Chapter 2 The Trajectory of Chinese Developmentalist Action and Its Contemporary Challenges

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Chapter 2. The Trajectory of Chinese Developmentalist Action and its Contemporary Challenges

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Introduction: Machiavelli in Beijing?

> *I compare luck to one of these impetuous rivers which, when irritated, flood the nearby plains, uproot the trees and the houses, drag lands from one point to the other: everyone flees away from them, yet eventually yield to their undertow, being powerless to stop them at any given point. Even so, nothing stops men from, after calmness having resumed, taking measures, building dams and dykes so that when the flood comes again the river flows through a canal, or its might become less free and harmful. Such is the case with Fortune, which shows its strength where it cannot find orderly Virtù ready to restrain it, and turns its might towards the points where it knows dams and dykes have not been erected to contain it.*
>
> Niccolò Machiavelli

Even if it hasn't been written from its direct example, the excerpt above speaks directly to the millenary Chinese civilization. Its long-term Geo-History is trespassed by the repeated construction and destruction of restraints and dams to contain the overwhelming might of its waters, especially the great *Huang He* and *Yangatsè* rivers, which flow through large portions of its territory. The metaphor mobilized in *The Prince* to illustrate the duo *virtù* and *fortuna* – synonym of the meeting of the cleverness of human endeavor and the inescapable unpredictability of chance – could not, therefore, be more adequate for the purposes of our present reflection.

Since being published during the High Renaissance, the discoveries of Florentine thinker Niccolò Machiavelli have been, through many ages, reclaimed and fought over their

startlingly resilient validity, echoing throughout the most diverse matrixes of thought. Such is the stuff classics are made of. In their power, complexity, and polysemic density, Machiavelli has transcended barriers of time, geography, culture, politics, and ideology in order to, centrally or laterally, take its place among the foundations of the great repertoire of Western thought.

Despite the obtuse interpretations its works have gained in certain circles, this our man of politics continues, in the present, to "speak to us" (Althusser, 1999). It's precisely in order to listen to what Machiavelli's sophisticated political realism still holds for us regarding relevant matters of the present that we transport him, not without the necessary adaptations, from Renaissance Florence to turbulent 21st century Beijing. In what manner could his formulations, received under the light of contemporary problems and questions, contribute for an interpretation of the amazing Chinese development of the last two decades?

Without detracting from the long list of already undertaken successful interpretations, nuances, and incorporations of his thought[1] and, on the contrary, in open dialogue with some of those, the analysis exercise undertaken here appropriates freely its [dialectic] system [of a precarious encounter between] *virtù-fortuna*[2] to read the Chinese developmentalist action of the last decades, as well as some of its consequences – through the permanent tension between, or unpredictable combination of, social struggles and systemic-structural constraints, and the laborious (and risky) attempt to continuously utilize or reconfigure them in favor of given objectives.

In other words, and going back to Machiavelli's metaphor: what are and in which manner were built the main Chinese dykes and canals that could contain the overwhelming currents of World economy and politics?[3]

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[1] For a panoramic reassessment of some of those readings and interpretations, see Miguel (2015: 13-63).

[2] *Virtù* and *fortuna* can be understood, respectively, as the strength, the power and the competence of men to perform or undertake well-succeeded actions in the world, on one hand, and the factors that are beyond their control, such as the chance conditions of good or bad luck showered upon them by fate, on the other. As explained by Miguel (2015: 45): "*Fortuna* and *virtú* are part of the same system and are far from being static categories. The innovations brought by men of virtù into history are also a source of uncertainty, meaning, they take part in fortuna. Each man of virtù, by acting in pursuit of his own interests, tries to re-shape the world in which he acts, making it more favorable to himself. That introduces a new element of discontinuity and uncertainty in the social environment: it's unpredictable also because, in it, the creative action of the political actors is manifested. For others, therefore, that action is an element of fortuna; it's legitimate to say that fortuna, in the end, is mainly the result of the non-coordinated actions of thousands of people who fight for their objectives".

[3] There certainly is a full autonomy of politics in Machiavelli, seen as a self-explanatory dimension, moved solely by human weaknesses and strengths. The author, therefore, has not been led to acknowledge the relationships between the fate of princes, the forms of social organization of politics, and the movements of economic life, something that, keeping the due parallels, we will aim to accomplish here. Our appropriation distances itself from

It is about reflecting, therefore, thus returning to some milestones of its recent history, not only about supposedly "political reins" of economic development, but — and in this point one follows Braudel's trail (1968) — also about interpreting such events through the lens of its adjacent structures and conjunctures.[4] In a broader sense, one will aim to investigate the tensions between transformation and continuity, and the imbrications of economy, politics, and society, in order to draw the complex and particular picture of the context in which Chinese developmental action has taken place in the last decades.

Through this lens, it'll be possible to perceive that such agency, even if tethered to long-term and medium-term commitments, applies a certain prowess if summoned to show adaptive flexibility when faced with the fortunes and misfortunes of the global economy — as in a constant and innovative effort of "planned management of the unpredictable." Thus, the Chinese state has been shaping itself, in that regard, as an imposing "bamboo structure" — solid and, at the same time, adaptable to the movements of the adversities it is mobilized to overcome.

