Chinese" domination over Việt self-determination had to be reconciled with a renewed reliance on northern socio-political models, military support and economic aid. Their Saigon-based competitors faced no such contradiction and were free to frame the Vietnamese Communists as collaborators with a renewed Chinese imperial project. In the South, the term "northern invaders" could be shorthand for both Hanoi and Beijing.

The dilemma facing Hanoi is evident in the editorial tendencies of the party-state's flagship historical journal, *Language-History-Geography* (*Văn-Sử-Địa*), renamed *Historical Research* (*Nghiên cứu lịch sử*) in 1959. In its early years, the journal closely followed historiographical debates taking place in the PRC, investigated Chinese historical figures for inspiration, debated links between the Chinese and Vietnamese revolutions, and engaged in comparative work between the countries.

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animals as from American bombs. See: Francois Guillemot, "Death and Suffering at First Hand: Youth Shock Brigades during the Vietnam War (1950-1975)," *Journal of Vietnamese Studies*, Vol. 4 Issue 3, 2009, pp. 17-60. On Northern regulars as unwilling conscripts, see Hai Thanh Nguyen, PhD Dissertation, Texas Tech University, Forthcoming.

One article in particular shows how Communist scholars reconciled the tension between nationalist historiography and proletarian values, "The Historical Relationship between Vietnam and China" by Trần Huy Liệu.[63] The article preempts charges of cooperating with the timeless enemy to the north by emphasizing the class nature of previous waves of expansionism, where the Chinese "feudalists" who invaded Vietnam had been simultaneously oppressing their own "people" (*nhân dân*) in a similar manner. Now that the two nations' feudalists had been overthrown, the common people of each could become united in proletarian brotherhood against American imperialism.

Besides being an accomplished scholar and the journal's chief editor, Trần Huy Liệu also held such official positions as General Secretary of the Vietminh, Chief Minister of Information and Propaganda (in the 1945 Provisional Government), Chairman of the National Salvation Cultural Association (precursor to the various intellectual and artistic mass organizations), and Deputy Chairman of the China-Viet Friendship Society. His article, then, is not the opinion of a young scholar seeking recognition, but of a seasoned official responsible for Sino-Vietnamese relations. It was published in 1966, amidst a crescendo of "anti-revisionist" sentiment and a decidedly pro-Chinese stance on the Sino-Soviet dispute.[64] The article is exemplary in its attempt to resolve the paradox of Viet historiography, namely: how to reconcile the continued reliance on Chinese aid and socioeconomic, military, political and philosophical models, on the one hand, with nationalist historiography's excavation of a Viet essence from layered

63 Trần Huy Liệu, "Quan hệ lịch sử giữa hai nước Việt-Trung,", *Nghiên cứu lịch sử số 88, tháng* 7 1966, tr 1.

64 See: Martin Grossheim, "'Revisionism' in the Democratic Republic of Vietnam: New Evidence from the East German Archives," *Cold War History* Vol. 5, No. 4, November 2005, pp. 451-477.

centuries of opposition to Chinese imperial schemes, on the other.

The Republican government in Saigon faced no such dilemma. Just as Hanoi's propaganda sought to paint that regime as the offspring of French compradors with newfound careers as puppets of American imperialism, the Southerners recast themselves as true inheritors of the nationalist historiography's two-millennia tradition of resistance to Northern aggression. Former tutelary deities were transmuted into national heroes, anchoring new rituals and agitprop that collapsed both North Vietnam and "Red China" (*Trung Cộng*) into a single invading force poised against an authentic Vietnamese way of life. For example, the 1962 inauguration of a new statue of the Trưng Sisters, first ranking among the nation's women warriors of lore, drew strong parallels between ancient opposition to Northern invaders and the current conflict with the Communists. RVN first lady Trần Lệ Xuân explained in her speech that the elder sister Trưng Trắc "faces north [...] with a sword half drawn from her scabbard, she stands ready to march forward into battles." Trần Lệ Xuân then condemned both the "howling communist wolves" and the "Free World's [...] pseudo-liberalism," the latter for refusing to recognize that rural insecurity resulted from the superior military power of the Communists, "who pour all their material means into war purposes instead of peace purposes."[65]

As we might expect, this emphasis extended to the Saigon Government's propaganda campaigns. A 1968 leaflet

65 "Vietnamese Women's Day: Madame Ngo Dinh Nhu Unveils Hai Ba Trung Memorial", 11 March 1962. Vietnam Center and Archive. 11 August 1962. Folder 5, Box 1194; Michigan State University Archives & Historical Collections. Wesley R. Fishel Papers. The Vietnam Center and Archive, Texas Tech University. (accessed 7/13/18) <https://www.vietnam.ttu.edu/virtualarchive/items.php?item=6-20-20F-116-UA17-95_001043>

