THEMES IN GLOBAL SOCIAL CHANGE

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China and the Transformation of Global Capitalism

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CHAPTER FIVE

The "Rise of China" and the Changing World Income Distribution

JÓZSEF BÖRÖCZ

Geopolitics is the study of the ways in which organizations project their power into the world outside their boundaries. A key component of that power is the volume of economic resources available to any actor, especially as they compare to the resources of others—cooperative partners, competitors, and adversaries. This chapter analyzes changes in the geopolitics of the wealth and economic weight of states between the collapse of the Soviet bloc and 2001, the year in which the dynamics of global geopolitics was redefined by the reaction of the United States government to the 9/11 terrorist attacks.

The thirty-four-month period between February 4, 1989 (when the "roundtable" negotiations between the Polish United Workers' Party and the opposition intellectuals began), and December 26, 1991 (when the Supreme Soviet repealed the 1922 Constitution, pronouncing the dissolution of the Soviet Union), saw a geopolitical transformation whose significance for the history of humankind we are only beginning to comprehend. Often referred to—erroneously—as "the end of socialism" or the "end of history," as well as—only a tiny bit more correctly, as the recent experiences of North Korea and Cuba suggest—"the end of the Cold War," the politico-economic essence of this geopolitical shift was the removal of a set of institutions that had placed constitutional-legal constraints on the operation of private capital for seventy-two years in the former USSR and forty-one years in Eastern Europe.

In 1917, the Russian revolution removed approximately 9.5 percent of the total global productive capacity and 8.6 percent of the world's population from direct

control by private capital. This removal was imperfect and incomplete, and the state socialist economies never fully exited from the circulatory flows of global capitalism; yet it was significant enough to elicit a global strategic response from forces interested in the preservation of capitalism. The state socialist transformations in Asia and Eastern Europe, taking place in the aftermath of World War II, raised the proportion to approximately 18 percent of the gross world product and the number of people involved to just below one-third of the world's population. As a consequence of the collapse of state socialism in Europe, the total productive capacity of the former Soviet-bloc states of Eastern Europe and Northern Eurasia—with approximately 10.7 percent of the gross world product and 7.9 percent of the world's population in 1989—was once again subjected to the rules and dynamics of the capitalist world system.[1] The time elapsed since 1989 allows all analysts an opportunity to observe the processes of transformation that have taken place since the collapse of the Soviet geopolitical project quite clearly—and they are rather surprising.

I describe some of those processes in the general spirit of world-systems analysis.[2] The empirical basis for this study is provided by a *longue-durée* survey of global economic history, compiled by Angus Maddison (2001, 2003): The useful online supplement of Maddison's work provides appropriate data for the post-1989 period (1989 to 2001, to be more precise) for all states of the world. The cutoff point of 2001—a feature of Maddison's data—fortuitously allows my analysis to estimate the first effects of the collapse of the Soviet bloc without the confounding effects of the "war on terror" and the related hydrocarbon bump in the incomes of energy-producing states.

The world is a tightly organized, singular social fact, proponents of the world-systems perspective argue very forcefully. The fate of each actor (in this analysis, the global trajectory of each state) is linked to the fate of all other actors (all other states). Enrichment and attainment of global power by some actors is, hence, causally tied—if not always in a strictly zero-sum process, certainly through the capillaries of an intricately interwoven, multidimensional, historically formed, and slowly but resolutely shifting global web of network ties—to the impoverishment and loss of global influence by others. In order to gain a geopolitical understanding of the process through which states experience movement toward the core of the world system (centripetal mobility) or out of it (centrifugal movement), it is crucial to comprehend the trajectories of each state *with respect to all other states.*

Since the capitalist world system is a hierarchically organized whole containing extremely rich and wretchedly poor, very powerful and desperately powerless societies, in order to understand its basic dynamics, it is crucial to keep asking two fairly elementary questions: Can we see any shifts in the overall *logic* of centripetal and centrifugal mobility in the global system? What can the most outstanding cases of state mobility tell us about the directions of change in the world?

However significant, the end of the previous period's bipolar standoff was only one of the multiple, parallel processes of transformation taking place in the world in the twelve years that followed. The collapse of the Soviet project occurred in the context of the following additional large-scale historic shifts:

1. The internal integration of the West European states' suprastate organization of public authority, known today as the European Union, acquired unprecedented dimensions and intensity. That this large and increasingly influential public authority has steadfastly avoided becoming a state creates an entirely new dynamic in global geopolitics—a dynamic that requires creative responses from all other actors.[3]

2. As one pole (the Soviet side) withdrew from contention and dismantled its institutions designed to serve the bipolar standoff, the opposite side, with its institutions growing unhindered by the threat of mutual destruction, acquired unique dimensions in global power. As the various instruments of the Soviet state's global strategy were disassembled, there emerged a new strategic system—we could describe it as "post-bipolar"—whose key characteristic is an upsurge in the global military significance of one single state, the leading force of the "western" side of the bipolar standoff. Today, this state wields a military capacity that is unprecedented in the modern history of humankind, in terms of both its relative size and its lack of viable military rivals.

3. Meanwhile, the recent decades have witnessed a noticeable acceleration in the speed at which industrial production is moving away from the core areas of the world economy. To some extent in conjunction with this centrifugal displacement of manufacturing, the volume of foreign direct investment is higher than ever.

4. New kinds of global institutions are emerging whose sole purpose is to circumvent the regulatory and protective capacities of states. These institutions are increasingly acquiring the character of public authority; that is, they wield executive, "law-like" institutional powers on an unprecedented scale. As a result, states themselves increasingly can be subject to transnational, global quasi-legal processes and enforcement. The emergence of what is often referred to as the new, post-bipolar structures of "global governance" erodes the Westphalian principle of state sovereignty—always questionable in a global system created by colonialism and definitely shaken by the end of the 1980s by the very logic of the bipolar standoff anyway—making the sovereignty of even the hitherto most powerful

states increasingly subject to explicit, global bargaining. This phenomenon is to a large extent at the heart of popular discontent in Germany, and it partly explains the widespread hostility toward the EU constitution as well as the related upsurge in xenophobic, racist politics in France, the Netherlands, Austria, and Belgium today.

