Rethinking the Chinese Developmental Miracle

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During the Cold War era, China was generally seen by the Left in the West as a model of revolutionary socialism. The Left was especially attracted to the Maoist policies of public ownership, egalitarianism, mass mobilization, militant anti-imperialism, and the rejection of a reformist road to socialism (Halliday 1976). Nevertheless, in the late 1970s, when the advanced capitalist states lowered their hostility toward Communist China and welcomed China back to the world economy, China replaced Maoist policies with “market socialism.” Since the late 1970s, China’s economic development has stunned the world. The country has become one of the world’s largest exporters of manufactured goods and sites for transnational investments while purportedly lifting hundreds of millions out of poverty.

In the West, the Left is divided on how to interpret China’s transformation at the turn of twenty-first century. Some see China’s market socialism as offering tremendous opportunities for achieving growth and poverty reduction, and they welcome China’s regional and global emergence as it could serve as a counter-weight to U.S.-style neoliberal and militarized capitalism (Silver and Arrighi 2000). Others denounce China’s recent transformation as a move toward a neoliberal economy that contains the seeds for the reemergence of a foreign capitalist-dominated economy (Burkett and Hart-Landsberg 2005; Petras 2006). This chapter argues that China’s recent transformation actually is closer to the East Asian developmental state model than to the Western neoliberalism model. In the following sections, I first present the distinctive features of Chinese state developmentalism and explain how this model is different from that of neoliberalism. I then trace the transition from neoliberalism to state developmentalism in China during the past two decades and conclude by discussing the future trajectory of state developmentalism and its implication for the capitalist world economy.

NEOLIBERAL CAPITALISM

Up to the early 2000s, the Chinese state had been faithfully carrying out the policies of neoliberalism in its globalization drive (Harvey 2005). Since the Chinese economy was completely dominated by the state in the Maoist period, the aim of the post-Mao reforms was to liberate the market from the state in order to speed up capital accumulation. Thus, the Chinese states set up institutional frameworks to guarantee private property rights and to promote free markets and free trade, with the hope that the Chinese economy would be invigorated and compete well in the capitalist world economy. It is with this neoliberal mindset that the Chinese state carried out the following policies during the last few decades:

• Decollectivization and proletarianization of peasants. Agricultural communes were dismantled in favor of an individualized “personal responsibility system.” Township and village enterprises (TVEs) were created out of the former commune assets, and these became centers of entrepreneurialism, flexible labor practices, and open market competition. At the same time, the loss of collective social rights in the countryside meant that the peasants had to face burdensome user charges for schools, medical care, and other social services. Forced to seek work elsewhere after the end of collectivism, rural migrants flooded—illegally and without the right of residency—into the cities to form an immense labor reserve (a “floating population of indeterminate legal status”). China is now in the midst of the largest mass migration the world has ever seen. This rural “floating population” is vulnerable to superexploitation and puts downward pressure on the wages of urban workers (Pun 1999).

• Marketization policy to restore/expand the market. A new labor market was introduced to the Chinese economy in the late 1980s, creating a flexible labor force that is responsive to the ups and downs of the market. After a labor market is set up, state enterprises are no longer required to provide lifelong job security to their workers, and they are given the autonomy to hire and fire workers in the name of enhancing productivity and efficiency, as called upon by neoliberalism.

• Fiscal decentralization and the weakening of the central state. In the mid-
Deepening most principal bankrupt size was of the remainder. This fiscal-decentralization policy made local states into independent fiscal entities that had the unprecedented right to use the revenue they retained. The policy considerably weakened the central state’s extractive capacity. The Chinese state is unable to control the extrabudgetary funds of the local governments, and its relative share of tax revenues has decreased to the extent that the central state has lost effective control over China’s economic life (Oi 1992; Wang and Hu 2001).

