Contents

4 Daniel Fuchs, Frido Wenten
China’s Political Economy under Xi Jinping –
The Beginning of a ‘New Era’?

17 Stefan Schmalz
The Three Stages of Chinese Capital Export

39 Uwe Hoering
Globalisation with Chinese Characteristics:
The Role of the State in China’s Belt and Road Initiative

63 Miao Tian
Legal Resistance with Collective Mobilisation –
Patterns of Chinese Labour Protest in the 2010s

86 Tomaz Mefano Fares
The Rise of State-Transnational Capitalism in the Xi Jinping Era:
A Case Study of China’s International Expansion in the Soybean Commodity Chain

107 Editors and Authors of the Special Issue

111 Publication Details
The 19th National Congress of the Chinese Communist Party (CCP) in October 2017 marked another critical caesura in China’s post-revolutionary history. By enshrining “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era” in its constitution, the CCP not only elevated its General Secretary, Xi Jinping, above his immediate predecessors and among the ranks of Deng Xiaoping and Mao Zedong. It also officially proclaimed that the reform period, with its principle aim of resolving China’s challenge of “backward social production” had been successfully concluded, and that “a new era has begun” (Xinhua 2017; see also Holbig 2018). Domestically, in the words of Xi, the “new era” is characterised by a new “principle contradiction” between “unbalanced and inadequate development and the people’s ever-growing needs for a better life” (Xi 2017). Internationally, China is not merely “opening up” to the world anymore but rather is aimed at “growing strong”, assuming a leading role in world affairs (Holbig 2018).

The notion, with Xi Jinping’s ascendance to power in 2012/2013, of a major turning point in China’s political economy has also taken hold in academic discussions. In a widely debated book, Carl Minzner proclaimed “the end of China’s reform era” – characterised by “relatively stable and more institutionalized Party rule, supercharged economic growth, and an openness to the outside world” (Minzner 2018: xviii), and instead locates Xi within what he calls a “counter-reform era” (ibid.: 32) that can be traced back to political, economic and social developments in China since the early 2000s. The “Journal of Democracy” dedicated its April 2018 special issue to the global political implications of China in Xi’s “New Era”. Additionally, a range of book-length publications are available on Xi Jinping,
his vision and leadership style (Lam 2015a; Li 2016; Brown 2017; Economy 2018; Magnus 2018).

Yet, does China under Xi really mark such a stark departure from preceding political and economic trajectories? What continuities and ruptures characterise the ‘new era’? How are economic policies tied in with new political ambitions of the Xi administration? This issue of the Austrian Journal of Development Studies contributes to current debates on China under Xi Jinping through a selection of articles that cover China’s global economic and geopolitical engagement, in-depth sectoral analyses, as well as case studies on current state-labour relations. In order to further contextualise these contributions, this introduction outlines some major development trajectories in the areas of party politics, state-society relations, and China’s political economy.