5. A very large part of industrial production has lost its previous significance as the leading sector of economic change. "Flexible accumulation," associated with high profits and requiring high levels of labor, knowledge, and constant structural adjustment, is often seen as a more attractive option than conventional, highly standardized, industrial production regimes. As a result, the power of conventional labor organizations—rooted in precisely those large-scale industrial mass-production systems—is also eroding, especially in the core and semiperipheral areas of the world economy. There is a boom in business services—especially legal, political, and financial services—that provide previously unimaginable levels of profitability for highly specific, or "niche," enterprises.

6. The global volume of speculative financial transactions—that is, deals without any solid "real-economic" basis—has increased exponentially.

7. The wealthiest, core societies of the world are aging rapidly, a fact that presents those states with new kinds of risks and challenges, such as new, intergenerational imbalances in their national accounts.

8. The states of the world's most impoverished societies have become completely dysfunctional with respect to their populations at large and/or predatory vis-à-vis indigenous capital.

9. Related to the previous point, we are seeing the appearance of new epidemics and other diseases (including some that we thought had been eradicated from the world), the proliferation of production systems that destroy the environment at a hitherto unknown speed, and the appearance and rapid spread of new techniques of global violence.

10. Finally, and perhaps most pervasively, the world has been integrated into a singular entity through political, cultural, linguistic, and moral practices that are profoundly Eurocentric and racist.

When one attempts to understand transformations in the overall logic of the global system of the mobility of states as well as the ability of specific states to improve their "standing" in the world, one observes a complex combination of these factors. Hence, it is impossible to separate the "net effects" of any individual factor. Yet, as my analysis suggests, if one considers some basic structures of global power and pays close attention to regional patterns, it is possible to derive some fairly powerful indirect inference.

ENRICHMENT VERSUS WEIGHT GAIN

Imagine that we place the states of the world in a two-dimensional analytical space. Figure 5.1 will help in orientation. In it, we combine two important measures: change in a state's per capita gross domestic product and change in the share of a country's GDP in the gross world product. The purpose is to portray the collective influence of a national economy and the average level of accumulation, two measures that often do not run in tandem, in the same figure. We use the vertical axis to plot each state of the world according to how its per capita gross domestic product has changed in the given period. In order to make the analysis comparable over time, we express these state-to-state figures as percentages of the world mean GDP per capita. Those states whose per capita GDP, measured in terms of the world average, has increased during the given period (that is, where the result of the subtraction is a positive number) are placed along the upper part of the vertical axis; those whose figure has decreased (where the subtraction returned a negative number) are placed in the bottom half of figure 5.1.

A useful gauge of the global geopolitical aspects of economic performance, the horizontal dimension indicates changes in the given state's economic weight in the world economy.[4] This we measure by observing the percentage share of the given state's GDP in the gross world product for the given year. As before, we subtract this value for the earlier time point from the later one. Those states whose global weight has increased—and have, hence, a greater economic basis on which to exert greater influence on the world system—are on the right-hand side of the figure; those that have lost economic weight (and, hence, some of their geopolitical significance) are on the left.

Economic weight is, of course, only one—and not necessarily, in every context, the only—important requirement for geopolitical power: the availability of key military, cognitive, moral, organizational, or natural resources may turn out to be more important determinants of an organization's ability to project its power to the outside world in particular situations, as the overwhelming evidence of the Vietnam War suggests, for instance. Yet, economic weight is, without doubt, a fundamental component of global power without which it appears to be quite difficult for a state to make a lasting and meaningful impact on today's economically integrated, tightly interwoven global system.

For illustration's sake, figure 5.1 indicates some of the geopolitically most interesting possible trajectories in terms of global economic weight. One possible path involves a process whereby a state is enriched in terms of its per capita GDP with respect to the world mean GDP per capita, while its global weight does not in-

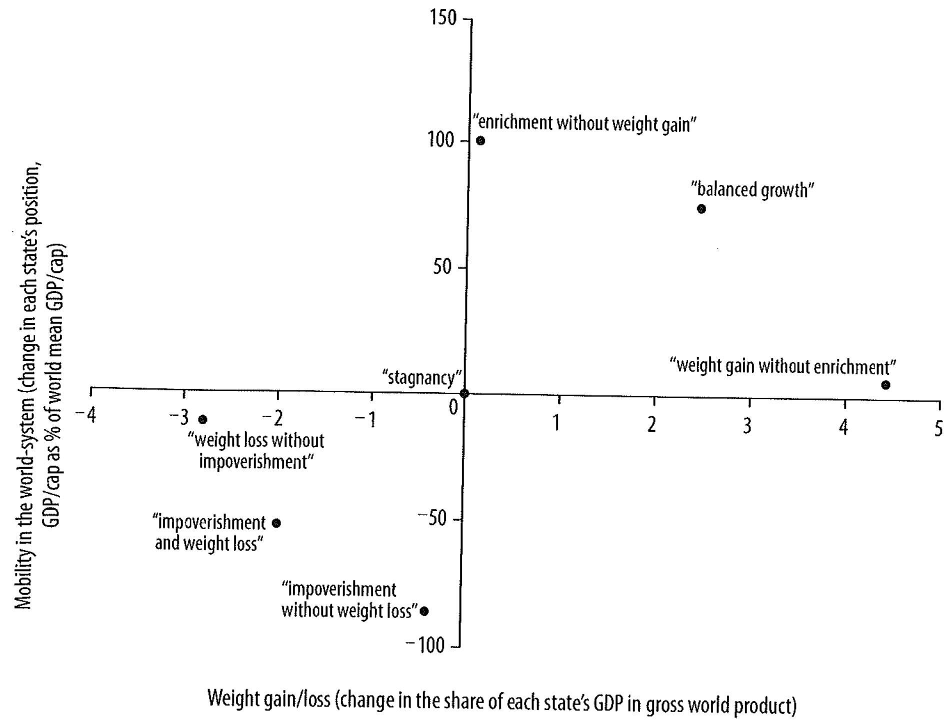

Figure 5.1. Two-Dimensional Model for Analyzing the Global Trajectories of States

crease perceptibly. This type of change appears in the top third of the graph, on the right side of the vertical axis, marked by the words "enrichment without weight gain." We can also imagine a different process of economic change, one in which a given state acquires significant global weight without experiencing much enrichment. Again, the backdrop to this process is a peculiar demographic pattern, namely, one in which a state's population growth is steeper than the world average population growth. This path, labeled "weight gain without enrichment," is found on the right-hand side of the graph above the horizontal axis. It is easy to see that, from the perspective of a state that strives to pursue the collective interests of its citizenry within the overall logic of global capitalism, the optimal pattern of change would be a combination of the two kinds of positive change. This pattern is included in figure 5.1 in the middle of the upper-right quadrant, marked "balanced growth." Obviously there exist the negative counterpoints to all these positive patterns: labeled appropriately as "impoverishment without weight loss," "weight loss without impoverishment," and "impoverishment with weight loss"; those are found in the bottom-left quadrant of figure 5.1.