Relying on an immense potential consumer market, an extended, "disciplined", and relatively well-educated workforce, as well as a certain previous accumulation of socio-economic infrastructure,[5] the Chinese opening started in the late 1970s served the advancement of the so-called financial globalization (Chesnais, 1996, 1997, 2001). By, among other factors, helping make possible the reduction of global production costs (especially for corporations based in central industrialized countries) through the achievement of huge scale gains combined to high rates of exploitation of the workforce, China would eventually become the "factory of the world" – one of its newest (and favorite) frontiers in the process of trans-nationalization of capital. The Chinese urbanization process, which currently finds its summit in an astonishing real estate boom, keeps being one of the main levers of world growth after the 2008 financial crisis.

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the author's own formulations, in that particular point, by treating as systemically linked the economic and political practices, disposed in relative autonomy towards each other.

[4] The debates of Fernand Braudel and the School of Annales regarding the Longue Durée in the historical process have an intriguing affinity with the notion of temporality mobilized in Chinese political rhetoric, which often means its actions as part of long historical processes. Quagio (2009) tells that in 1989, on the occasion of the 200th anniversary of the French Revolution, Deng Xiaoping was asked about the impact of this event on human history. "It's still too early to say," Deng would have replied.

[5] For a reading of the Maoist legacy to the political economy of the reforms, see Nogueira (2011). For readings that emphasize the line of continuity between the Deng-era reforms and the Maoist revolution, see Wu Jiglian (2005; 2006) and Zheng Bijian (2005; 2006).

If China has, since then, been playing an important role in the process of financial and productive globalization in benefit of the repositioning of central capitalist countries (especially the United States) in the global structures of investment, production, and consumption, it's equally right to say that it has made wide use of it. In the last three decades, besides reaching a high level of economic development and poverty reduction (Nogueira, 2015), China has been climbing the steps in the (technological) hierarchy of the new global chains of value (Nogueira, 2015a), advancing in multiple levels regarding regional integration (Pempel, 2008; Nogueira, 2008), and therefore in the international projection of its power and influence. This state of affairs has led the interstate capitalist system as a whole to go through a veritable "tectonic transformation" (Cintra; Filho and Pinto, 2015: 30).

If it makes any sense to admit, following Fiori (2013), that along this path capitalist development is mobilized in the service of the integrity and flowering of the millenary Chinese civilization (especially in the presentation, rhetoric, and action plans produced and undertaken by the Chinese Communist Party, the highest political authority in the country[6]), more than regarding the presence of *Adam Smith in Beijing*, title of a well-known book by Giovanni Arrighi (2008), it would be fit to alternatively inquire about Machiavelli's specter haunting the headquarters of Chinese power. Putting it in other words: in what way does *The Prince*, consubstantiated in the figure of the party, "collective intellectual" and bearer of State authority, conceives and acts upon, with higher or lesser degree of success, the aforementioned directing (through governmental action) of the constraints and opportunities laid open by the transformations in global capitalism of the last decades.

It'll become clear that the exercise is not a fortuitous one. There are blatant parallels between Niccòlo Machiavelli's ideas and those of pragmatic Chinese philosopher Han Feizi,[7] who has been showing up with growing assiduity in the speeches of contemporary Chinese authorities (Mitchel, 2015). Indeed, some scholars (Franz-stefan, 2015; Kai, 2015; Mitchel, 2015) already ask themselves about a typically Machiavellian view of power implicitly or explicitly present in the recent actions of Chinese authorities.

[6] Deng Xiaoping, for example, one of the main formulators of the ongoing reform and opening policy, is emphatic, on several occasions, regarding the directive that the country's development should be primarily at the service of its defense policy (Marti, 2007).

[7] Han Feizi was an ancient Chinese philosopher of the Han era. Counselor to kings, he was one of the forerunners of the doctrine known as legalism. His writings deal with law, states and power. For more, see Cheng (2008).

Regarding the argumentative path of this work, after presenting in this introduction the basic set of tools mobilized in our analysis, we will proceed towards a brief discussion on the political horizon of Chinese actions in the last decades (their *leitmotiv*). Having done that, we will move on to an outline of the wider structural setup, as well as of the particular historical conditions in which Chinese developmentalist action is inserted. Finally, pointing towards the recent internationalization of Chinese economy and the projection of its political and economic power over the world stage, we will approach some of the contemporary constraints and challenges faced by Chinese developmentalism.

From Mao to Deng: the construction of a national project

One can only raise one's voice [in the global system] when one has plenty of money.
Deng Xiaoping

The victorious 1949 revolution, the foundational moment of the People's Republic of China, holds, beyond its blatant communist content, a strong national component. Even if it represents the destruction of many of the millenary structures that had until then been typical of the great Middle Kingdom (Braudel, 1989), the revolution can additionally be understood as the beginning a process of national renewal after the end of a long process of disintegration and social instability. Thus, it shows up in the country's dominant narrative of self-representation as an important landmark of the enterprise of retaking the autonomy, integrity, and splendor typical of the millennial Chinese civilization.[8]

This imagination has certainly been mobilized in distinct forms since then, according to the waves of internal power struggles in each given phase (Bloodworth and Bloodworth, 2004). In any set of tonalities given to those images, however, it was undoubtedly about linking them to the painful ending of "the century of humiliation" (1829-1949), a period in which the most populous country in the world saw its fate being decided abroad, by the imperialist powers of the day – Japan, Russia, France, and especially England.[9]