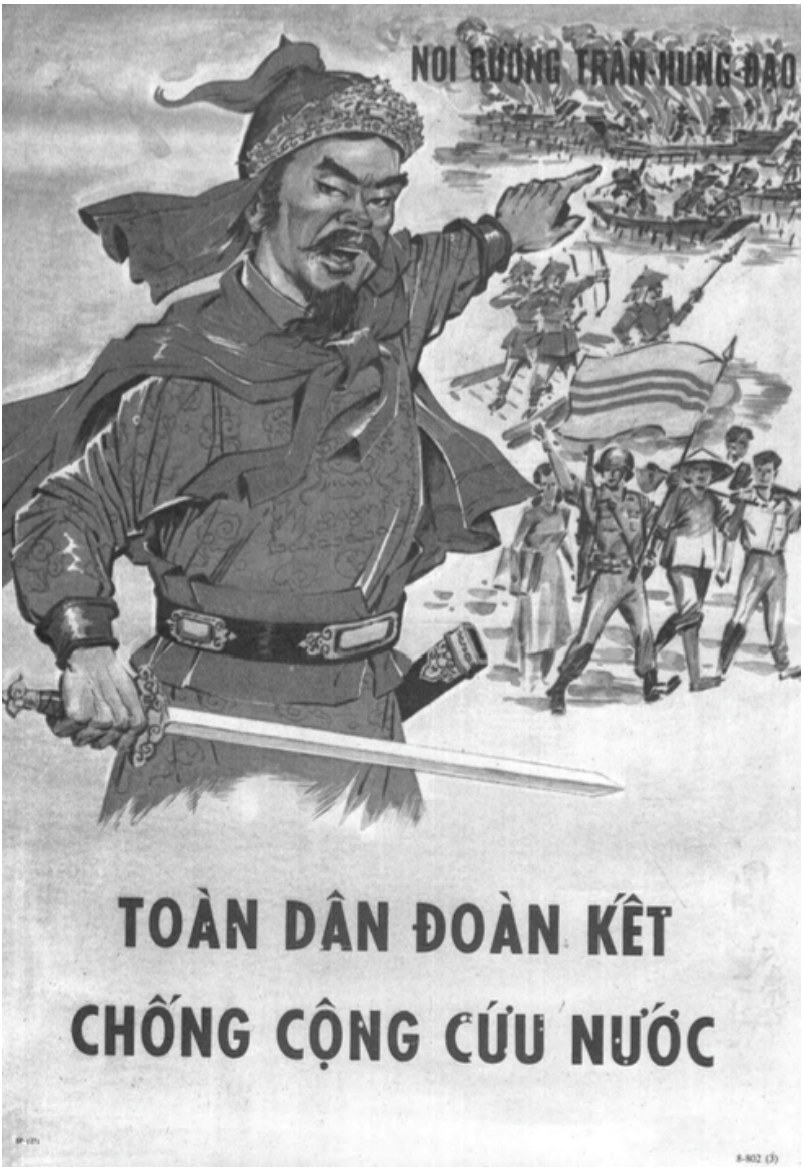

Figure 4

"Follow the example of Trần Hưng Đạo. All people unite to fight the communists and save the nation"

distributed in the Mekong Delta, for example, likened the Communists to the 13th century Mongols: northern invaders to be overcome by national solidarity led by the medieval prince Trần Hưng Đạo, now under the Republican flag.[66] A similar leaflet, dropped from planes over North Vietnam between 1969-1972, was even more explicit: "All Vietnamese honor Trần Hưng Đạo on his feast day. The Spirit of Trần Hưng Đạo would not tolerate the Workers' Party bringing the elephant [of the North] to trample the tomb of our ancestors."[67] Another airdropped leaflet made use of the celebrated rebel Nguyễn Huệ (Quang Trung), who in 1788 defeated the Qing forces sent to reinstate the crumbling Lê Dynasty. The leaflet references the use of Chinese military assistance as a national betrayal, accusing the Communists of similarly "receiving support from our *eternal enemy* to the North, who is directly commanding and supporting a war against the Southern people."[68]

Whereas Hanoi propaganda also claimed inheritance of the New Historiography's two thousand year anti-colonial tradition, it could not so seamlessly associate current events with "Chinese domination." Instead, Hanoi linked the anti-colonial spirit of Vietnamese heroes to contemporary, and distinctly Stakhanovite, anti-French and later anti-American

66 "Follow the example of Trần Hưng Đạo. All people unite to fight the communists and save the nation" Propaganda Leaflet With Translation - Tran Hung Dao Example, No Date, Folder 09, Box 01, Gary Gillette Collection, The Vietnam Center and Archive, Texas Tech University. Accessed 22 Feb. 2018 <https://www.vietnam.ttu.edu/virtualarchive/items.php?item=3590109010>.

67 Leaflet - The Spirit of Tran Hung Dao, No Date, Folder 08, Box 05, Fred Walker Collection, The Vietnam Center and Archive, Texas Tech University. Accessed 23 Dec. 2017 <https-//www.vietnam.ttu.edu/virtualarchive/items.php?item=20580508024>..pdf

68 Leaflet - Quang Trung the National Hero, No Date, Folder 08, Box 05, Fred Walker Collection, The Vietnam Center and Archive, Texas Tech University. Accessed 23 Feb. 2018 <https://www.vietnam.ttu.edu/virtualarchive/items.php?item=20580508016>. (Emphasis added.)