The realization that states are not "free" to determine their mobility paths is a fundamental principle of all scholarly approaches to the global system: a host of macroeconomic, historical, geopolitical, geographical, demographic, social, cultural, and moral circumstances and events influence what global mobility paths are available to, and taken by, a given state. It would be quite a challenge to find any example of a state that "freely" chose its mobility path in this two-dimensional system of wealth and global influence in the five centuries of the modern, capitalist world system on record. Three general principles follow from this.

First, the various mobility paths indicated in figure 5.1 may result from extremely variegated, often outright opposite social, economic, political, and cultural conditions and opportunities for change. To a very large extent, the diversity of human global history is due to this very fact.

Second, the maneuvering room available to states can be, and most often is, varied across time and space, due to historical, geographic, geopolitical factors, to name just a few. As a result, it is extremely difficult to create a singular moral basis on which to compare the performance of actually existing states in terms of their ability to affect global mobility.

And, finally, the "success" of any given state's centripetal/influence-hoarding mobility project depends partly on the constellation of external factors, partly on the given society's internal resource structures, and partly on the quality of the collective responses to those external and internal conditions, as devised by the economic, political, and cultural elites who occupy the leadership positions in the given society.

At this point we are ready to examine the patterns in the global mobility of states since the collapse of the Soviet pole. Figure 5.2 models the mobility paths taken by all the world's states for which Maddison (2003) provides data regarding the 1989–2001 period.[5]

First, let us examine the contours of the distribution in figure 5.2. The middle portion of the upper-right quadrant of the graph is entirely empty. This signals nothing less than the fact that the—in many ways optimal—mobility path labeled earlier as "balanced growth" appears to have barely existed in reality during the twelve years on which this study focuses, except perhaps for the clearly decipherable growth achieved by Indonesia and Vietnam (marked in figure 5.2 as Indo and VN). It is safe to conclude, however, that *"balanced growth" was far from the dominant pattern* of the world system in the post–Cold War geopolitical transformation of the world economy. This simple observation lends some powerful support to those perspectives that argue that patterns of "economic development" under global capitalism are inherently uneven.

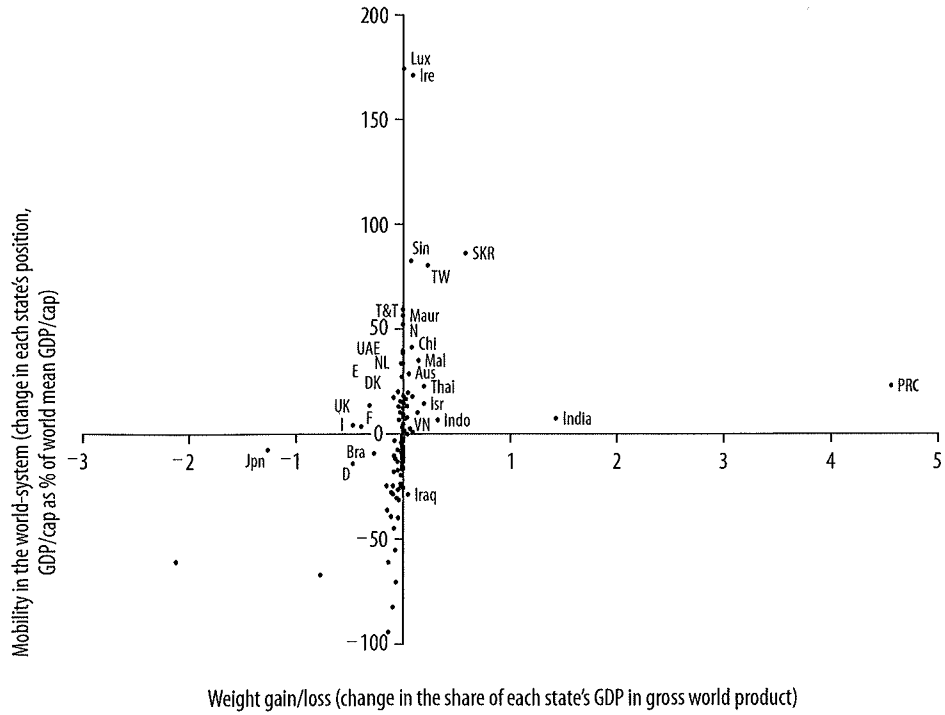

Figure 5.2. Global Trajectories of States, 1989–2001

What we do see, instead, are two extreme patterns of mobility, each constituting the other's perfect opposite. One can be described unambiguously as "weight gain" without any comparable amount of "enrichment" on a per capita basis. There have been two extremely important examples of this type in the world economy during our period: the world's two most populous states. The People's Republic of China has increased its global weight by a massive 4.6 percent of the gross world product during the twelve years under study here, and India has gained a global weight of about 1.5 percent. To put the two figures in perspective, Maddison estimates the global weight of the two states at the data point closest to China's socialist revolution and India's independence (1950) as 4.5 percent and 4.17 percent, respectively. For 2001, Maddison puts them at the level of 11.9 percent and 5.3 percent. Particular significance is lent to this by the *simultaneity* of the two cases—that the two true giants of the world have come to motion at the same time and more or less *on the same path*, even if at a different speed. China's upswing—or "peaceful rise," in the official terminology of the Chinese Communist Party—has been in effect for more than twenty years now, and it has been, perhaps even more remarkable, basically unaffected by the cyclical patterns of the capitalist world economy.[6]

To put the process plainly, then, both China and India have registered significant gains in their global economic weight between 1989 and 2001. This has made the two states, all other things being equal, considerably more powerful in terms of the global governance of economic accumulation, something that is also true for many other areas of geopolitics. This is a significant development, bound to exert profound pressures for change—first and foremost within these societies themselves.