- Opening up and spatial differentiation. The combination of decentralization and opening up has led to a very uneven pattern of spatial development in China, with rapid economic growth taking place mostly along the eastern coastal subregions. These subregions are characterized by an “extrovert” economy, that is, their economies are driven by foreign direct investment and export-led industrialization, and their economic growth has relied on their integration with the global commodity chains. For example, with regard to the commodity chain of athletic shoes, the 1990s observed the trend that transnationals (such as Nike and Reebok) moved their factories from their subcontractors in Taiwan to Guangdong and Fujian. Most of the raw materials were shipped from Taiwan, and the shoe factories in Guangdong were run by Taiwanese resident managers (Chen 2005).

- Privatization and corporatization policy. In the 1990s, the state enterprises (SOEs) underwent corporatization, so that they no longer depend on the state for funding and they must operate independently in the market. This was a conscious effort to cut the size of the state sector and to increase the size of the private sector. After corporatization, the SOEs were asked to operate like an independent, private, profit-making enterprises and to go bankrupt if they lose money (So 2006).

- Commodification of social services. Whereas the Maoist state provided social services (such as housing, health care, welfare, education, pension, and so on) based on need and free of charge to all citizens, the postreform state treats human services as a commodity to be distributed to people on market principles. Beneficiaries now must pay a part of the cost of these services in most welfare fields. Such changes can be seen in social insurance (pension, medical care, and the newly created unemployment insurance), higher education, and many personal services (Guan 2000).

- Deepening of liberalization. Petras points out that China’s entry into the World Trade Organization (WTO) is likely to lead to a further dismantling of the state sector, a dismantling of trade barriers, the removal of subsidies, the savaging of the countryside, the near unquestioning orientation toward the export market strategy, and the consolidation of foreign production as the leading force in the Chinese economy (2006: 42; see also Hart-Landsberg and Burkett 2004).

Through these processes, China has been moving toward the “neoliberal” capitalism model. On the one hand, the state is being downsized, state capacity is being weakened, the state’s role in the economy is significantly reduced, and the state is offloading its welfare and human services onto the market and society. On the other hand, the private sector and the various labor, capital, and finance markets are expanding rapidly.

Like other neoliberal states, China suffered considerable costs during its march toward neoliberal capitalism, including rising unemployment, economic insecurity, class polarization, intensified exploitation, declining health and education conditions, exploding government debt, and unstable prices. Thus, Martin Hart-Landsberg and Paul Burkett point out that China’s market reforms “have led not to socialist renewal but rather to full-fledged capitalist restoration, including growing foreign economic domination. The progressive community in the West is wrong to celebrate China as an economic success story” (2004: 9).

In response to these neoliberal policies, the Chinese working class has become restless. China Labor Bulletin reports that “almost every week in Hong Kong and mainland China, newspapers bring reports of some kind of labor action: a demonstration demanding pensions; a railway line being blocked by angry, unpaid workers; or collective legal action against illegal employer behavior such as body searches or forced overtime” (Pringle 2002). According to the official statistics, in 1998 there were 6,767 collective actions (usually strikes or go-slows with a minimum of three people taking part) involving 251,268 people. This represented an increase in collective actions of 900 percent from the early 1990s. In 2000, this figure was higher still, with 8,247 collective actions involving 259,445 workers. Given such widespread labor protests, no wonder that the Chinese government has identified labor problems as the biggest threat to social and political stability (So 2007).

DEPARTURE FROM NEOLIBERALISM

Even though neoliberalism has been a global trend since the 1970s, David Harvey points to the “uneven geographical development of neoliberalism” and “the
complex ways in which political forces, historical traditions, and existing institutional arrangements all shaped why and how the process of neoliberalization actually occurred (2005: 13).

Although the Chinese case fits nicely with the early stages of neoliberal market reforms, China's development since the mid-1990s has shown a departure from neoliberalism. First, in contrast to the image of a weakened state in neoliberalism literature, the Chinese state has considerably strengthened its managerial and fiscal capacity since the 1990s. The central party-state has instituted a new "cadre responsibility system" to strengthen its control over the evaluation and monitoring of local leaders. County party secretaries and township heads sign performance contracts, pledge to attain certain targets laid down by higher levels, and are held personally responsible for attaining those targets. There are different contracts for different fields, such as industrial development, agricultural development, tax collection, family planning, and social order. The Chinese party-state has the capacity to be selective, that is, to implement its priority policies, to control the appointment of its key local leaders, and to target strategically important areas (Oi 1989). Thus, Maria Edin argues that "state capacity, defined here as the capacity to control and monitor lower-level agents, has increased in China, and that the Chinese Communist Party is capable of greater institutional adaptability that it is usually given credit for" (2003: 36).