[8] According to an important intellectual member of the Chinese Communist Party (CCP), "[...] the path of its development holds the essence of traditional Chinese culture for 5.000 years" (Weiguang, 2008: 199).
[9]According to Cunha and Accioly (2009: 356): "In 1949, under the command of Mao Zedong, the communists imposed the task of recovering Chinese power. Since then, at various points, the desire to overpower Western powers was manifested. [...] Even today Chinese leaders point out that the year 2050 will mark the fulfillment of

From popular revolt and seizure of power (1949), through Cultural Revolution (1966-1976), arriving to the reform and opening policies of the last decades (since 1978), the reconfiguration of the political structures, as well as the actions of promoting economic development, distinctly conceived in each one of those phases, have been invariably linked to the strategies and national defense policies, aiming to recover an hierarchically superior position in the international order (Wu Jiglian, 2005; 2006).

It's widely known that few other levers are as powerful to influence capitalist expansion than the entrepreneurial and proactive action of the State (Jessop, 1990; Mazzucato, 2014). especially when potentialized by focused war efforts (Medeiros, 2003). That is the conductive wire that goes through such and links such distinct periods as the Mao Zedong and Deng Xiaoping eras[10] – and without which we'd find it difficult to grasp the fundamental beyond those astonishing numbers charting Chinese development in the recent period: the search for an autonomous position in the chessboard of international geopolitics. It's precisely here, in consonance with this section's epigraph, that capital, army, and State power converge on the conformation of a radically "material" concept of power which will guide Chinese developmentalist action.[11]

Equally following that analytical path – the political and strategic nature of reforms –, Fiori (2013) goes back to the 1950s, the moment of the so-called Sino-Soviet split, the beginning of the Chinese "great capitalist leap". To the contention of the Soviet threat along

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Mao's promise about China catching up with the West, leaving behind more than a hundred years of defeat and humiliation. (Wu Jiglian, 2005; Zheng Bijian, 2005; 2006; Marbubani, 2005; Zwig e Jianhai, 2005; Hutton, 2007). This is the context in which some Sinologists suggest the proclamation of the republic and the communist revolution as the initial movements of national reaffirmation (Pinto, 2000; Fairbank and Goldman, 2008)". [Translation of all quotes originally written in Portuguese by the authors.]

[10] From one era to the next, the cognitive horizon of reading socio-economic reality through the lens of the typical tension between productive forces and social relations of production, in a conceptual blueprint of Marxist extraction, remains in dispute in Chinese politics. Deng and his followers manifest the need to overcome the previous period, fraught with class antagonisms in search for cultural transformations, in benefit of a new phase in which the accelerated development of productive forces is the top priority. They aim, thus, to establish the primacy of the development of productive forces instead of the primacy of class struggle, typical of the Maoist period. Those categories remain being activated as an element of rhetoric and political legitimation of the CCP among the people, albeit cautiously.

[11] Differentiating a material vision from other relational vision regarding power, Miguel (2015: 22-23) points out that, in *The Prince*, Machiavelli "is stuck in a material vision of power as something that can be owned that is incarnated in some specific resources". In accordance with this section's epigraph, among so many other sentences and speeches, there is, in Deng Xiaoping and in many other Chinese authorities, an emphasis in an analogous vision of power. Such a typically realist vision, according to which only power controls power, is, in some fashion, part of the learning of the history of the "nation": the long construction of the Great Wall, the historical conflicts with different peoples, among them the Mongols, and the historical Imperial China constant worrying about being subjugated by foreign armies, losing the integrity of its vast territory and population — all of these factors point towards that.

its borders through the "active defense" policy it would be added a bold political-diplomatic "offensive" of reapproximation with the United States of America (USA), uniting Mao and Nixon in the delimitation of an "horizontal line" (from the Middle East to Japan) that would be meant to contain the Soviets.

For Kissinger (2011), given that the Union of Socialist Soviet Republics (USSR) was perceived as the main threat to its safety, China was reintegrated to the global economic circuit by means of an invitation by the USA.

At this point, the aforementioned elective affinity between productive restructuring in central capitalism under financial globalization and Chinese economic opening gains its political-diplomatic content: a new wave of Western investments, especially from American provenance, was welcomed by the Chinese state as an opportunity to promote the strengthening of its defensive capability, to which the search for the activation of its economic development would be submitted.[12] That's when, in 1975, Zhou Enlai[13] proposes the "four modernizations program" (industry, agriculture, science and technology, armed forces), which would later give rise to the beginning of the great process of reform and opening – both implemented by Deng Xiaoping from 1978 on, after the "defeat" of the cultural revolution and the death of "great leaders of the nation", Mao Zedong and Zhou Enlai, in 1976.

It is therefore in the service of a project of geopolitical ascension, widening of its regional influence and defense sphere, and search for ever growing economic, military, and technological autonomy that Chinese authorities will submit the country's initiatives towards economic opening. The main objective of such a development strategy is not to create a market economy, but to turn China into a modern, rich, and powerful country. The market mechanisms, therefore, appear as means, not as ends in themselves (Kroeber, 2011: 2).