As for the other pattern—the path of "enrichment without decipherable weight gain"—we see Luxembourg and Ireland, the two tiniest members of the European Union during the period: each has augmented its GDP per capita by a strikingly large amount—more than 150 percent of the world average GDP per capita between 1989 and 2001. The concrete mechanisms that have produced those results are radically different: off-shore "investment" paradise in Luxembourg, mid-to-high-tech, assembly-oriented boom, based on "green field" foreign direct investment and unprecedented levels of infrastructural EU subsidies in Ireland. In addition to these two, we do find a few additional West European states among those most successful in enriching themselves without gaining global economic weight, but the majority are outside of Europe. Here is the list of the world's societies that have been most enriched without much weight gain after Luxembourg and Ireland: Singapore (marked in figure 5.2 as Sin), South Korea (SK), Taiwan (TW), Trinidad and Tobago (T&T), Mauritius (Maur), Norway (N), Chile (Chi), the United Arab Emirates (UAE), the Netherlands (NL), Malaysia (Mal), Spain (E), Australia (Aus), Denmark (DK), Thailand (Thai), and so on. In other words, a handful of the twelve to fifteen member states of the European Union at the time—mainly the smaller ones—have been able to get in the group of greatest per capita achievers, but they certainly do not dominate this group. Even more striking is that the EU's larger, that is, globally more powerful, geopolitically most influential member states—incidentally, those that had obviously been most involved in the management of the European "theater" of the global strategic standoff—have had a strikingly unimpressive record during the first twelve years after the collapse of the bipolar setup in Europe. Although Britain was able to augment its status in terms of wealth by roughly 13 percent of the average world GDP per capita, its global weight has shrunk by a considerable amount (Britain lost approximately 0.3 percent of the gross world product). The stories of France and Italy are similar (only showing less enrichment), while the Federal Republic of Germany—which has, in the meantime, swallowed the German Democratic Republic—sustained losses in global position both in per capita terms and in its global weight. Having lost 1.25 percent of its global shares and the equivalent of more than 7 percent of the world average GDP per capita, Japan registers an even more dismal record in this period.

Most states of the world are tightly attached to the vertical axis of our figure—that is, their global weight has not changed much, while most of them show changes within the ±20 percent range with respect to the world mean GDP per capita. There is only one very distinct group of states that constitutes an exception from this rule, and I examine this group more closely next.

DIVERGING PATHS OF FORMERLY SOCIALIST STATES

Those states of the world that were members of the state-socialist "bloc" in 1989 have followed very peculiar mobility paths since the dismantling of the state socialist regimes in Europe. Figure 5.3 focuses on the trajectories of this group, including those that have reintroduced capitalism and those that have not undergone such a geopolitical treatment. Two of them (the People's Republic of China and the Socialist Republic of Vietnam) have already been mentioned: These states experienced no regime change. What they had instead was a steep economic upswing. They are examples of a peculiar kind of reform-state-socialist path—a direction that was experimented with in such states as Hungary, Poland, and Czechoslovakia during the late 1960s and 1970s but abandoned in favor of a full-swing return to capitalism later. The idea of this brand of late-state-socialism is that the state preserves single-party rule as its organizing principle and combines the basic institutional frameworks of state socialist socio-economic, socio-cultural, and socio-political systems with an economic management model that is very responsive to, indeed to a very large extent driven by, internal demand. The resulting increased turnover is widely expected by the reform-state-socialist political leaderships to augment their state's resource base, not only affording continued productive investment but also reinforcing collective consumption through the expansion of the socialist social-services sector, buffering social inequalities.

In its Chinese and Vietnamese variant, this model managed to do what critics of the economic hallmark of state socialism—the predominance of state ownership—have long thought, indeed argued very confidently, to be impossible: to create and maintain high rates of productivity in state-owned enterprises.[7] In addition, almost as an afterthought, China and Vietnam have recently begun experimenting, ever so gingerly, with a mixed-economy model: as table 5.1 shows for the ten Chinese enterprises with the greatest revenues in 2005, the Chinese state is encouraging the limited presence of foreign private capital—especially in the

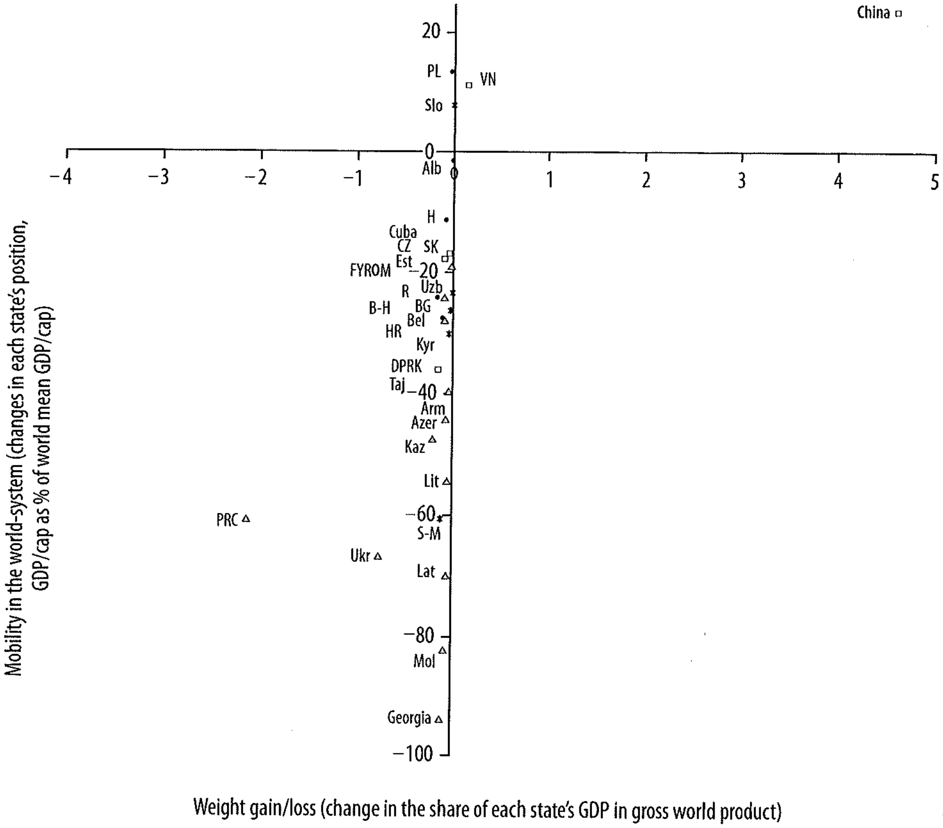

Figure 5.3. Global Trajectories of the States That Were State Socialist in 1989, 1989–2001

form of joint stock companies in which a commanding share of ownership is retained by the socialist state.