In addition, the state has strengthened its fiscal capacity. The central party-state introduced a "tax sharing scheme" (TSS) in 1994 to redress the center-local imbalance in fiscal matters (Yep 2007). TSS aims to improve the center's control over the economy by increasing "two ratios"—the share of budgetary revenue in GDP and the central share in total budgetary revenue. It seems that TSS did succeed in raising the two ratios, thus helping to arrest the decline of the fiscal foundation of the center and increase the extractive capacity of the central party-state (Loo and Chow 2006). Zheng argues that TSS has shifted fiscal power from the provinces to the center, so "now, it is the provinces that rely on the central government for revenue" (2004: 118–19).

Second, in contrast to the neoliberalism doctrine's call for less intervention, the Chinese state has intervened more deeply in the economy. The Chinese state engaged in debt-financed investments in huge megaprojects to transform physical infrastructures. Astonishing rates of urbanization (no fewer than forty-two cities have expanded beyond the one-million population mark since 1992) required huge investments of fixed capital. New subway systems and highways are being built in major cities, and 8,500 miles of new railroad have been proposed to link the interior to the economically dynamic coastal zone. China is also trying to build an interstate highway system more extensive than America's in just fifteen years, while practically every large city is building or has just completed a big new airport. These megaprojects have the potential to absorb surpluses of capital and labor for several years to come (Harvey 2005: 132). It is these massive debt-financing infrastructural and fixed-capital formation projects that suggest that the Chinese state has departed from the neoliberal orthodoxy and is acting like a Keynesian state.

Third, in contrast to the neoliberalism doctrine, which calls for the dismantling of the welfare state, the Chinese state presented in 2006 a new policy of "building a new socialist countryside" and a "harmonious society" (Saich 2007). This policy is significant because it could signal a change of ideological orientation in the Chinese state (Kahn 2006). Whereas the pre-2006 Chinese state endorsed a neoliberal orientation that could be called "CNPism," the Chinese state is now moving toward a more balanced orientation between economic growth and social development. While market reforms will continue, this new policy indicates that the state will take a more energetic role in moderating the negative impacts of marketization. In the new policy, the state should include "the people and environment" in its developmental plan and should not focus exclusively on GNP indicators and economic growth.

Thus, the new policy advocates a transfer of resources from the state to strengthen the fiscal foundation of the countryside. Not only was the agricultural tax abolished to help relieve the burden on farmers, there has also been a 15 percent boost in rural expenditure (to $15 billion) to bankroll guaranteed minimum-living allowances for farmers and an 87 percent hike (to $4 billion) for the health-care budget (Liu 2007). These policies indicate a massive infusion of funding from the state to the peasants and rural areas. In addition, there is a de-commodification of human services. Rural residents no longer have to pay the many miscellaneous charges levied by schools; fees at primary schools will be abolished as part of a nationwide campaign to eliminate them in the countryside for the first nine years of education. The state is also going to increase the subsidies for rural health cooperatives, which had been projected to be available in 80 percent of rural counties by 2008. For now, rural residents have to pay market rates at their village's private clinic. Most of them do not even have medical insurance and spend more than 80 percent of their cash on health care (Liu 2007). Furthermore, the new policy aims to reduce social inequality, especially the widening gap between the countryside and the city. Thus, pensions are to be made available for everyone, not just those enjoying the privileged status of registered urban residents. During the past two years, the state has also promoted the
spread of the Minimum Living Standard Assistance plan for the rural population. This is potentially a highly significant development, opening up for the first time the real possibility of instituting a social safety net that covers the whole of the population, whether urban or rural (Hussain 2005; The Economist 2006).