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[12] As observed by Pinto (2011: 24), "Beyond the Soviet blockade, that strategic partnership, on one hand, created one of the conditions for the start of the Chinese economic miracle: the inclusion of China in the market of goods and the market of capitals in the United States, which allowed for its exportation jolt and for Chinese access to American international financing. On the other hand, it allowed for the bigger and faster expansion of the American supranational economic territory, because it significantly potentialized 'the power of the dollar and of American government public debt bonds and the capacity for multiplication of its financial capital' (Fiori, 2008: 67). In other words, Chinese access to the American market was one of the most important elements in the process of financial globalization led by the United States."

[13] Important leader of the Chinese Communist Party and Mao Zedong's right-hand man. From the foundation of the People's Republic of China (1949) until his death (1976), he occupied the position of Premier, accumulating the position of Foreign Minister from 1949 to 1958.

Following that orientation, a set of reforms will take shape in continuous movement and several dimensions – politic-institutional, regulatory, economic-financial, socio-cultural, among others – whose specific aspects are not the focus of the present work, especially because their revision has already been successfully undertaken by other authors.[14] What should be highlighted, however, is the general (economic, social etc.) conditions and characteristics, as well as the political management, which made possible such a large leap in such a short time.

Following that train of analysis, one ought to observe the general characteristics that have anchored the model for developmentalist action under investigation here, in which, openly, "reform is the driving force, development is the objective, and stability is the prerequisite" (Weiguang, 2008). Without going deep into the meanderings of the institutional political structure of command in the country (see Saich, 2004), one ought to point out the main political directives for Chinese developmentalist action, verified in the official discourse, and in accordance with the most recent practice. Those are:

i) the option for accelerated development of productive forces as the central objective of State policies, alongside the search, when possible, for synchronization between productive forces and social relations of production, and for balance between superstructure and economic foundations;

ii) primacy of State property in economy, in coexistence with other pure or mixed property regimens, as a way to maintain a certain leeway for the political authorities in the conduction of the developmental process;

iii) planning, control, and gradualism in the implementation of policies, all sustained by experimentalism (a test of their effectivity in regional scale for posterior national application) and institutional innovations (search for new models and arrangements for the functioning of economic institutions in the scope of the so-called "Socialism with Chinese characteristics").

iv) maintenance of political and social stability, anchored in a project of national sovereignty conducted by the Party's leadership as representative of the nation, in detriment of the activation of the class antagonisms that were typical to the Cultural Revolution period;

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[14] To see panoramas and reconstructions of the policies and dynamics in the so-called "Chinese economic miracle", through different perspectives, see Medeiros (1999; 2006; 2011; 2013), Fairbank and Goldman (2006), Aglietta and Landry (2007), Lyrio (2010), Leão (2010; 2011), Pinto (2011), Kissinger (2011), Artus, Mistral, and Plagnol (2011), Keidel (2011), and Lardy (2011).

v) promotion and strengthening of the Rule of Law and fighting against corruption.

Together, those five directives sum up the *official* line of the Chinese Communist Party, which in the last four decades has been put into expressions such as "harmonious society", "harmonious development", "scientific vision for development" or "scientific development", "pacific ascension", "construction of a moderately prosperous society in all aspects", among others. Thus, according to the directives that came to characterize the process of Reform and Opening, the popular revolution, in the end, becomes "market socialism" or "Socialism with Chinese characteristics".

Communist China meets capitalism globalization: the configuration of the Sino-American axis of accumulation

In a relatively short period of time, China goes from an agrarian and technologically "backwards" country to (contemporarily) an economic, military, and technological superpower. After three decades of accelerated growth, the country arrives in the second decade of the 21st century as the second biggest national economy, the biggest exporter of goods, the biggest producer of goods, the holder of the largest account surplus, and the owner of the biggest volume of international reserves in the world. According to Burlamaqui (2015: 278): "China has become the second economic superpower not by catching up with the West, but by actual leapfrogging".

Our enterprise aims to update and present additional elements to the discussion at hand. Thus, it certainly is unavoidable to take a look at the Chinese rise through the lens of their actions, options, and strategies in the configuration of a developmental model conducted by the State. It is equally unavoidable, however, to reflect upon the particular historical conditions which shape the structural frame at hand – which, at the same time, limit and stimulate the developmental action here reviewed.

In that regard, it may be fit to start by outlining, once and for all, the fact that the Chinese jolt takes place in a symbiotic relationship with the phenomenon of globalization (financial liberalization, productive integration, and commercial opening) led by the capitals and by the trans-national enterprises from core capitalist countries – especially American, but also European, Japanese, South-Korean, etc. – as an active response to the depressive period in the

world economy, and which finds in the oil crisis of 1973 an important landmark. From this point on, there are internal and external conditionals for the Chinese modernization process.

In the internal sphere, the political-diplomatic isolation, fruit of the Sino-Soviet severance, the tensions and hardships linked to the period of the Cultural revolution and, later on, the deaths of Mao Zedong and Zhou Enlai (1976) set the stage for the developmental strategy idealized by Deng Xiaoping and his followers, undertaken from 1978 on as "a kind of gigantic and very long NEP"[15] (Losurdo, 2004: 67) that bets on the development of productive forces, and not class struggle, as a central element for overcoming the preceding backwardness and political-economic isolation. On the international plane, the diplomatic approximation between China and the USA opens up the path for the country's inclusion in the American market of goods and in the American capital markets, giving commercial substance to the aforementioned symbiosis.