counterparts.[69] Yet beyond just refraining from criticism, documents recovered from Communist guerrillas occasionally included pro-Chinese propaganda. For example, one book published in 1965, titled *China: Faithful friend struggling beside the Vietnamese people, blood brother to the people of the South,*[70] emphasizes close connections between the Vietnamese and Chinese revolutions, the vast economic aid China had provided in the North's industrialization effort, and widespread demonstrations across Chinese cities, where "4,300 letters from all over arrived at the Vietnamese embassy, emphasizing that 'when needed, the Chinese youth are ready to enter the battlefield and help Vietnam." Another recovered book, called *Thank you China: Friend in the same foxhole,*[71] includes over fifty pages of encouraging poems and essays from Chinese authors dedicated to the Vietnamese revolution. Ominously foreshadowing current troubles in the South China Sea, one newspaper recovered from a captured guerilla contained propaganda lauding Chinese oil drilling operations, and even

69 Vietnamese Stakhanovism far eclipsed its Soviet and Chinese peers, at least in terms of the quantity of "model worker" emulation campaigns. For an analysis of the blending of traditional tutelary figures with modern emulation campaigns, see: Benoît de Tréglodé, *Heroes and Revolution in Vietnam, 1948-1964,* NUS Press, 2012.

70 "Trung Quoc, nguoi ban chien dau trung thanh, nguoi anh em ruot thit cua nhan dan mien Nam Viet Nam" (China, the loyal friend and blood brother of the people of South Vietnam), 01 January 1965, Folder 042, Box 21, Douglas Pike Collection: Unit 05 - National Liberation Front, The Vietnam Center and Archive, Texas Tech University. Accessed 23 Feb. 2018 <https://www.vietnam.ttu.edu/virtualarchive/items.php?item=23121042001>.

71 Cam on Trung Quoc, nguoi ban cung chien hao (Thanks to China, our comrade-in-arms of the same trench), No Date, Folder 040, Box 21, Douglas Pike Collection: Unit 05 - National Liberation Front, The Vietnam Center and Archive, Texas Tech University. Accessed 23 Feb. 2018 <https://www.vietnam.ttu.edu/virtualarchive/items.php?item=23121040001>.

featured a map acknowledging what is currently known as "the 9 dash line" of Chinese maritime claims.[72]

In sum, both Communists and anti-Communists inherited colonial-era nationalist conceptions of Vietnamese history first pioneered by the literati reformers and traceable to Liang Qichao's New Historiography. The Communists increasingly relied on Chinese aid, which made them vulnerable to propaganda that framed them as traitors to the nation's "eternal enemy." The South too was hopelessly dependent not only on US aid, but also on hundreds of thousands of soldiers from the US and its allies, making them vulnerable to propaganda discrediting their own nationalist credentials. Whereas the South denounced the French colonists and grudgingly accepted their American patrons, the North celebrated their Chinese comrades as proletarian brothers mutually freed from the oppressive bonds of "feudal" society and united against American imperialism as their new common enemy. It is difficult to say how ordinary people in the North evaluated Chinese assistance, but it seems unlikely that Vietnamese Communists could escape this period without being clearly associated with the CCP. After the relationship between the two countries soured in the late 1960s, the Vietnamese Communists would abandon admiration of Chinese proletarian internationalism and fall back on propagandizing against the "eternal enemy" of the Vietnamese people, inadvertently contaminating themselves with collaboration.

72 Captured Documents (CDEC): Unknown Interrogation Source, Log Number 08-2239-67, 03/09/1967, CTZ 3, Tay Ninh Province. Vietnam Center and Archive. 24 August 1967 Reel 0161 Vietnam Archive Collection, The Vietnam Center and Archive, Texas Tech University. Accessed 22 May. 2018

Breaking Up

After victory over the French at Điên Biên Phủ in 1954, Vietnamese Communist approval of the Chinese model was at an all-time high. With the help of an advisory team composed of Chinese veterans of the anti-Japanese and Civil Wars, the People's Army of Vietnam (PAVN) had developed from a relatively small, jungle-marooned guerrilla outfit to a multi-division regular force triumphantly marching through a flurry of confetti into the once invulnerable halls of colonial power. The land reform "excesses," which forced Trường Chinh to symbolically step down and Hồ Chí Minh to make a tearful if melodramatic apology, might have first planted the seeds of doubt. But after the 1953 death of Stalin and the ensuing 1956 attack on his cult of personality triggered a rupture between the PRC and the USSR, corresponding cleavages opened among VWP artists, intellectuals and apparatchiks.

The key cultural, economic and military debates were polarized by the growing Sino-Soviet split. A 1956 literary controversy known as the Nhân Văn-Giai Phẩm Affair followed on the heels of Khrushchev's acknowledgement of Stalinist excess. For a few months, reformist intellectuals drew courage from the riots in the Eastern Bloc and the Chinese Hundred Flowers Campaign to demand more intellectual freedom. When the latter shifted into the Anti-Rightist Campaign, the VWP followed in lockstep, denouncing, reeducating and arresting any would-be reformers. However, while the CCP and VWP largely agreed over cultural policies, the two parties diverged in economic thought. When Beijing launched the Great Leap Forward in 1958, the VWP refused to follow suit, believing that Vietnam wasn't prepared to form agricultural communes, and perhaps also concerned that another major reform in the wake of the recent land reform disaster would precipitate widespread resistance. Nevertheless, party debates

over controversial agricultural measures, which sought to remedy flagging production by turning a blind eye to the reintroduction of peasant smallholder mechanisms, continued throughout the 1960s.[73] Could socialist agricultural relations of production, in the form of rural cooperatives with strict production quotas and work-points, precede the technological basis for mass production? Or should spontaneous private smallholder production be tolerated as a stopgap measure to develop a requisite level of technological development and expertise? This debate had geopolitical implications against the backdrop of the Soviet Union's withdrawal of advisors and specialists from the PRC, and the subsequent privileging of the "red" over the "expert."