1. Internal party politics and changing governance structures

Western liberal commentators had expressed high hopes when Xi Jinping took over the three key positions within the Chinese party-state (General Secretary of the CCP, Chairman of the Central Military Commission, and President of the PRC) back in the years 2012 and 2013. The most often quoted example of an over-optimistic outlook on China’s reform trajectory was Nicholas Kristof’s commentary in the New York Times, who had written in January 2013: “Here is my prediction about China: The new paramount leader, Xi Jinping, will spearhead a resurgence of economic reform, and probably some political easing as well. Mao’s body will be hauled out of Tiananmen Square on his watch, and Liu Xiaobo, the Nobel Peace Prize-winning writer, will be released from prison” (Kristof 2013). Within the past seven years, however, such illusions were quickly shattered. In fact, with regards to internal party politics and governance structures, there is now a widespread consensus that Xi Jinping’s ascendance to power in 2012/2013 did indeed bring about a significant caesura; albeit a caesura that would mark an end to the collective leadership model of the CCP and a return to “personalistic rule” (Shirk 2018), or what others have described as “Xi Jinping’s absolutist turn” (Hung 2018).
In order to understand this development, it is, first of all, important to note that unusually open leadership succession struggles between different factions in the CCP had broken out prior to the year 2012. In this context, the so-called ‘princeling’ Xi Jinping, son of the first generation communist revolutionary Xi Zhongxun, has been widely regarded as a compromise candidate between the two competing factions of his predecessors as Party general secretary, namely Jiang Zemin and Hu Jintao (e.g. Mahoney 2014). Against this background, during his first years in office, Xi has focused on consolidating and recentralising power in his own hands, thereby also aiming to achieve the broader objective of strengthening the role of the Party in the face of increasing economic, social and environmental challenges. In this process, several key political and ideological norms that had emerged since the 1980s have been steadily undermined (e.g. Lam 2015b; Minzner 2018; Shambaugh 2015). Moreover, it is widely agreed that, by the end of his first five-year term, “Xi has emerged as the most powerful leader in recent decades” (Minzner 2018: 12).

A central characteristic of Xi’s track record at the top of China’s party-state has been his severe and far-reaching anti-corruption campaign, launched immediately after taking office. Commentators agree that this on-going campaign has played a central role in solidifying his position vis-à-vis (potential) internal party rivals as well as for clearing the party-state of some of the vested-interest groups that had formed during China’s rise as a key player within the global capitalist economy. In fact, disciplinary investigations to depose of rival Party comrades are by no means without precedent in the history of the CCP. What did constitute a novelty for reform era politics, however, was the extent of Xi’s campaign. After moving against the second most prominent ‘princeling’ and former party secretary in the municipality of Chongqing, Bo Xilai, Xi turned against the former Minister of Public Security, Zhou Yongkang, thereby breaking with the tacit reform-era political norm that current and previous members of the CCP’s Politburo Standing Committee were exempt from prosecution (Hurst 2018; Minzner 2018). By the end of 2017, the disciplinary investigations into both “tigers” and “flies” – a reference to senior officials and low-ranking cadres – within the Chinese party-state had targeted a total of almost 1.4 million party members (including government officials and high-ranking military personnel) (Shirk 2018).
Ideologically, these measures also allowed Xi to bolster his image as “a man of the people, attuned to the needs and aspirations of those who have been left behind by China’s economic miracle” (Hui/Friedman 2018). While the wider public “enthusiastically welcomed” Xi’s inner-party purges (Shirk 2018: 33), some commentators have also highlighted a related and increasingly stark personality cult built around ‘Papa Xi’, his nickname not only in social media circles but also in state press publications, that markedly differs from that of his predecessors (Minzner 2018). Xi also stands out with regard to his widespread usage of Maoist rhetoric (Wemheuer 2019), which – in combination with his mantra of the ‘Chinese Dream’ – is firmly grounded in the much older nationalist discourse on China’s ‘great rejuvenation’.

Against this background, institutional reforms and changes to governance structures over the past couple of years have also been interpreted as being geared towards the centralisation of power in the hands of Xi and his closest allies among the Party elite (see e.g. Lee 2017). One example is the reshuffling of the domestic security apparatus after the fall of Zhou Yongkang in 2013 and the transfer of related decision-making power to Xi himself as the chair of the newly established National Security Commission. Xi has also personally taken over the lead of an increasing number of the so-called “leading small groups” (lingdao xiaozu) that play a crucial role for policy development and coordination in key reform areas. According to various commentators, this has allowed Xi to sideline other members of the Party leadership, including Prime Minister Li Keqiang, and to extend his personal sphere of control in party-state policymaking processes (e.g. Kroeber 2016; Minzner 2018).