Starting from the deepening of the process of de-regulamentation and liberalization of markets in the 1980s, international investors searched for options of gains until then inaccessible and articulated an unprecedented expansion of the capital fluxes in the whole world (Chesnais, 1998). Such process, later articulated through the constitution of a new and enlarged world financial system, is accompanied by the ongoing productive restructuring and delocalization, with the consequent migration of a considerable part of the productive plants from developed countries to Asia and, later, to Eastern Europe – a process that will find affinity with the simultaneous computer revolution and the accelerated development of information and communication technology (Paraná, 2016). At that moment, East Asia and China, in particular, showed themselves to be able to supply cheap (and disciplined) labor, scale gains, and other competitive advantages to the great transnational companies – widening the frontiers for the expansion of global economy, led by the USA and under the direction of the renewed power of the dollar, now free from the gold standard.

Such a circuit of global accumulation contributed to the transformation of Asia into one of the main global centers for the production of industrialized goods, and allowing China, then already one of the largest economies in the region, to activate the reaping of huge gains. That took place mainly through the slow and steady articulation of secondary chains of national and regional industries, which specialized in supplying parts, components, raw materials, and

[15] Making reference to the period under Lenin's direction in the USSR, NEP is the acronym by which the New Economic Policy (Novaja Ekonomičeskaja Politika) was known.

infrastructure, among other resources, making it possible to overflow some of that investment dynamic into new and relevant sectors of the Southeast Asia national economies. It's therefore in that key that the Sino-Asian manufacturing cluster takes shape.

Through such transformations the configuration of a new international division of labor advances, moving along new global chains of production and value.[16] Those new commercial, productive, and financial fluxes have, on one extreme, developed capitalist countries, especially the USA, and in the other, Southeast Asia countries, especially China.

That arrangement deepens itself and shows itself to be functional in regard to the new phase in the global economy, which resumes its growth and expansion, especially from the start of the 21st century on. In one pole, the USA – issuer of the global reserve currency, now free of the gold standard – expands credit, household debt, current account deficit, and, thus, its external liabilities. On the other pole, such liabilities find countries willing to attract foreign investments aimed at the enlargement of their productive capacity with growing competitiveness gains and low production costs. Adding to that, its own efforts towards industrial growth through high investment rates and the constant search for increasing the technological content of their exports.

That is certainly one of the main structural transformations originated in the process of financial and productive globalization in question: the new dynamic of capitalist accumulation is now led by the Sino-American axis,[17] not anymore by the triad formed by the USA, Germany, Japan (Fiori, 2010; Pinto, 2010). Through that locomotive, the USA, a kind of "minotaur" (Varoufakis, 2016), devourers of global surpluses, or "first degree spenders", grows while firmly anchored to high consumption, importing, and indebtment rates. It has China[18] and its development as its counterpart, with its low price exports, high capital accumulation and investment, savings and reserve rates – which, in the end, bankroll American debt and increase the attractiveness of the American financial markets to capitals from all over the globe (right before the crisis, in the early 2000s, the USA was the destiny to more than 70%

[16] On the configuration of global production chains, see Sturgeon (2002) and UNCTAD (2013). To know more about the integration of China in the global productive chains, see Nogueira (2012, 2015b), Pinto (2015), Gouveia (2015), and Leão (2011).
[17] For a detailed discussion of the constitution of the Sino-American accumulation axis, see Pinto (2011: 19-77).
[18] According to Cintra and Martins (2013: 255): "in 2012, the deficit in international trade in goods by the United States totaled US$ 735.3 billion, of which US$ 315 billion was registered with China, representing 42.8% of the total. This means that almost half of the trade balance deficit in the United States stems from relations with the subsidiaries of American companies abroad, which have shifted part of their productive structures to Asia, especially to China (WHICHARD, 2003; KREGEL, 2008a; MORAN, 2011)".

of the global capital outflows) – what fosters the overflowing of positive effects into other areas of the planet: Latin America, Africa, and even Europe. Thus, and at least until the 2008 crisis, several countries reaped commercial surpluses, which allowed for the accumulation of international reserves, a supposed reduction of external vulnerability, and even the concretization of policies aimed at stimulating production and employment. According to Varoufakis (2016), through such an arrangement the so-called twin American deficits (fiscal and commercial) have been for decades absorbing the surplus of goods and capitals from other countries, which produces a kind of "balanced imbalance", capable of flaunting for a long time an appearance of stability and sustained growth.

As pointed out by Pinto (2011: 36), "the trade currents between China and the United States, and between China and the world increased much faster than the global current". That's how the symbiosis between American financial globalization and the Chinese economic miracle, and the growth of the global economy along this axis in the last decades, have deepened the complementarities in the commercial, productive, and financial spheres between the two countries, and have shaped a new kind of "collaborative competition", or "competitive collaboration", something president Barack Obama himself characterized as an "amiable competition" (Rossi, 2011: A10).[19] The United States, naturally, has more power in this process. In this context, China is simultaneously debtor and creditor to the United States: debtor because of the high foreign American direct investments in Chinese territory, and creditor because of the accumulation of its sovereign reserves in the form of American Treasury bonds (Fiori, 2008; Tavares and Belluzzo, 2004).