Fourth, in contrast to the assumption that China is trapped in labor-intensive, low-tech, sweatshop export production, China has recently modernized its educational system, upgraded its science and research capabilities, and participated in high-tech production. In the 1990s, foreign corporations began to transfer a significant amount of their research and development activity to China. Microsoft, Oracle, Motorola, Siemens, IBM, and Intel have all set up research laboratories in China because of its “growing importance and sophistication as a market for technology” and “its large reservoir of skilled but inexperienced scientists, and its consumers, still relatively poor but growing richer and eager for new technology” (Buckley 2004). During the 1990s, China began to move up the value-added ladder of production and to compete with South Korea, Japan, Taiwan, and Singapore in spheres such as electronics and machine tools.

Fifth, whereas neoliberalism is seen as a project to restore/expand the power of the capitalist class, the capitalist class in China remains weak and dependent on the state for survival. Despite the rapid growth of the private sector, it has not severed its ties to the state sector. Instead, the private sector has numerous links with the state sector in terms of interlocking personnel and ownership. Many collective enterprises are owned and run by capitalists, while many private enterprises are spin-off state properties owned and run by state managers or their kin. This fusion makes it very difficult to distinguish what is owned by the state, by the collective, and by capitalists in the private sector because the boundaries of property relations are often blurred. In China, the capitalist class has responded to the challenges of globalization and the growing intensity of class conflict by reinventing itself as a class of nationalistic entrepreneurs and by undergoing political incorporation into the state (So 2003). Indeed, there is so much interpenetration that in 2001, the Chinese Communist Party finally accepted “progressive” people from the private sector into its own rank.

Sixth, whereas neoliberalism implies the loosening of national boundaries, in China nationalism is taken as a supreme value, and the Chinese state will try every means to preserve its national sovereignty. Thus, the Chinese state takes pains to emphasize its national humiliation in the nineteenth century and the first half of the twentieth century, is determined to pursue a national reunification project to recover the territory lost before the communist revolution (Hong Kong and Taiwan), and mobilizes its national sentiments through recent anti-Japanese protest and international sports.

Finally, whereas neoliberalism perceives the triumph of transnational corporations and the loosening of national barriers to global production, marketing, and finance, in China the barriers erected to foreign portfolio investment, on top of the huge foreign-exchange reserve that the government has proactively accumulated for the last two decades, effectively limit the powers of international finance capital over the Chinese state. The reluctance to permit forms of financial intermediation other than state-owned banks—such as stock markets and capital markets—deprives capital of one of its key weapons against state power (Harvey 2005: 123).

In short, China has experienced a different pattern of development from neoliberal capitalism. During its initial phase of opening to the capitalist world economy, China did show traces of neoliberal capitalism, such as the dismantling of the welfare state, the weakening of state capacity, the expansion of a market economy and the private sector, a breakdown of national barriers to foreign investment, spatial differentiation, and the emergence of labor protests. However, within the past decade, China has moved beyond the neoliberal mode and closer to the pattern of state developmentalism in East Asia.

RISE OF STATE DEVELOPMENTALISM

Like other developmental states in East Asia, China has strong state machinery. The Chinese state is highly autonomous in the sense that it is not “captured” by vested economic interests. The old generation of the capitalists was largely destroyed in the communist revolution and the Cultural Revolution. The nascent capitalist class that emerged in the market reforms of the 1980s and 1990s is too weak and too dependent on the state to pose any challenge. In addition, the Chinese state has the capacity to carry out its developmental plans. Since the Chinese state owns the banks and controls the finance sector, it has powerful policy tools at its disposal that made the cooperation of indigenous business more likely: access to cheap credit, protection from external competition, and assisted access to export markets are all levers that the Chinese state can use to ensure business compliance with governmental goals. Since the Chinese corporations have a high debt/equity ratio, even the threat of withdrawal of state loans is a serious one.