These measures taken together do indeed indicate a rupture with past norms of collective leadership and the relatively stable balance of power between different factions and interest groups that had characterised party-state politics in the two decades prior to Xi’s leadership. Most recent events have confirmed these development trends. As mentioned above, the 19th Party Congress in 2017 enshrined “Xi Jinping Thought” in the Party constitution and thereby elevated Xi to the level of Deng Xiaoping and Mao Zedong in the hierarchy of historical party leaders. Moreover, in March 2018, the National People’s Congress voted to remove the two five-year term limits for the position of the President and Vice-President from
China’s constitution, offering Xi the possibility to remain in office even after the end of his second five-year term in 2023.

Thus, looking at the dimension of party-state politics, a ‘new era’ tied to the personal power of Xi Jinping indeed seems to have begun. And yet, at this point, it should not be forgotten that the period against which the outlined ruptures are measured has been relatively short. In other words, only history will tell whether the much-lauded signs of ‘institutionalization’ and norm-bound governance in the two decades prior to Xi’s leadership were merely an exception in the history of the CCP (Fewsmith/Nathan 2019). What is certain, however, is the continued need to extend our analytical focus beyond the black box of Party elite politics and to understand transformations within the Chinese party-state in their relation to economic and social development trajectories.

2. State-society relations

Xi came to power in a period of increased social unrest. According to some estimates, the annual number of so-called ‘mass incidents’, that is, larger protests, demonstrations and strikes, more had more than doubled between 2005 and 2010. Labour conflicts continued to increase in the context of the overall economic slowdown, with the number of strikes and protests documented by the Hong Kong-based NGO *China Labour Bulletin* reaching 2,774 in 2015 alone, twice as many as in the previous year (China Labour Bulletin 2016).

Against this backdrop, existing studies point to a significant shift with regards to state-society relations in the era of Xi Jinping. In particular, the current central party-state’s governing approach towards social activism and civil society organisations is seen as substantially more coercive and repressive than that of the previous administration (under Hu Jintao and Wen Jiabao, 2002-2012), which had been described as a “consultative” (Teets 2013), “responsive” (Heurlin 2016) or “pragmatic” (Lai 2016) form of authoritarianism (see also Fuchs/Tse/Feng 2019). Howell and Pringle (2019), for instance, provided a useful differentiation between different “shades of authoritarianism” giving rise to particular types of state-society relations. The “encapsulating shade of authoritarianism” of the Xi era,
they argued, is characterised first and foremost by a focus on the overall strengthening of Party control (ibid.: 241).

This did not preclude some important continuities. Similar to its predecessors, the administration under Xi is still seen to allow for local experimentation and innovation attempts, albeit with less room for direct civic engagement (Howell/Pringle 2019). And the objective of expanding and refining party-state institutions for the purpose of ‘stability maintenance’, as well as the attempt to strengthen judicial forms of conflict resolution, have equally been maintained under Xi’s leadership. Moreover, the documented expansion of the domestic security apparatus also commenced prior to Xi’s ascension to power, with public security spending steadily rising from 348.6 billion RMB in 2007 to 1.24 trillion RMB in 2017, thereby exceeding the national defense budget by about 20 percent (Chin 2018; see also Chen 2013).

That said, and as we have outlined elsewhere in more detail (Fuchs/Tse/Feng 2019), Xi’s significantly more coercive approach to the governance of state-society relations has manifested itself in several ways. First, since 2015, Chinese authorities have cracked down on civil society organisations and activists, ranging from human rights lawyers to feminists (e.g. Jacobs/Buckley 2015; Fincher 2016), in an unprecedented manner. Crackdowns and further legal measures, such as the “Foreign NGO Law” of 2017, marked a stark departure from state-society relations in the 2000s, which had been characterized as the “prime period of civil society expansion” (Howell/Pringle 2019: 234) in China. As Yuen (2015: 53) has put it, “the implication is that even moderate, depoliticized and reformist civil society engagement […] is now running into a dead end.” Second, measures against labour NGOs and worker activists have been particularly heavy-handed. This included, for instance, a coordinated attack against four such NGOs in southern China’s Guangdong province in December 2015, as well as the arrests of the two activist online journalists Lu Yuyu and Li Tingyu in June 2016. Most recently, since the much-noticed struggle at the Jasic welding equipment manufacturing plant in Shenzhen in summer 2018, a total of about 100 NGO activists, students and worker have been (temporarily) detained (Lin 2019). Third and finally, intensified coercive measures have also led to increasing constraints around academic freedom in China’s institutions of higher education. In December 2016, Xi Jinping himself
urged party members to “build universities into strongholds that adhere to Party leadership” (BBC 2016). This has not only led to the forced termination of joint research projects between Chinese and foreign scholars, but it also directly influences the everyday working and research conditions of fellow students and academic colleagues in China (Fuchs/Tse/Feng 2019).