The strategy of accumulating reserves through the purchase of US Treasury bonds, therefore, makes China one of the main bankrollers of American deficits. In this position (high surpluses in current transactions, in the capital account, and in the financial account) the Chinese Central Bank is led to manage its exchange rate policy in a way that allows it to contain the entrance in the country of capitals, as a way to maintain the stability of its currency in relation to the dollar – and maintain the competitiveness of its exports. Such a dimension of contact between Chinese exchange rate policy and US Treasury bonds leads to the existing

[19] In recent years, the "amiable" competition has been giving way to an open one, with the USA implementing a policy of open containment through commerce and diplomacy, aiming to restrain Chinese economic-technological development.

tensions in the connections between these two economies.[20] The complexity of such relations, especially after (and because of) the 2008 crisis, has put on the table the question of the sustainability of global imbalances in a context of high supply of liquidity and low interest rates. The 2008 crisis can be read, in a way, as the crisis of that very arrangement – something that shall not be the focus of our present work.

Anyway, the bet of embracing, in its own manner, globalization through the constitution of an enormous program of Reform and Opening, with the widening of the economic spheres under the coordination of the markets, kept on being deepened by Chinese authorities, always in mediation with the constraints and openings that presented themselves at the moment. China, thus, advanced its project for reaching development (*virtù*) by seizing that window of reconfiguration of the global economy and its eventual opportunities (*fortuna*). In order to be able to do that, it aimed to (in general terms) articulate a competitive exchange rate, to raise the investments in education and R&D, to have active industrial and foreign commerce policies, high rates of investment and incorporation of technical progress in local companies through partnerships (joint ventures) with transnational companies, among other actions and strategies.

The paradoxes of recent Chinese development: pattern of growth and new challenges

One saw that the Chinese ascension has a structure and a conjuncture of its own. In that regard we've shown that Chinese developmentalist action aims to adjust its *virtù* to *fortuna*, which can't be directly foreseen nor controlled. As in Machiavelli's metaphor (2008), we aimed to show how the Prince, enthroned in the authority of the party it directs and guarantor of the nation's political stability, has been building up its dams and contention devices for the convoluted economic and world politics monsoon that arrives from time to time. Entangled in this tricky combinatory puzzle, its command political apparatus has been led to present, at the time, flexibility and resistance, something that has been reached through political-institutional gradualism and experimentalism, adjusted through the chasing of medium- and long-term goals. Rigid political control, in its turn, forces the consent of the disaffected. If hitherto that gigantic "bamboo structure" has been showing surprising economic results, it's certain that, in

[20] See what seems to be taking shape, gradually, as a substantive change in the relationship between the two countries since the arrival of Donald Trump to the presidency – a subject that will not be the object of our appreciation here. Moreover, beyond the financial sphere, as China has advanced through the global value chains, in many markets competition takes precedence over complementarity.

the rough dialectic of history, past success does not guarantee future success. Having already taken important steps, China is called upon to deal with new challenges, which have been presenting themselves and piling up in the last decades even faster than the reaching of their goals.

At least since the great 2008 crisis, and especially in the last years, the country has been facing several problems that are linked to its economy's accumulation pattern (Fang, Yang, and Meiyan, 2009), and thus to the need to adjust it. The central goal for this transition is to reduce investment's share in the Gross Domestic Product (GDP) — especially in capital- and energy-intensive sectors —, elevate household consumption, and widen social security and public services. Such measures are aimed at bestowing long-term sustainability and growth, and to reduce its external dependence. Along the way, problems will demand a solution — such as excess of installed industrial capacity (and the consequent accumulation of loss-making and idle companies), high leverage, growth in the debts of provinces and local governments, as well as of the debt service[21] itself, the relatively low rural development, and also the abysmal gap between rural and urban areas, the serious environmental damages, and the scarcity of natural resources, among others. Even if the government is apparently conscious of the hardships and has at its disposal a series of tools and resources that can be used to attempt a change in the growth pattern, that will not be an easy task, since there are enormous constraints.

One of the main constraints imposed on the continuity of Chinese growth and on the overcoming of its challenges certainly was the 2008 world financial crisis. The country felt the impact of the crisis, especially through a drop in the global demand for its exporting products; after that, it faced such challenges through a strong financial leveraging and the expansion of State investments, promoting what some defined as a "rebalancing". With lower (for Chinese standards) growth rates, which can be seen in Chart 1, the government has recently signaled its entrance in a new cycle of growth based on the expansion of consumption, the so-called "new normal".

[21] The debt/GDP ratio went up to 247% in 2015, against 166% in 2007. Data from the CEICdata platform. See: https://www.ceicdata.com/pt/indicator/china/government-debt--of-nominal-gdp. Accessed 23 July. 2021.