On the military front, Khrushchev's policy of "peaceful coexistence" had internally divided the Vietnamese party between the more hawkish "South-firsters," who sought immediate military unification, and the more dovish "North-firsters," who wished to focus resources on rebuilding the North.[74] Faced with Ho Chi Minh's failing health, the General

73 See: Đăng Phong, *Phá rào trong kinh tế* vào đêm *trước đổi mới,* NXB Tri thức, 2015; and *Tư duy kinh tế Việt Nam, 1975-1989,* NXB Tri Thức, 2016, pp. 27-59. For more on how this debate interfaces with geopolitics and pursuing war in the south, see: Sophie Quinn-Judge, "The Ideological Debate in the DRV and the Significance of the Anti-Party Affair 1967-1968," Cold War History 5:4, especially pp. 486-493. For an account of how the party was not an inventor of the reforms, but rather only ratified peasant non-compliance, see: Benedict J. Tria Kerkvliet, *The Power of Everyday Politics: How Vietnamese Peasants Transformed National Policy,* Cornell University Press, 2005. For an interesting account that proposes the party ceased to be "sovereign" after spontaneous commercialization created a morass of powerful SOE business interests in this period, see: Adam Fforde, "Post-Cold War Vietnam: stay low, learn, adapt and try to have fun—but what about the party?" Contemporary Politics, Vol. 19, No. 4 2013, pp. 379-398; and Adam Fforde and Lada Homutova, "Political Authority in Vietnam: Is the Vietnamese Communist Party a Paper Leviathan?" Journal of Current Southeast Asian Affairs, 36, 3, pp. 91-118

74 Lien-Hang T Nguyen, *Hanoi's War: An International History of the War for Peace in Vietnam,* UNC Press, 2012; Sophie Quinn-Judge raises

Secretary Lê Duẩn's South-firsters overcame the more cautious advocates of military modernization, led by General Võ Nguyên Giáp. Because this ideological cleavage roughly corresponded to the Sino-Soviet split, Lê Duẩn's consolidation of power entailed the systematic purging of Soviet-affiliated party members. By 1963 the campaign against "modern revisionism" was unfolding hand-in-glove with the wholesale suppression of pacifist elements within the party, military and mass organizations. Literary authors with nuanced positions on war were rusticated, dovish Soviet movies were banned, and more than fifty middle and high-ranking cadres defected to the Soviet Union. The highest ranking and most outspoken pro-Soviet, Dương Bạch Mai, died mysteriously, and a number of high-profile arrests were made. Vietnamese students abroad in Eastern Europe and the Soviet Union were ordered to return home for reeducation, and many refused. According to East Germany's embassy records, the atmosphere in Hanoi at this time was so tense that civilians were arrested for even routine interactions with foreigners from the Soviet Bloc.[75] Although the split clearly loomed large in the VWP's internal politics, the party never made a firm commitment to either side. Instead, they maintained a significant degree of independence while benefiting from the military aid doled out by the competing hegemons.

Unexpectedly, the break between the VWP and the CCP first took root during this crest of anti-Soviet sentiment. Khrushchev was ousted by Kosygin, who visited Hanoi in 1965, signaling renewed Soviet interest in the DRV unification effort. If Khrushchev's ouster was the carrot, China's Great Proletarian

powerful objections to the reductionism of the "south-first"/ "north-first" dichotomy, but I hope it's overcome here by using the distinction in-addition-to, rather than in-lieu of, political-economic factions. See: Sophie Quinn-Judge, "The Ideological Debate…"

75 Martin Grossheim, p. 456

Cultural Revolution was the stick. The chaos in the PRC came at the worst possible time for the VWP. A year before the upheaval in China began, the US bombed North Vietnam and put boots on the ground in the South. Although the renewed threat of US troops on the Chinese border drove an increase in aid from the PRC, the existential threat of American airpower brought a critical need for superior anti-aircraft weapons from the Soviet Union. The PRC was a critical logistics corridor for Soviet aid, and the widening split brought tighter PRC control over DRV-bound Soviet products. The USSR accused the PRC of purposefully delaying and even tampering with Vietnamese supplies.[76] This propaganda coup for the Soviet Union coincided with the Cultural Revolution, which besides making the PRC generally unreliable also decreased China's relative share of aid.