Some traces of domestic private capital are also allowed to coexist with state and cooperative ownership, but, at least so far, it is impossible to claim that private capital is the sole driving force in the spectacular growth of these predominantly state socialist mixed economies.[8] Whether continued implementation of this model will enhance the ability and willingness of Chinese and Vietnamese socialist states to deliver higher-quality collective consumption and decrease social inequality is too soon to tell.

Meanwhile, it would be a mistake to attribute geopolitical success in economic performance solely to the survival of state socialism per se: two additional state-socialist societies, the Democratic People's Republic of Korea—existing,

TABLE 5.1.
Largest Chinese Companies in Terms of Revenue

Rank	Company	Turnover (in million RMB)[a]	% owned by the state	% owned by domestic banks and asset management companies	% owned by foreign private capital	% owned by domestic capital
1	China Petroleum & Chemical (Sinopec)	590,632	67.92[b]	9.5	19.35	3.23
2	PetroChina	388,633	"commanding share"[c]			
3	China Mobile	192,381	100[d]			
4	China Telecom	161,212	72.09[e]	10.68	17.15	
5	China United Telecommunications	79,332	—			
6	China Netcom Group	64,922	100[f]			
7	Minmetals Development	64,593	100[g]			
8	Baoshan Iron & Steel	58,638	85[h]			
9	CNOOC	55,222	100[i]			
10	China Resources Enterprises	50,105	54.91[j]			
	GDP 2004 quarters 1–4	13,651,500[k]				

Source: The People's Daily Online, July 30, 2005
Additional sources (accessed August 3, 2005):
[a] http://english.people.com.cn/200507/30/eng20050730_199342.html
[b] http://english.sinopec.com/en-company/938.shtml
[c] www.petrochina.com.cn/english/tzzgx/gszljg_6.htm
[d] www.chinamobile.com/english/Profile.html
[e] www.chinatelecom-h.com/company_e/company_e1_1.htm
[f] http://biz.yahoo.com/ic/106/106010.html and www.chinanetcom.com.cn/en/zj/about/index.asp
[g] www.minmetals.com/English/intro/intro/20030618000I.htm
[h] www.baosteel.com/plc/english/indexe.htm
[i] http://210.77.145.59/tea/node/N16500LoPnull.html
[j] www.cre.com.hk/aboutus.asp?lang=e
[k] www.stats.gov.cn/was40/detail?record=3&channelid=2118&presearchword=gdp

pretty much throughout its entire history, in a model that can be described as war communism—and the Socialist Republic of Cuba—squeezed under an economic embargo by its erstwhile regional hegemon and main trading partner for more than four decades now—are showing steep declines in economic performance. North Korea and Cuba are reminders that pronouncements of the end of the Cold War are perhaps somewhat premature. If anything, it could be argued that the collapse of the Soviet pole of the global strategic standoff—and with it, the disappearance of subsidies and general geopolitical and economic support the Soviet Union provided—had made the predicament of those two, largely isolated, state-socialist regimes even more difficult, making the economic effects of their local Cold Wars ever more devastating for their societies.

Now let us look at that group of states that did undergo a post-state-socialist geopolitical transformation and became fully capitalist once again. There is no former-state-socialist state that would have been able to increase or even preserve its global weight since 1989: they are all on the left-hand side of the vertical axis of figure 5.3. As for their performance in terms of GDP per capita, we see two states that have improved their standing during the period under study: Poland (marked as PL)—which, as will be remembered, received a significant economic boost in the form of an act of debt forgiveness from the Paris Club in 1991, amounting to approximately 50 percent of its foreign debt (in terms of volume, the largest foreign debt in Eastern Europe at the time)—and Slovenia (Slo), formerly the wealthiest federal state of Yugoslavia, tightly reintegrated into the Austrian and Italian economies well before the demise of Yugoslavia, with improvements equivalent to 13 percent and 7.7 percent of the world average GDP per capita, respectively. Other than those two examples of success, *all post-state-socialist states of Eastern Europe and northern Eurasia have experienced a collapse in terms of the geopolitics of their economic standing after* 1989. The record of these post-state-socialist states is so dismal that except for Iraq—a state exposed to the ravages of several international and civil wars, dictatorship, and a long economic embargo during this period—all locations at the bottom part of the lower left quadrant of figure 5.3, reserved for those states that have undergone the most devastating geopolitical and economic collapse, are occupied by the former state-socialist states of Eastern Europe and northern Eurasia.

In figure 5.3, the states of Eastern Europe appear as small black circles. Relatively fortunate Poland and Slovenia are followed by Albania (which, being the smallest and poorest of the socialist "bloc," basically had almost nothing to lose). Hungary (H) is next in line (with a drop equivalent to 11.4 percent of the world average GDP per capita), followed by Slovakia (SK, a loss of 16.9 percent) and the Czech Republic (CZ, 17.9 percent). The extent of the economic devastation of Romania (R, 24.3 percent) and Bulgaria (BG, 27.6 percent) corresponds roughly to that of the post-Soviet republics—here, Estonia (EE) and Uzbekistan (Uzb)—with the least dismal economic record and the Former Yugoslav Republic of Macedonia (FYROM).