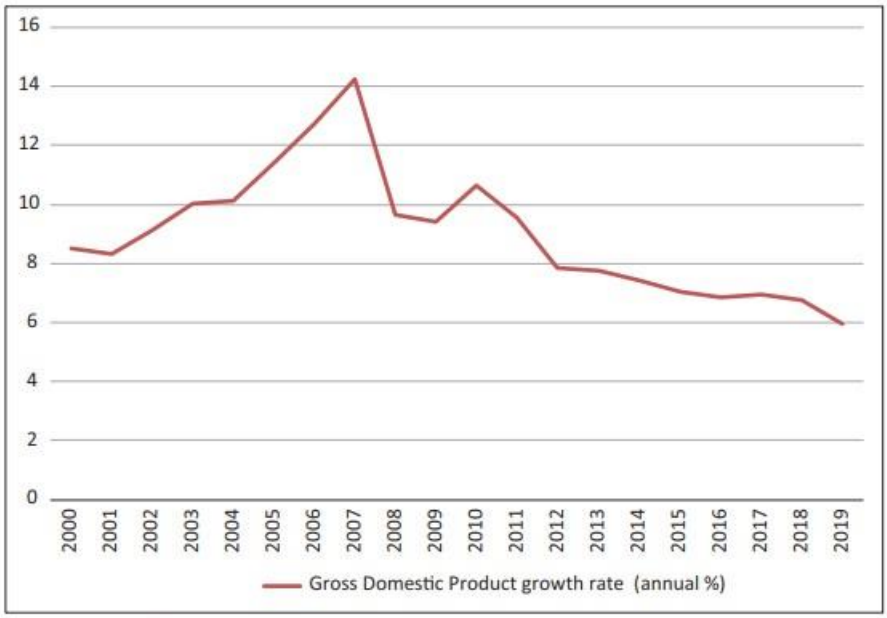

FIGURE 2.1 China – Gross Domestic Product growth rate (2000–2019)
SOURCE: WORLD BANK DATABASE, 2021

The Chinese new normal, in an effort to widen the technological process and the internal income, aims to add technological modernization and growth through internal consumption to the previous cycle — based on the investment expansion towards infrastructure and heavy industry, especially through large State investments, and on projects for urbanization and modernization.

In that new cycle, despite the directing of investments towards the heating up of internal demand, China will not be able to do without the access to primary goods that characterized the previous cycle,[22] since the country's energy and arable base is still very restricted in view of its astonishing growth (and size).

Oil is a significant example. Until the early 1990s, China was a big oil exporter, but later came to be the second larger importer in the world. The high demand had been linked not only to the expansion of industry and infrastructure, but also to the expansion of the number of

[22] It's a well-known fact that the wide Chinese demand for primary resources — from raw materials to feed industries, such as iron ore and copper, to essential energetic resources such as oil — reached vertiginous heights in the first decade of the 21st century, and that that allowed for the expansion of exports from many peripheral countries and for the improvement of their macroeconomic framework. Such countries include Brazil, Venezuela, and many African countries.

cars, since the transportation sector was responsible for a third of the country's oil consumption (Jonathan and Cornelius, 2007 *apud* Blankendal, 2008).

Natural gas imports have also grown in the last years, despite coal remaining as the main energy matrix. In 2019, coal amounted to 58% of China's total energy matrix; in 2018, it amounted to 59%. The second largest energy source is oil and other liquids, amounting to 20% of the total consumption in 2019. Despite the efforts to replace coal and oil, absolute consumption of coal in 2019 grew 1,1%. Consumption of crude oil, in its turn, increased by 6,8% compared to 2018 (National Bureau of Statistics of China, 2020). Clean energy sources still amount to a small fraction of the energy generated in the country: hydroelectric sources (8%), natural gas (8%), nuclear energy (2%), and other renewable energy sources (almost 5%) (EIA – U.S. Energy Information Administration, 2020).

Regarding food and agricultural resources, it's important to remember that the country has reduced arable area. According to the World Bank, in 2008 only 11% of all land in China was arable (World Bank Database, 2019). According to Maddison (1995 *apud* Medeiros, 2013), available arable area per capita in the country, in 1993, was of the order of 0.08 hectares, one of the lowest in the world. That reality, added to the high rate of people living in the countryside and to the high proportion of agricultural jobs in the whole of Chinese employment (39%),[23] implicitly reaffirms, according to Medeiros (2013), the crucial challenge of the maintenance of a high rate of person per land, besides the constant search for improvements in agricultural productivity. As highlighted by Bijian (2005), both Chinese arable areas and their mineral resources (despite being significant in absolute numbers) are relatively scarce when compared to the needs of Chinese productive structure. Also, according to that author, the amount of Chinese hydric resources per capita, for example, amounts to ¼ of the global average; while arable area per capita amounts to 40% of the global average. Thus, the increase in Chinese demand for primary resources must be related not only to conjunctural aspects, but to the material base of a country's internal supply of energy, mineral ores, and even arable land that is simply not enough to meet its demand.

Such constraints add up, since the 2008 crisis, to a conjuncture in which the drop in the global demand for Chinese exports promotes changes in the very growth pattern in the country and leads China towards a "rebalancing", or even to a new economic cycle. Lower growth

[23] According to data presented by Majerowicz (2022), that proportion amounted to 22,9% in 2021.

rates, in their turn, like the ones seen during the period immediately after the crisis, cause the demand that drove the boom in commodity prices to start showing signs of exhaustion (Wei, Zhuan, and Xiaobo, 2016; Ocampo and Erten, 2013; Cintra, Filho, and Pinto, 2015).