It's unclear exactly how or why, but clear conflicts between the erstwhile "comrades and brothers" soon percolated to the surface. While the USSR and the DRV both advocated "united action" among socialist states to combat US imperialism in Southeast Asia, the PRC rejected cooperation, and Soviet aid transiting through Guangxi was occasionally looted by Red Guards. Mao Zedong pressured the DRV to oppose a "Soviet Peace plot," PLA "volunteers" stationed in North Vietnam were disciplined for distributing propaganda, and Red Guards who "did not respect the rules" were crossing freely over the border, demanding to join the fight against the US.[77] In addition, personnel changes in the Beijing Foreign Ministry transformed embassies abroad into propaganda organs advocating popular revolution. This badly damaged PRC relations with other

76 Qiang Zhai, p. 150

77 Maurice Meisner, *Mao China and After A History of the People's Republic of China*, Free Press, 1999, p. 339 ; Sophie Quinn Judge, "The Ideological Debate…" p. 486; Qiang Zhai 150-156

Southeast Asian states, but at this point it is unknown what took place in Hanoi. We do know that the Cultural Revolution divided the ethnic Chinese community, encouraging nationalist activism among Chinese-language schools in the North. The DRV cracked down by deporting such activists and abolishing Chinese as a language of instruction.[78] The break is also evident in the mass withdrawal of PLA "volunteers": numbering 170,000 in 1965, by 1968 all of them had returned China. In addition, VWP suspicion of Chinese intentions in Laos, if muted before, were made clear when the Vietnamese responded to increased Chinese road-building activities by pressuring the Pathet Lao to isolate their China-affiliated members. This tug-of-war reached a crescendo of sorts with the 1971 assassination of Pathet Lao General, and critic of Hanoi, Phomma, causing several battalions of Pathet Lao forces to defect to Vientiane.[79]

By the end of the Cultural Revolution, a new balance of power had emerged in Southeast Asia. The military failure of the Tet Offensive in the Spring of 1968 was followed by Lon Nol's coup against the Sihanouk regime, extending the US war into Cambodia and putting extreme pressure on Viet Cong supply lines into South Vietnam. To compensate, PAVN forces expanded deeper into Laos and Cambodia. This worried Beijing, which was confronted with the specter of a powerful, Moscow-friendly Hanoi dominating the Southeast Asian mainland and boxing in the PRC. The Sino-American rapprochement was born from this concern, among others.[80] China, who in 1968 had strongly opposed peace talks as a revisionist "plot," now pressured the DRV to negotiate a settlement with Kissinger

78 Han Xiaorong, "A Community between Two Nations The Overseas Chinese Normal School in Hà Nội, 1956–1972," Journal of Vietnamese Studies, Vol. 12, Issue 4, 2017 pp. 23-63

79 Qiang Zhai, p. 180

80 For the various factors involved, see "Red Dust" in this volume.

that recognized the Republican government in South Vietnam. Despite Beijing's assurances that Vietnamese interests were being kept in mind, DRV officials strongly opposed this "Ping Pong Diplomacy." One Hanoi official remarked that, "While Nixon gets his 21-gun salute in Peking, we'll be giving him a different kind of salute in South Vietnam. There will be more than 21 guns. And they won't be firing blanks."[81] Hanoi's suspicions of Beijing were communicated through a proposal to officially delineate the northern border, where sporadic battles began to break out between the two countries' militaries as early as 1973. The PRC in turn cultivated relations with anti-Vietnamese elements within the Khmer Rouge, who captured Phnom Penh two weeks before the PAVN captured Saigon and quickly set about pressing irredentist claims for the return of the Mekong Delta. When the Vietnamese Party General Secretary Lê Duẩn sought reconstruction aid from Mao that September, he was rebuked: "Today, you are not the poorest under heaven. We are the poorest. We have a population of eight hundred million." Meanwhile, the Khmer Rouge received more than a billion dollars in assistance.[82]

The first signs of the South China Sea dispute also emerged during this period. In December 1973 the DRV wished to begin oil exploration in the Tonkin Gulf and requested to resolve maritime boundary disputes by holding the PRC to the 1887 Sino-French convention. This was promptly rejected by Beijing, who would have ceded two-thirds of the Tonkin Gulf under the deal. Even more damning for the VWP, the DRV had already publicly recognized China's 1958 Declaration claiming maritime sovereignty over the Paracel and Spratly islands.[83] In 1974 the PRC attacked South

81 Cited in: Qiang Zhai, p. 201

82 Qiang Zhai, p. 213

83 Huy Đức, *Bên thắng cuộc tập I: Giải phóng,* p.113

Vietnamese positions in the Paracels. Though DRV officials didn't publicly protest the Chinese attack, neither did they support it, instead coolly replying that, "Countries should settle disputes by negotiation and in a spirit of equality, mutual respect, and good-neighborliness." As soon as the South Vietnamese military collapsed, however, the PAVN occupied the Spratly Islands, later describing China's 1974 attack on the South Vietnamese Navy as the PRC's "first act of armed aggression against Vietnam."[84] The mask of friendship gave way to open warfare in 1978, when the PAVN quietly responded to Khmer Rouge massacres of Vietnamese villagers with a limited punitive invasion of the eastern Cambodia. The Khmer responded by publicly denouncing Vietnam, blowing the cover off the conflict. Vietnam was determined to overthrow the Pol Pot regime and install a friendly government, while Beijing was committed to keeping the Khmer Rouge in power as a limit to Vietnamese hegemony in Southeast Asia. When the Vietnamese seized Phnom Penh and pushed the Khmer Rouge government deep into the heavily forested Thai frontier later that winter, Deng Xiaoping had the perfect pretext for a subsequent punitive expedition against Moscow's unruly allies to the south. No longer seeing each other as "comrades and brothers as close as lips and teeth," in 1978 Deng gained tacit support from US, Thai, and Singaporean officials for an attack against the "ungrateful" and "expansionist" Vietnamese—the 1979 Sino-Vietnamese border war.[85] The red menace in Southeast Asia was no longer Chinese, for the moment.