Second, like other developmental states in East Asia, the Chinese state has ac-
The state has become the engine of powering capital accumulation. Aside from debt finance and infrastructure construction, the central Chinese state also develops plans for strategic development, decreases prices and regulates capital movement, shares risks, and underwrites research and development. At the local level, Jean Oi coined the phrase “local state corporatism” to describe how village, county, municipal, and provincial governments singlemindedly use their political authority to promote local capitalist development (1992). In Zouping, for example, local cadres raised the initial capital for new enterprises and closely supervised and assisted in their subsequent growth. Using their political authority, they mobilized capital for investment, arranged and allocated credit, and provided market information and technical expertise in excess of what was initially present in the locality. Through this process, local states have taken on many characteristics of a business corporation, with local state officials acting as the equivalent of a board of directors.

Third, like other developmental states in East Asia, the Chinese state has actively mobilized the ideology of nationalism and defines itself as carrying out a national project to make China strong and powerful. In the postreform era, China experienced an ideological vacuum since the state could no longer be legitimized by Marxism or communism. Thus, nationalism became the state’s only hope to gain the support of the Chinese people. The Chinese state seems to believe that the best approach is to build a strong sense of national cohesiveness based on cultural heritage and tradition, rather than to develop a nationalism based solely on hostility toward the outside world. Nationalism, however, can cut both ways. The Chinese state knows well that excessive nationalism might not only undercut the Communist Party’s ability to rule but also disrupt China’s paramount foreign-policy objective of creating a long-term peaceful environment for its modernization program. The Chinese state’s concern is reflected in its rejection of more radical nationalism, such as that advocated by the authors of *The China that Can Say No*, as well as in its efforts to control anti-Japanese sentiment. Indeed, China’s response to the Japanese provocation over the visit of the shrine was far more restrained than in Taiwan and Hong Kong. The Chinese state’s attempt to control nationalism was also evident in its efforts to restrain anti-Americanism in the aftermath of the NATO bombing of the Chinese embassy in Yugoslavia (Ogden 2003).

Fourth, like other developmental states in East Asia, the Chinese state adopts authoritarian policies to discipline labor, suppress labor protests, and deactivate civil society in order to maintain a favorable environment for attracting foreign investment and facilitating capital accumulation. It seems that authoritarianism is unavoidable in export-led industrialization because labor subordination is an important means to cheapen labor and make the working class docile. Otherwise, the exports of the East Asian developmental states would not be competitive in the capitalist world economy, and transnational corporations would not relocate their labor-intensive production in East Asia. It is ironic that the Chinese state, with its tightly organized Leninist party-state machinery, has proven to be very effective in coopting labor activists, dividing the working class, and silencing labor protests.

Finally, like other developmental states in East Asia, China received an influx of capital during its initial phase of capitalist industrialization. During the Cold War era in the 1950s and 1960s, the massive influx of U.S. aids, loans, and contracts greatly helped East Asian states such as South Korea and Taiwan solve the problem of primitive accumulation and greatly enhanced their states’ capacity to promote developmental policies. The United States, of course, did not provide similar aids, loans, and contracts to China to assist its developmental programs after the end of the Cold War in the late 1980s. Fortunately, there was a comparable influx of Chinese diaspora investment at the initial phase of transition to provide capital for primitive accumulation. Before 1978, Chinese diaspora capitalism thrived in Hong Kong, Taiwan, Singapore, and overseas Chinese communities. After the Chinese state adopted an open-door policy for foreign investment, Hong Kong accounted for the bulk of China’s foreign investment and foreign trade. In the early 1990s, Hong Kong firms employed more than three million workers in the Pearl River Delta. By the end of the 1980s, Taiwan had become the second largest trading partner and investor for mainland China. In the 1990s, overseas Chinese entrepreneurs in Southeast Asia showed a visible interest in conducting trade and investment in China.

In short, China’s latest developmental pattern is closer to that of the East Asian developmental state than to the neoliberal state. It has strong state machinery with a high degree of state autonomy and a strong capacity to carry out its goals. It greatly intervenes in the economy through developmental planning, deficit investment, export promotion, and strategic industrialization. It is also highly nationalistic and authoritarian, suppressing labor protests and limiting popular struggles. In addition, its capitalist industrialization greatly benefited from an influx of capital during the critical phase of primitive accumulation.