3. Political economy

In the economic policy realm, the Xi administration has introduced a range of market friendly policy tweaks and new flagship initiatives designed to reposition China at the top of global and regional value chains. The ‘Made in China 2025’ strategy projects an ambitious leap towards high technology, high value goods and associated domestic ‘smart’ manufacturing capacities. Overseas investment, as well as mergers and acquisitions in leading industries have soared. And, after years of a growing presence in Africa and Latin America, the “Belt and Road Initiative” moves regional integration to the top of the geopolitical agenda. The Xi administration accelerated the spread of market imperatives to hitherto shielded domains. Ownership restrictions have been relaxed, allowing for fully owned foreign ventures. State-owned enterprises (SOEs) are being subjected to tighter financial and corporate oversight. Moreover, until a stock market crash put an end to the experiment in 2016, China’s capital account was gradually opened. To some observers, these measures introduced necessary adaptations to rid the state-owned sector of what is seen as a politically motivated accumulation of bad debt, accounting and management practices (Kroeber 2016; Minzner 2018; Naughton 2018).

Nevertheless, Xi’s economic record stands in the shadow of the legacy project to ‘rebalance’ China’s economy. The share of both exports and investment in GDP growth have indeed fallen, while that of consumption has remained stable since the stimulus package of 2009 (Naughton 2018: 459). However, such signs of ‘rebalancing’ unfold under the ‘New Normal’ of 6-7 per cent growth (World Bank 2019), which is only maintained by a continuation of expansionary policies. Debt-fuelled investment continues, and has sparked worries over growing volumes of non-performing loans and fiscal deficits. Declining returns to capital are symptomatically
expressed in persistent overcapacities; sluggish productivity growth; and a looming second real estate bubble (after the one of 2005–2011). While the private sector is increasingly integrated into blanket industrial policy-making at the expense of targeted measures for strategic SOEs, the latter remain the dominant players in overseas investment, infrastructure projects and upscaling attempts along global value chains via mergers and acquisitions. Finally, China remains dependent as much on exports as it does on cheap imports; a spike in global commodity prices could have a grave impact on inflation. If not for an unpredictable trade war with the United States, much of the economic challenges and proposed solutions under Xi are marked by continuity and adaptation rather than a radical departure from the preceding administration.

The manifold puzzles of the Chinese economy have not merely sustained the need for empirical analysis of macro-, local and sectoral economic change in China. They have also re-ignited theoretical debate on the unwieldy nature of the Chinese development model, particularly from a comparative perspective. Is the Xi administration seeking to offset internal profitability problems through an expansion of foreign market access and investment – a ‘spatial fix’, much like the one China itself provided during the world economic crisis (Li 2016)? In so doing, is it exporting a new capitalist growth model; if so, what makes it different from other ‘varieties’ of capitalism (McNally 2019)?

The authors in this special issue on the political economic continuities and changes in the Xi era employ a range of theoretical angles to pursue analyses of varying scope and scale. The contributions include two macro level analyses of the impact of China’s overseas investment on the regional and global political economy, and two micro and meso level approaches to class dynamics in key industries, automobiles and soybean agribusiness.