84 Nayan Chanda, *Brother Enemy: The War after the War,* Collier Books, 1986, p. 21

85 See: For the 1979 Sino-Vietnamese border war see: Ch. "A Red Christmas," in ibid., p. 313

A Bad Time to Be Hoa

The ethnic Chinese residents of Indochina bore the brunt of the new international balance of power. Domestically known as the Hoa, these settlers had arrived in waves, with the largest migrations into the south occurring after the Ming collapse and again during the Opium Wars. As elsewhere in Southeast Asia, they developed into an ethnic mercantile class (with a large proletarian counterpart) that, in the South, controlled tax farms and colonial monopolies, while vertically integrating the lucrative Mekong Delta rice trade. When the Vietnamese-controlled parts of Indochina were split along the 17th Parallel, the Hoa were split into two very different legal regimes. Whereas Ngô Đình Diệm's regime in Saigon more closely followed other Southeast Asian examples by instituting coercive assimilationist policies, Hanoi afforded numerous privileges to the Hoa, including freedom from military conscription, increased economic rights, and the right to travel to China—with all the opportunities for smuggling that this entailed.[86] At the war's end, around 1.2 million Hoa resided in the newly unified Vietnam, and though the suppression was rationalized differently in the two zones, all of them came under severe scrutiny.

In the South, because of continued Hoa economic dominance, their suppression was part and parcel of socialist reforms. Northern cadres, many coming directly from the rebel zones, were astonished by the spectacular material wealth of downtown Saigon. A debate raged within the politburo regarding the best course of action: should Saigon be maintained as a special economic zone and used to subsidize the impoverished

86 Xiaorong Han, "Spoiled Guests or Dedicated Patriots: The Chinese in North Vietnam, 1954-1978," International Journal of Asian Studies, 6, 1 (2009), pp. 1–36

North? Or would its capitalist elements pollute the socialist economy?[87] In the end, hardline socialists won out, in no small measure due to the fear of an ethnic Chinese "fifth column" controlling the Southern economy. Beginning in March 1977, ethnic Chinese shopkeepers around the city awoke at dawn to teams of Youth Union activists ready to enact the "Reform of Capitalist and Private Industry, Trade, and Commerce," which nationalized thousands of "establishments" (*cơ sở*) belonging to "compradors," "commercial capitalists" and "petty traders."[88] These were followed by further policies of dispossession, reeducation and coerced relocation to dreaded "New Economic Zones," where the former shopkeepers would reclaim the malarial frontier wilderness for agricultural production. One goal of the latter was to break up the more elite Hoa neighborhoods and scatter their residents among Vietnamese, or alternately push them into the steady trickle of refugees already fleeing the country to try their luck on the open seas. According to HCMC statistics gathered in March 1979, of the 28,787 households branded as commercial capitalists and reformed, 2,500 households with "revolutionary credentials" were allowed to remain in the city, and 3,494 were rusticated to the provinces under the guise of "registering for the new economic zones." The remaining 23,000 were thrown into limbo.[89]

While the ethnic cleansing of Chinese elements in the South first took place under the banner of reforming capitalist elements, the simultaneous suppression of Hoa in the North was explicitly pursued as a purge of Chinese spies. Though many of the northern Hoa had also been merchants in the past, they were never as dominant as their southern counterparts,

87 Đăng Phong, *Tư duy kinh tế…*, p.90

88 Huy Đức, *Bên thắng cuộc v.1…*, p. 97

89 ibid., p. 101

and most had already been at least partially dispossessed in the socialist reforms of 1955. After unification brought conflict with the PRC to a head, a series of policies and state-driven popular mobilization campaigns then specifically sought to expel the Hoa from the country. In 1976, under the guise of "unifying the educational system," all Chinese language instruction was abolished and the teachers placed on paid leave to study Vietnamese. Later that year, the Hoa residents in the port cities of Hải Phong and Quảng Ninh were prohibited from working in any occupation somehow associated with espionage, including barber, household electrician and jobs that might put one into contact with foreigners. In addition, state media began inciting racial hatred, with programs like "Stories of Vigilance" (*kể chuyện cảnh giác*) broadcasting tales of conniving Chinese spies. A resettlement policy was developed and propagandized, with slogans such as "the party and state have created the conditions for the Hoa to return to their fatherland." But many of the Hoa had been in Vietnam for generations, married into Vietnamese families, and had only the most tenuous connections to their "Chinese" heritage. Unfamiliar with both Chinese language and customs, a number of committed and high-ranking party members killed themselves and their families rather than suffer the indignity of expulsion. In the two northern Hoa centers of Quảng Ninh and Hải Phong, 185,000 out of a total of 197,000 Hoa were driven out in 1978.[90] By the time the Chinese launched their punitive expedition in February, 202,000 Hoa refugees had been resettled from Northern Vietnam into China.[91]