Nevertheless, China’s state developmentalism has also shown some significant differences from that of other East Asian states. First, the Chinese developmental state has exhibited a strong tendency toward entrepreneurship. Although East Asian developmental state officials are promoting the hatching of capitalists, they
seldom turn themselves into capitalists and become involved in running corporations. In China, however, not only were state officials asked to be good managers and turn state enterprises into profit-making businesses, but many state officials also informally turned public assets into quasi-public, quasi-private properties or simply into private companies. As is well documented, there is a fuzzy boundary between state enterprises and collective/private enterprises, and it is difficult to draw a clear boundary between state officials and private capitalists. Rather, the Chinese characteristic is a hybrid state-capitalist “walking on two legs” (lianghuatui zhoulu) in both the state sector and the private sector.

Second, the Chinese developmental state has used a local, “bottom-up” strategy. East Asian developmental states adopted a centralized policy, and it was their central governments that played the most active role in development. However, in China, because of the legacy of communism, the policy of fiscal decentralization, and the country's vast territory, local officials in provincial, county, and village governments played a much more active role than their counterparts in East Asian developmental states. Instead of promoting the development of urban industrialization and megacities, Chinese local state officials have promoted the development of rural industrialization and small and medium-sized cities. In South China, for example, a new “bottom-up” development mechanism is taking shape, in which initiatives are made primarily by local states to solicit overseas Chinese and domestic capital, mobilize labor and land resources, and lead the local economy to enter the orbit of international division of labor and global competition.

Third, although the Chinese developmental state has relied on “GNPism” and nationalism as its bases of legitimacy, it has also paid more attention to egalitarianism than its East Asian counterparts during their industrial takeoff phase. Having gone through the legacy of revolutionary socialism under the Maoist regime and having as a constitutional tenet that workers and peasants are the masters of society, the Chinese “developmental” state was much more vulnerable to the charges of inequality, poverty, and exploitation than were its East Asian developmental-state counterparts. Thus, the Chinese state many times backed off from carrying out those policies that could lead to massive layoffs and the elimination of social safety nets. In its latest policy, in 2006, the Chinese state aims to build a new socialist countryside, abolish the agricultural tax, infuse the peasants and the rural areas with funding, and try out some decommunification policies of providing free education, subsidizing health care, guaranteeing a minimum living standard, and instituting a safety net that covers the whole of the population.

Given that China is moving in the direction of a developmental state, we must answer the following questions: What explains the transition from neoliberalism to state developmentalism in China? What is the future of this state developmentalism?

THE TRANSITION FROM NEOLIBERALISM TO STATE DEVELOPMENTALISM

To begin with, this is a transition, not a rupture or a revolution. The transition from neoliberalism to state developmentalism took a fairly long time. It has been a gradual, adaptive process without a clear blueprint. The reforms have proceeded by trial and error, with frequent midcourse corrections and reversals of policy. In other words, the Chinese developmental policies have not been a complete project settled in “one bang” but an ongoing process with many midcourse adjustments.

When the Chinese state first tried out neoliberalism in the 1980s and 1990s, it found that it didn’t work. The capitalist class was too small, too weak, and too dependent on the state to be the agent of historical transformation in China. But the transnational capitalist class was too strong, too greedy, and too eager to take advantage of Chinese capital and Chinese labor. If neoliberalism had its way, China would be totally dominated by foreign corporations and turn into a territorial outpost for transnational capital. Moreover, China observed that “shock therapy”—which called for the dismantling of the centrally planned economy as soon as possible—not only did not work but led to the downfall of the communist states in Eastern Europe.

Besides, the situation in China was not desperate. The Chinese state was not under any threat of foreign invasion, had not incurred any large amount of foreign debt, and faced no immediate threat of rebellion from within. As such, the Chinese state still had the autonomy and capacity to propose and implement various developmental policies “from above.” For instance, the state could selectively introduce different types of developmental policies, vary the speed of market reforms, expand/limit the space of opening up to transnational capital, and most important, still have the freedom of adjusting (or even reversing) its policies if they did not work.