Two further observations ought to be made concerning the patterns presented in figure 5.3. First, overall, the former Soviet bloc's greatest losses have occurred in Russia (RU) and Ukraine (Ukr), both of which have undergone not only staggering impoverishment (losses equivalent to 60.9 percent and 67.1 percent of the world mean GDP per capita, respectively) during the first decade after state socialism, but also extremely significant losses of global economic weight (amounting to 2.1 percent and 0.8 percent of the gross world product) as well. Russia's global weight declined from 4.2 percent to 2.1 percent, and Ukraine's weight dropped from 1.15 percent to 0.35 percent during the period immediately after the collapse of state socialism in the U.S.S.R. Maddison's data suggest that, today, northern Eurasia's current position in the world (if taken to be the equivalent of the geographical area of the erstwhile U.S.S.R.) is worse than it has ever been since *before* 1700![9]

What is truly shocking, however, is the fate of those former Soviet republics that have had the most difficult time adjusting to the new, post-Soviet, capitalist conditions. Georgia (Geo) and Moldova (Mol) have become impoverished at rates unprecedented in peacetime, short of a major disaster like an earthquake or tsunami: They have lost the equivalent of 93.8 percent and 82.8 percent of the world average GDP per capita in the period after the dissolution of the U.S.S.R. Closely following them is Serbia-Montenegro (S-M), the only participant in all five of the post-Yugoslav wars, with a peripheralization of approximately 60 percent of the world mean GDP per capita.

Given these numbers, it is hardly surprising that the essentially urban, middle-class uprisings collectively labeled the "color revolutions" have thrived most in this exact segment of the post-state-socialist world: Serbia-Montenegro, followed by Georgia and Ukraine (and similar, foiled attempts by the political elites of Uzbekistan and Moldova). It appears plausible to assume that at least some of the middle-class unrest that took place recently in those societies may have had less to do with the inherent desirability of one political order over another than with the utter economic collapse of these societies, affecting most brutally the educated, urban middle classes of those post-state-socialist societies.

THE GEOPOLITICAL CONSEQUENCES OF SHIFTING GLOBAL ECONOMIC WEIGHTS

In sum, the global system is in a great flux. That China's and India's "rises" manifest themselves primarily in weight gains has enormous geopolitical consequences—not only internally but externally as well. All of those changes apply instantaneously, lending great volatility to the contemporary system. In addition to these states' duly increased roles in the United Nations and other multilateral intergovernmental fora, China's and India's pairwise geopolitical, economic, political, social, and cultural ties to each other and to other powerful actors—for instance, China-U.S., India-U.S., China-EU, India-EU, China-Russia, India-Russia, China-Japan, and India-Japan relations—will acquire new global significance. Of the many issues that this development raises, I confine myself to two remarks here.

First, it would be a complete falsification of history to narrate the rise of China and India as something entirely new, a story without a precedent. We would be well advised, instead, to remember that China and India were the world's two most significant economic actors, at least from the fifteenth to the mid-nineteenth century.

As the data in table 5.2, computed from Maddison (2003), suggest, it was not until well into the second half of the nineteenth century that the combination of various forms of imperialist geopolitics and colonialism brought China and India down to levels that some of the most "successful" imperialist states of Western Europe have managed to attain—barely, and with enormous concerted effort. (The West European record, Britain's top achievement, reached in the late nineteenth century, was 9.5 percent of the gross world product.) The history of global capitalism—if it could ever be written without the pervasive Western Europe–centric ballast that most of its forms carry—would have to be written mainly as the history of China's and India's global economic weight. The recent, approximately 150-year history of the global "splendor" of the "West" would appear as a brief and relatively insignificant interlude.[10] Whether the most powerful actors in the "West," as well as the numerous organizational locations where the collective interests and actions of the "West" are coordinated, have the moral, cultural, and political tools necessary to acknowledge the fact of this brevity and insignificance, and in what creative and peaceful institutional forms the "West" will be able to exploit in order to adjust to the imminent end of its "splendor" is, no doubt, one of the most fundamental questions of the survival of humankind.

Mere reference to China and India's global weight throughout of much of the history of capitalism, however, does not solve the contemporary problems that

TABLE 5.2.
China's and India's Shares in the World Economy, 1500–1900 (in percentages)

	1500	1600	1700	1820	1870	1900
China	24.9	29.0	22.3	32.9	17.1	11.0
India	24.4	22.4	24.4	16.0	12.1	8.6

Source: Computed from Maddison 2003

this transformation produces for the stability of the world. For the capitalist world system has a few rather distinct features in its current form, features that make the contemporary situation particularly treacherous. I have already listed these new features in ten points above, so here I repeat only those two that I see as most dangerous in this regard: (1) the global military predominance of the declining economic hegemon of the twentieth century and (2) the pervasively Eurocentric and racist character of the political, moral, and ideological field of the contemporary system. Because of those two elements, a conscious effort is required on the part of global social organizations, politicians, states, intellectuals, and movements to focus on the creation of constructive institutional ways in which a devastating, Third (and this time, truly global) World War can be avoided. This is hardly an exercise in futuristic fantasy or science fiction: Significant outside efforts are already afoot pitting, for instance, the two engines of global growth, China and India, against each other.[11]

The other geopolitical issue has to do with the fact that none of the most successful states, those most able to increase their global weight (China, India, Indonesia, and Vietnam), is "Western."[12] Nor have the most affluent states of the world done particularly well. Taken as a single group, the wealthiest states of the world—the United States, the fifteen members of the EU as of 2001, and Japan—have sustained a 1.66 percent *loss* of economic weight during this period, a striking contrast to the collective achievement of 6.52 percent increase on the part of the four above Asian economies alone.

Instead of a reproduction of the often matter-of-factly assumed superior performance of the "West"—something that many observers of world politics as well as scholars of the political economy and geopolitics of the world system are used to and expect—what we see is quite a *radical geographical shift.* North America and Western Europe seem to have by and large been able to hold on to their wealth in per capita terms, but they also have been doing so with stagnating or outright declining economies, so that their ability to sustain their *per capita* wealth today is partly a product of a historical process that could be described as path dependence (that is, that ability is the result of these economies' previously advantageous positions in the world), partly an artifact of their declining shares in world population. Most important for their geopolitical position, their global economic weight is eroding. Maddison's data suggest that this has been the case for quite a while. Reported in the language of continents, the "engine" of the world economy is neither in Western Europe nor in North America. Instead, it has moved (back) to Asia.