Meanwhile in the South, a backdrop of intense scarcity encouraged well-positioned police and provincial authorities to take advantage of the expulsions for personal gain. A secretive

90 Huy Đức, ibid., p. 116-122

91 Xiaorong Han, p. 2

plan was hatched by local officials to provide a more organized departure for the fleeing Hoa. Called "Plan II" (*phương án II*), the operation would charge emigrants 8 taels (300 grams) of gold for a place on a boat leaving Vietnam. In practice, unaccountable local administrators charged the families far more, underreported the number registered, undersupplied and overcrowded the boats, and divided the savings. Overseas relatives poured money into the country to buy a ticket out for their relatives, with one estimate placing the remittances at $3 billion USD, replacing the coal industry as the largest source of foreign exchange.[92] Though unofficial emigration continued and expanded to millions of Vietnamese refugees, Plan II was officially stopped in June of 1979, leaving many Hoa who had already paid stranded without a way out. For those who did make it onto the open ocean, many were then forced to endure rape, robbery and marooning at the hands of pirates.

In the eighteen-month period from January 1978 to July 1979, 398,804 people were accepted into the refugee camps of neighboring Southeast Asian countries and Hong Kong. It's unclear what percentage of these were actually Hoa, and how many died at sea, but the expulsion of ethnic Chinese from South Vietnam was a turning point in the post-war period that transformed the steady trickle of refugees into the now infamous torrent of "Boat People." The renewed threat of war and the dire material deprivation greatly exacerbated by US-led sanctions no doubt played a significant role in the refugee crisis. But we shouldn't underestimate the impact of the Hoa policy. As mentioned above, the Southern Hoa weren't an isolated community restricted to Saigon's Chinatown, Chợ Lớn, but were the social and economic pillars of Southern society, spread throughout the countryside, heavily intermarried

92 "Hanoi's 6b$ Stake in Exodus," Straits Times, 8 June 1979, p. 36

with ethnic Vietnamese, and a part of vast kinship, friendship, and patron-client networks, all of which were devastated by the reforms. Part political purge, part socialist reform, part ethnic cleansing, the sudden and drastic clampdown on the ethnic Chinese remains a stain on the socialization drive, and a watershed in Sino-Vietnamese relations.

As could be expected, state-led discourse on China and the Hoa adjusted to the new balance of power by reframing the Sino-Vietnamese relationship in explicitly colonial terms, thereby approximating the narrative formerly prevalent in South Vietnam, and crystallizing many of the talking points still used by today's anti-Chinese activists. Perhaps the most condensed example is found in the Foreign Ministry's October 1979 *White Papers*. This hundred-odd page indictment backtracked on the earlier calls for proletarian internationalism to argue that:

> The current Chinese leadership's international strategy, despite their tricks of concealment, has laid bare their extremely counterrevolutionary essence, [...] completely exposing themselves as disciples of great nation chauvinism, and as bourgeois capitalists. [Their] current policy toward Vietnam, no matter how cleverly camouflaged, is still the celestial empire's policy from thousands of years ago, which aims to annex Vietnam, pacify the Vietnamese people, and transform Vietnam into a Chinese vassal.[93]

According to this reformulation, Chinese aid was a plot to lure Vietnam into opposing the USSR, technical assistance was a cover for the road building needed to expand into Southeast Asia, Chinese advisors and technicians were Maoist agents sent

93 Bộ Ngoại Giáo, *SỰ THẬT VỀ QUAN HỆ VIỆT NAM TRUNG QUỐC TRONG 30 NĂM QUA*, Nhà xuất ban Sự Thật, 1979, p. 21-22

to organize a spy network and mobilize a fifth column of Hoa saboteurs, and the Cultural Revolution was a "rabid and blood-drenched domestic struggle [that] aimed to erase Marxism-Leninism, shatter the Communist Party, [...] destroy the global revolution, and link with American Imperialism to promote a policy of nationalist expansionism."[94] Historians followed suit *en masse*, publishing countless essays condemning the Southeast Asian Chinese Diaspora as tools of the mainland empire, showing continuities between the foreign policies of the PRC and those of earlier Northern dynasties, discovering the deeply reactionary origins of the CCP, and generally unearthing a timeless plot to conquer and assimilate the Vietnamese.[95]

Conclusion

In 2013, while on a trip to visit his children studying abroad in the US, Brigadier General and Political Commissar of the General Office of Defense Industry, Hà Thanh Châu arrived at the US Citizen and Immigration Services Offices in Seattle, Washington, where he submitted an application for political asylum. Four days later, he passed top-secret documents to a journalist at *Foreign Policy* magazine that shook the Vietnamese blogosphere and confirmed commentators' worst suspicions. The unbelievable document shows that, in 1990, as socialist states were collapsing across Eurasia, and political pluralism