The asymmetrical power relationship between the state and other classes has given the state a free hand to try different developmental policies during the past few decades. The weak, dependent capitalist class is politically impotent to capture the state to carry out the neoliberal path of development. Facing growing labor unrest and popular struggle against such capitalist abuses as child labor in the coal mines, discrimination against immigrant workers, and environmental
degradation, the capitalist class is powerless to reverse the policy toward state developmentalism.

Situated in East Asia, China has been long attracted to the developmental state model and the remarkable postwar economic growth in South Korea, Taiwan, and Japan. Thus, Chang Kyung-Sup points out that there is a conscious process of learning and transplanting technologies, industrial organizations, and state policies among the East Asian states (2007).

FUTURE TRAJECTORY

If the Chinese experience is characterized by trial and error, midcourse corrections, and reversals of policy, what is the future trajectory of state developmentalism? Is it possible that this mode of state developmentalism will fade away in the near future?

One possible scenario is the return to neoliberalism, as in South Korea. In the 1990s, the Korean developmental state was dismantled when the chaebols (big business corporations) were empowered by their interlinkages with transnational corporations. This global reach has made the chaebols so powerful that they were able to dismantle the Economic Planning Board, set up nonstate financial institutions, and push for financial liberalization (Chiu and So 1996).

Although at present the Chinese capitalist class is small and weak, it could grow and become very powerful in a couple of decades. If this happens, the capitalist class will no longer be content to be a junior partner of the ruling coalition. Instead, it will expand its economic interest and impose its own class project on the state. Harvey points out that neoliberalism is the project of the capitalist class through which it has restored/expanded its power in advanced capitalist countries (2005).

Another possible scenario is the imperial path. State developmentalism has become so successful that it has greatly empowered the Chinese nation in the world economy. When China expands, it will inevitably run into conflict with other hegemonic states. In the "rise of China" scenario, the great powers in the world economy will fight with China over control of the market, resources (especially oil), technology, finance, and territory. History tells us that the existing hegemon will always want to hold onto its power and try every means to prevent other states from challenging its position. Unless China can win this battle of hegemonic transition, it will not emerge as the center of capital accumulation in the twenty-first century.

State developmentalism, by drawing upon the nation symbol and building up a strong state, does provide an impetus toward the above scenario of the rise of China and the hegemonic struggles in the world economy. While it is too optimistic, as Silver and Arrighi have claimed, to say that "China appears to be emerging as the only poor country that has any chance in the foreseeable future of subverting the Western-dominated global hierarchy of wealth," the issues concerning China's state developmentalism do require more in-depth analysis because of their global implications (2000: 69).

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The explosive globalization in the labor-intensive production of consumer goods is by now a well-known and well-documented phenomenon. Small firms as well as large ones have been able to access factories around the world. The global networks through which this international production is coordinated are typical buyer-driven global commodity chains in which “large retailers, marketers and branded manufacturers play the pivotal roles in setting up decentralized production networks in a variety of exporting countries,” typically located in the developing world (Gereffi and Memedovic 2003: 3). While some of these factories have historically been large (for example, in the footwear industry), most contractors have been relatively small. This has reinforced their vulnerability to the big buyers: many factories have historically been part of “captive networks,” limited to simple, low-value-added assembly operations that follow detailed instructions from their clients (Gereffi, Humphrey, and Sturgeon 2003: 12).

We are now entering an era in which a qualitatively higher degree of integration between production and distribution has begun to reshape the entire buyer-driven global commodity chain (Abernathy et al. 1999; Bonacich 2005; Bonacich and Wilson 2005). Two trends have emerged in the past decade, particularly in the Pacific Rim region, that are altering the boundary between “manufacturer” on the one hand and “retail buyer” on the other: the emergence of giant retailers and the emergence of the commensurately large factory contractors who serve them. Scholars have begun to study the first trend, which has been the subject of a Sloan Foundation Industry Studies workshop led by sociologist Gary Hamilton and colleagues. The second trend, however,