4. Contributions to this issue

Stefan Schmalz contributes to the debate about foreign economic relations under Xi by tracing the shifts in Chinese outward foreign direct investments (OFDI) since the late 1990s, arguing that their recent drop might indicate a renewed economic role of the state. Schmalz identi-
ties three periods of OFDI: the first one was state driven and focussed on infrastructure project and resource access in developing countries and the central purchase of US treasury bonds (1999-2008); during the second phase, private players emerged and investment in mature capitalist economies increased, as did lending in the Global South after the Chinese economy emerged comparatively robust from the world economic crisis (2008-2016); the latest period, since 2016, has, on the contrary, seen a contraction of OFDI, explained by growing overseas hostility to Chinese investment and a domestic clampdown after the 2015 stock market crash and resulting capital flight. Employing a world systems approach, Schmalz emphasises that OFDI has historically been associated with hegemonic transition periods in which the rising power has acquired increasing control over global production networks. However, he argues that a challenge to the global dominance of US corporations – and liberal capitalism more generally – is still a distant scenario, and that takeovers of flagship foreign brands have created significant pushback against a Chinese version of ‘statist’ globalisation.

In his analysis of the Belt and Road Initiative (BRI), Uwe Hoering argues that its ambivalence resides in China’s geopolitical ascent through economic dependence and the export of its developmental model on the one hand, and the necessity to find external solutions to domestic political-economic challenges on the other. Hoering demonstrates that not only is the BRI framed after the image of the Chinese reform period – gradualist, experimental and state-led – but that delivery of investments, loans and infrastructure measures through SOEs has left a distinct Chinese imprint on receiving countries, in particular if compared to the impact of Western donors. Moreover, he stresses that the BRI can also be interpreted as a ‘spatial fix’ to problems of overcapacities and indebtedness at home. On the basis of three receiving country case studies, Hoering however argues that the reliance on foreign government support for the BRI creates uncontrolable volatilities for the Chinese state that might amplify, rather than ameliorate, domestic issues.

Contrary to evidence that had so far suggested relatively peaceful labour relations in the high skill, high wage automotive industry in China, Tian Miao uses first hand data on the case of the dispatch (agency) worker strike at FAW-VW in 2016/17 to analyse how workers on precarious contracts
utilised a combination of power resources to launch a large scale protest. The specific situation of a downturn in production and looming layoffs prompted workers to build a sufficiently large network – through social media and face-to-face meetings – from which to launch a formal dispute over unfair payment practices. Ongoing mobilisation and public demonstrations were combined with a legal escalation, resulting in concessions from the employer – though not without having arrested one of the protest leaders. Tian demonstrates the usefulness of a combined labour process and power resource approach to unravel the structural causes behind legal activism in China.

In his analysis of the global soybean commodity chain, Tomaz Mefano Fares argues that the emergence of China as a key player is best understood from the vantage point of competing domestic capital factions. Relevant protagonists have emerged from private and SOE backgrounds, Chinese branches of foreign trading companies, and transnational collaborations between SOEs and foreign agribusinesses. The latter faction, Fares argues, has come to dominate domestically, and is en route to do so globally in the form of the China Oil and Food Corporation (COFCO). In a close look at its history and investment strategy, Fares shows how an initial trade monopoly gave COFCO a head start to form transnational links, which have resulted in an investment strategy based on large scale offshoring and speculative finance. At the same time, COFCO remains a centrally controlled SOE receiving preferential treatment – resulting in its outcompeting of domestic rivals under Xi. Fares argues that COFCO might in fact be a critical case for the future shape of the state-owned sector under Xi: its particular ownership structure implies that domestic overcapacities can be ameliorated through shifts to foreign assets along the value chain, while political linkages give it access to preferential treatment at home. Are ‘state-transnational capitalists’ becoming the new hegemonic class in China?
References


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