Since, in a tightly integrated world system, the issue of global economic power is a near-zero-sum process, these results reveal the true global importance of the former state-socialist states of Eastern Europe and northern Eurasia. Plainly put, the collapse of Eastern Europe served as a global geopolitical buffer, delaying the point at which the societies of the "West," especially those of Western Europe, will gain a firsthand experience with the geopolitical effects of the drastic shrinkage of their economies in global terms. The last decade or so has seen the military penetration of western and central Asia by the United States and some of its Western allies through NATO as well as the creeping encirclement of both China and India, but Asia's rise has not created a more irritated, more openly belligerent response from the West, at least to some extent because most of the attendant losses of global position struck Eastern Europe and northern Eurasia.[13] The former Soviet bloc's losses of global weight (the equivalent of approximately 4.65 percent of the world economy) helped absorb the global effects of Asia's rise (without Japan, Asia as a whole shows an astonishing gain of 8 percent of the gross world product) so that the United States, the European Union, and Japan had to sustain, so far, only moderate losses of 1.66 percent. Part of the irony of the post–Cold War years is, of course, that the weight loss experienced by the regime-changing former state-socialist societies (altogether 4.65 percent of the gross world product) is almost exactly equal to the gains made by the two successful, still state-socialist economies of the world, China and Vietnam (4.75 percent).

That the least impoverished ten member states on the western perimeter of the former Soviet bloc—including all of the social, cultural, political, and economic resources they have built up during the rapid, often forced social change that characterized their state-socialist histories—have recently been added to the European Union (this happened in May 2004 and January 2008, that is, after the point where Maddison's data stop) contributes further to subsidizing the West in terms of geopolitical resources. It is important to see, however, that both of those mitigating factors are distinctly short-term. The European Union is already running out of semiperipheral, former state-socialist states that it could incorporate in its continued size-making effort, and there is no state-socialist bloc whose collapse could buffer the changes that Asia's continued rise is bound to set off in the

global system of geopolitics of the near future. Short of another former Moscow bloc whose global weight could be sacrificed to weather the relative losses of economic weight required by Asia's continued rise, the losses will have to hit elsewhere, and the European Union and North America—which continue to be the two largest single markets in the world—inevitably will be affected by those transformations more adversely than they have been so far. To a large extent, attempts at placing such burdens on actors outside North America and Western Europe are likely to be the essence of the geopolitics of the states—the wealthiest and currently the geopolitically most powerful areas of the world. One plausible, related development would be a move toward matching the military-strategic structure of NATO with a "North Atlantic" single market—a project that already has powerful corporate lobbying support both in the United States and the EU—and, at least in the EU, legislative commitment as well.

It could be argued that the current situation is not entirely without precedent. After all, the societies of Japan and South Korea, non-Western as they are, both underwent spectacular economic upswings, resulting in steeply increased economic weights, in the decades following the Second World War. The current geopolitical situation, however, differs from those upswings in two crucial respects. First, those upswings took place on the pro-Western side of the global strategic standoff, that is, under geopolitical conditions in which a certain amount of Western goodwill and geo-economic patience was automatically granted to these societies, since their weight gains lent more economic power to the anticommunist bloc.

Second, both Japan and South Korea were under foreign military occupation during the period of their economic upswing, reducing their sovereignty—and, as a result, decreasing their states' capacity to act autonomously—with respect to the United States. The opportunities of direct Western political control that were in place in the myriad specific institutional forms both in Japan and in South Korea are, of course, not there in the current weight gainers of Asia, and the vanishing of the global logic of the strategic standoff took away much of those occasions for goodwill as well. Much of the global geopolitics of the next decade or two will be about how to manage the resultant tensions, conflicts, and face-offs.

Three basic, creative scenarios can be imagined. Given the exclusive nature of the "NATO matched by a North Atlantic single market" project, it is reasonable to expect that those scenarios will involve new and unprecedented forms of "lateral" regional cooperation among key actors outside of Western Europe and North America. They differ from each other only in terms of their scale and scope.

First, the two largest and currently most dynamic Asian states, China and India, could devise ways in which to implement an ambitious, stable, long-term development partnership—an idea that is clearly part of the two states' bilateral relations.[14] Since their economic organization is quite compatible and their strengths have sufficient complementarity, it might not be an impossible task for Asia's two successful developmental states to mobilize their impressive resources in key areas that contribute not only to solidifying the two economies' sustained growth but also to creating *a joint economic infrastructure* that would lead to a long-term commonality in economic-geopolitical interests between the two societies. Large-scale educational, cultural, research, and person-to-person exchanges would be logical components of such a project. This cooperation could invite Russia, whose fate is undeniably as much tied to Asia as to Europe. Its technologies, experience, and, perhaps even more significant, natural-resource base are, to some extent, located in Asia, and its geopolitical identity has always had a Asian component. The three large societies could form a truly powerful, single engine of Asian economic growth that is, frankly, unmatched in the modern history of the world.

Second, on a somewhat even greater scale, it is perhaps time to begin serious thinking about the viability of an Asian Union. Clearly, the political, social, and economic obstacles that such a project would have to overcome are enormous, but they are dwarfed by the difficulties, problems, and pains associated with economic growth that Asia would have to face in the absence of such an overarching organization. The great lesson from the emergence of the European Union is that there are truly significant advantages to be derived from a supra-state process that not only dismantles tariff barriers but also explicitly prescribes standards and the construction of overarching economic, legal, political, and social institutions that aim to ease and encourage flows of all kinds.

Finally, third, Asia's rise brings to the fore the question of alternative, "lateral" structures on the scale of the globe. It is clear that Asia's rise will affect the division of voice, tasks, and power within the United Nations, but, perhaps even more important, it also thematizes the issue of *alternative global organizations*. As the success of the ad hoc coalition of noncore, non-former-colonizer states at the last ministerial conference of the World Trade Organization (held in Cancún, Mexico, in September 2003) demonstrates, there are real opportunities for alternative global structures to form and exert serious influence on global affairs. One novel aspect of the G-20 summits, created in the wake of the global financial crisis of the autumn of 2008, was the prominent presence and important role played by China and India. The currently ongoing negotiations regarding the reform of the quota and voting systems of the International Monetary Fund also reflect the transformations in the global geopolitical-economic significance of the rising, large states of Asia.[15]

Asia's continued rise could provide not only a serious resource base but the powerful moral and political impetus for such a transformation as well. If such processes of integration are to take place in Asia, there is no better time to initiate them than at the point at which the region's two largest and most powerful economies are both on the upswing: It is much easier to create institutions under conditions of economic growth—indeed, some argue that it is only possible during such times. Many states in Asia have a relatively sizeable budgetary surplus nowadays. The historic question posed by Asia's ongoing rise is how wisely, with what kind of collective, global foresight, those resources will be expended. They could, of course, all be wasted on newer and newer weapons systems, aimed at each other or smaller neighbors. They could, on the other hand, be spent in a sensible, collectively rational, prudent, clever, and peaceful way. Those are the most important decisions that are being made at this very moment.