94 Ibid p. 45

95 See, for example: "Beijing's policies towards the Southeast Asian Chinese diaspora." Nghiên cứu lịch sử 186, p. 9; "Vài nết về chính sách ngoại giao của Trung Quốc đối với Việt Nam trong thời phong kiến" Nghiên cứu lịch sử 188; PP Vladimirov, "The Vladimirov Diaries: Yenan China 1942-1945," Doubleday 1975, reviewed in Văn Phong, "Đọc nhật ký Diên An. Đặc khu ở Trung Quốc (1942-1945)," Nghiên cứu lịch sử 195 p. 83; "Quan hệ Trung-Việt và Việt-Trung," Nghiên cứu lịch sử 187

was being considered in Vietnam, then Party General Secretary Nguyễn Văn Linh accepted Chinese support to backpedal on promised political reforms and inaguarated a fateful crackdown on intellectual freedom. According to the document, Linh prefaced his decision with the confession, "I know that if we rely on China we'll lose the nation, but I'd rather lose the nation than lose the party."The plan to regain Chinese support was supposedly hatched at a secret conference in Chengdu (1990), where Linh flatteringly conceded to Deng Xiaoping:

> Vietnam requests that China erase the misunderstandings of the past. On Vietnam's part, we will expend every effort to rebuild the longtime friendship founded by Chairman Mao and Ho Chi Minh. Vietnam will abide by the Chinese request to allow Vietnam to enjoy Autonomous Area Status under the Central Committee of the Beijing Government, just as China has allowed Inner Mongolia, Tibet, Xinjiang, and Guangxi to also enjoy. In order to effectively mentally prepare the Vietnamese people and resolve the necessary steps to join the great Chinese ethnic family, please allow us a period of 60 years [broken into three stages]: 1990-2020, 2020-2040, 2040-2060.[96]

This imaginative, though presumably fabricated, scenario is typical of the conspiratorial exposés that form permanent fixtures of the Vietnamese anti-government blogosphere. Though the Chengdu Conference was very real, the party-state hasn't released evidence of the terms of renewed relations, and this secrecy adds fuel to a fire of popular paranoia over the

96 Some version of this document is available on hundreds, if not thousands of blogs. One example can be seen here: Chính Việt Blog, "Mật nghị Thành Đô," no date, <http://www.chinhviet.net/009TaiLieu/2014/2014_02TL/02MatNghiThanhDo.html>

rising global power to Vietnam's north. Perhaps analagous to the illuminati conspriacies of Clinton-led globalist rape cults and European racist anxiety over national degeneration at the behest of scheming Soros-led financiers, Vietnamese populism is haunted by the prospect of assimilation into China: imported foods are poisoned, Vietnamese women are doomed to sexual servitude at the hands of unmarriageable Chinese men, Chinese settlers are colonizing the sacred territory of the fatherland, and the multiplying development loans and construction projects are a debt scheme to sell off the nation piecemeal.[97] The US diplomatic mission in Vietnam is well aware of the prevalance of such conspiracy theories among pro-democracy activists, and while suspicious of the rumors' veracity, American diplomats hold frequents meetings with their purveyors.[98] These aren't simply the product of American meddling, however, as even prominent party stalwarts like Võ Nguyên Giáp, Võ Văn Kiệt, Bùi Tín and others have, toward the end of their lives, indulged in some degree of similar rhetoric. The recent explosion of mass protests, strikes and riots over planned Special Economic Zones is only the latest wave in a series of popular outbursts showing that these fears, if not necessarily the full-fledged conspiracy theories, have established a broad appeal among the masses, accurate information being hard to come by in a nation that shuns polling and public research into the topic.

97 The case of the bauxite mines is typical here, where even Võ Nguyên Giáp declared that they were a plot by the PLA to station troops in the Central Highlands. For the best analysis of the event, see: Jason Morris, The Vietnamese Bauxite Controversy: Emergence of a New Oppositional Politics, PhD Dissertation, UC Berkeley, Fall 2013.

98 Embassy Hanoi "Deputy Secretary Steinberg's September 27, 2009 Conversation with Political Dissident Dr. Pham Hong Son," Wikileaks Cable: 09HANOI843_a, 9/29/2009; Embassy Hanoi, "How much influence does China have over Vietnam's internal politics?", Wikileaks Cable: 10HANOI11_a, 1/27/2010.

The Communist Party of Vietnam sees these popular expressions as products of anti-regime propaganda spread by overseas remnants of the Saigon regime and part of a US Government-led effort to promote a "color revolution" in Vietnam.[99] Putting aside momentarily the certainly present, though difficult-to-quantify role, of diaspora anti-communists and the US security state, the study of these conspiracy theories is made all the more important by the likelihood that, were a popular squares type anti-regime protest to gain traction in Vietnam, hypernationalist conspiracies of this sort would be a key feature. A subsequent article will dive deeper into the very real economic and historical basis of these theories as they developed alongside the political changes of the mid-1980s reform period, charting their growth alongside the flood of Chinese investment and the churning geopolitical fortunes of the last decades.

99 Embassy Hanoi, "Internal CPV Directive Warns of U.S.-Led 'Peaceful Evolution,' Provides Insights into Hardliners' Thinking," Wikileaks Cable: 09HANOI899_a, 11/12/2009