One thing is for sure: if any one, or any combination, of the above developments takes place, the character of the world will change—forever.

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NOTES

1. Computed from the online data supplement published in conjunction with Maddison (2003).
2. Since this area of scholarship is widely known, I will just mention the most significant classics of this area that are available in English. In addition to work in-

cluded in this volume, see work by Fernand Braudel (especially 1981, 1982, 1986), Immanuel Wallerstein (e.g., 1974), Giovanni Arrighi (1996), Arrighi and Beverly Silver (1999), Samir Amin (1976), Janet Abu-Lughod (1989), André Gunder Frank (1998), Christopher Chase-Dunn (1998), Chase-Dunn and Thomas Hall (1997), and John M. Hobson (2004).

3. For more on the EU as a creative, new, nonstate form of public authority, see Böröcz and Sarkar (2005), and Böröcz (2009).

4. Here and throughout this chapter, I use the term geopolitics (as defined in the opening paragraph) as a shorthand reference to the ways in which organizations (states as well as other, non-state organizations) project their power into the world outside their boundaries.

5. Those states that had been dissolved since 1989—such as the formerly federal socialist states of Eastern Europe and Eurasia: the USSR, Yugoslavia, and Czechoslovakia—appear as their successor states. In such cases, the starting point of the comparison is the establishment of the new states.

6. On "peaceful rise," see, for instance, an editorial issued on May 2, 2004, in conjunction with the one-week holiday and related important celebrations commemorating International Labor Day: http://english.peopledaily.com.cn/200405/02/eng20040502_142255.html on the English-language website of the CCP's official newspaper, the People's Daily. Note also George W. Bush's reply seven weeks later, echoing the Chinese phrasing by pronouncing that "China's peaceful rise is very important" http://english.peopledaily.com.cn/200404/24/eng20040424_141421.shtml. Both websites accessed July 15, 2005.

7. This assumption was a defining feature of the economic literature during the last phase of state socialism in Eastern Europe. For an illustration, consider this exceptionally clear formulation by Harvard-based institutional economist János Kornai's monograph devoted to an analysis of the shortcomings of state-socialist economies: "Since the connection between the 'personal pocket' and the residual income of the state-owned firm is entirely absent, those who otherwise have deciding voice in how the residual income is used are not real owners at all from this point of view. The automatic, spontaneous incentive noted with private property does not apply" (Kornai 1992: 74).

8. Among the top ten, two enterprises mention this kind of ownership component, and only one has published specific data pertaining to this segment. There—in the case of Sinopec, the largest Chinese company to date—the proportion of private domestic capital ownership is 3.23 percent.

9. To be noted, again, is the fact that the recent "hydrocarbon bump" has, clearly, improved Russia's global position somewhat. The overall, long-term effects of this transformation are, however, beyond the scope of this chapter.

10. For more on this idea, see especially Frank (1998), Hobson (2004), and Böröcz (2009).

11. See, for example, "Washington Draws India in against China." *People's Daily*, English edition, available at http://english1.people.com.cn/200507/07/eng20050707_194676.html accessed July 26, 2005, cited in Friedman (2005).

12. Israel, whose record also shows a respectable increase in both per capita and global-weight terms, represents a case that stifles comparative analysis because it is impossible to decompose the statistical effects of foreign aid, especially military aid (a very significant component of the Israeli state budget), from intrinsic economic growth.

13. Meanwhile, it is possible to read the escalating Indo-Pakistani conflict against the backdrop of the structural transformation expressed in India's noticeable gain in global economic weight, a transformation not matched by Pakistan.

14. See, e.g., www.hindu.com/2005/04/10/stories/2005041003551000.htm and http://english.peopledaily.com.cn/200611/21/eng20061121_323795.html accessed December 11, 2008.

15. See, e.g., www.isn.ethz.ch/isn/Current-Affairs/Security-Watch/Detail/?ots591=4888CAA0-B3DB-1461-98B9-E20E7B9C13D4&lng=en&id=51755 or www.imf.org/external/pubs/ft/survey/so/2007/NEW057B.htm accessed December 11, 2008.

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CHAPTER SIX

China's Economic Ascent and Japan's Raw-Materials Peripheries

PAUL S. CICCANTELL

China's rapid economic ascent during the past three decades offers an important opportunity to study national economic ascent and its potential to transform the world economy as it happens. World-systems analysis can study short-term fluctuations, medium-term trends, and potential long-term structural changes as China and other competitors challenge U.S. hegemony. This "real-time" opportunity avoids the analytic traps of post-hoc examinations of long-term structural change that may neglect agency, understate the role of competition between states and firms, and imply that the outcome was historically inevitable. The current severe challenges to U.S. hegemony economically and politically provide an analytical window for studying hegemonic competition and long-term change.

This chapter analyzes China's efforts to resolve the most fundamental obstacle to sustained, rapid economic ascent: how to achieve low-cost, secure access to a rapidly growing and increasingly diverse volume of raw materials that can provide a competitive advantage over other ascendant nations and the existing hegemon. China's raw-materials access strategies combine reliance on existing systems built by earlier ascendant economies with efforts to steal these earlier ascendants' raw-materials peripheries by offering what appear to be better deals to raw-materials–exporting states and firms. These strategies are quite similar to those the United States used against Great Britain during the nineteenth and twentieth centuries and those Japan used against the United States in the second half of the twentieth century. The success of these Chinese strategies is far from guaranteed, and this chapter analyzes these strategies and their successes and challenges in the early twenty-first century.