TABLE 2.1 China – GDP components from the expenditure perspective – share in GDP and annual growth rate (2000–2019)

	% of GDP				Growth rate (current US$)	
	2000	2008	2016	2019	2000–2008	2008–2019
Final consumption expenditure of households	46.7	35.3	38.7	39.2	14	13.2
Governmental final consumption expenditure	16.8	14.5	16.4	16.8	16	13.9
Gross fixed capital formation	33.6	42.3	42.6	43.3	19.9	13.9
Exports of goods and services	20.9	32.6	19.6	18.5	25.4	7
Imports of goods and services	18.5	25	17.3	17.3	24.1	9.19

SOURCE: WORLD BANK DATABASE, 2021

The table above shows some indicators of the Chinese economy from 2000 to 2019, presenting data related to the Chinese GDP from the perspective of expenditure/consumption: household expenditure, government expenditure, Gross Fixed Capital Formation (GFCF), and exports and imports. One sees that even though there have been no drastic transformations since the 2000s, some changes do show up in the period after the 2008 crisis.

Between 2000 and 2008 there's a reduction of more than 10% in household consumption, from 46,7% to 35,3% of the GDP. Between 2008 and 2016, that consumption moderately recovered about 3%, reaching 38,7% of the GDP. In 2019, the share in consumption rises, even if modestly, to 39,2%, which could indicate some difficulty in reversing the expansion trajectory of household consumption. Despite the (modest) rise of consumption in that period, the rhythm of expansion remained at 14% from 2000 to 2008 and at 13,2% from 2008 to 2019.

It is certainly not possible to state that there’s a substitution of investment by consumption as the prime mover in Chinese growth, since, as can also be seen in Table 1, Gross fixed capital formation remains high (43,3% in 2019), even if growing at the lighter rate of

13,9% per year between 2008 and 2019. In China, historically, there has been a strong correlation between investment and GDP growth, and this variable has been perceived as the main engine of growth since the establishment of the People's Republic (Medeiros, 2013). Since 2008, the investment share of the GDP remains high, well above 40% of the GDP, and more than 45% between 2010 and 2014 (World Bank Database, 2021).

In addition to the variables of investment and consumption, another interesting point in Table 1 refers to foreign trade. After 2008, there's a palpable drop in the share foreign trade had in the GDP and in the rhythm of expansion of exports (7,0% between 2008 and 2019, compared to a growth rate of 25,4% between 2000 and 2008). In the case of imports, the growth rate was also smaller (9% between 2008 and 2019, compared to 24% between 2000 and 2008). The data then show that, in net terms, foreign trade contributed relatively little to GDP growth, much less than investment.

The new and interesting data, which appears in the analysis of the profile in current Chinese investment, is that the latter has been accompanying other important expenditures, such as Research and Development (R&D). OECD data shows that China already is the current second biggest investor in R&D in the world, behind only the USA. Spending in this segment went from US$ 150 billion in 2008 to almost US$ 400 billion in 2015. At this pace of expansion, it is possible that China will overtake the US as the largest investor in this segment. Currently, the US spends around US$ 460 billion on R&D (OECD, 2017).

This reality of the Chinese growth pattern also signals the fact that a new process of technological catching up may be underway in the country. There's a strong preoccupation with industrial and technological modernization. The share of industry in Chinese GDP has been falling after a long period of expansion: in 2008 it amounted to 47%, fell to 41% in 2015, and to 39% in 2019. In its place there has been an expansion in services, which can be analyzed as part of a process of complexification of the Chinese economy, with a strong expansion in activities such as e-commerce and more complex industries related to the so-called Industry 4.0 (World Bank Database, 2017). China has recently launched "China Manufacturing 2025", the country's new Industrial Program. It foresees the modernization, until 2025, of industry and the development of its more advanced sectors – such as the ones linked to green services and technology, or linked to the next generation of IT, robotics, space equipment, aviation, and biomedicine.

As suggested in the OECD report (2015) titled *Trade in value added: China*, a significant structural change took place in the country in the last two decades. From an exporter of low added value products, such as textiles, the country has become a major exporter of high technology products. Besides, in many sectors, that change was accompanied by an increase in domestic value added, which reflects a great ability to move up the value chains. In 2008, domestic value added to Chinese exports amounted to 68,33%; in 2014, it went up to 70,65% (OECD, 2015).

Certainly, even after the crisis, there was no interruption of the investments in infrastructure. Investment in railroads, high speed train systems, and expansion of the internet throughout the country are going on at full throttle. According to Dic Lo (2016), that expansion in investment took place based on the expansion of government spending – even though the central government debt is now smaller in comparison to the period that followed the Asian crisis in the 1990s. According to the author, other new financing mechanisms were expanded, with a wide variety of financial innovations, besides local government spending. Such financial and monetary expansion can become a long-term complicator for the Chinese economy.

It's important to highlight that monetary expansion via diversification of financial instruments and local government debt does not signal at all a process of financial expansion to the detriment of industry. The profit rate in manufacturing in China has not dropped since the late 1990s (Lo, 2016a). Chinese growth continues to be based on productive expansion and increased labor productivity, which reflects a model that the author calls "Golden Age", in reference to the post-World War II productive expansion cycle phase in the central capitalist countries. Also, in the post-2008 period, one perceives a productive expansion added to an increase in productivity – less due to the direct use of labor supply and more due to an increasingly capital-intensive model (*ibidem*).

In addition, there is an improvement in living standards and in the ability to generate jobs, despite the continued income inequality. One highlight is the importance of the efforts (or concessions through demanding) in the last years by the government in order to expand the universal health care system and strengthen the unions, which help increase working class's living standards and bargaining power, with potential effects in wage growth. The chart below shows the expansion of nominal wages from 2003 to 2013:

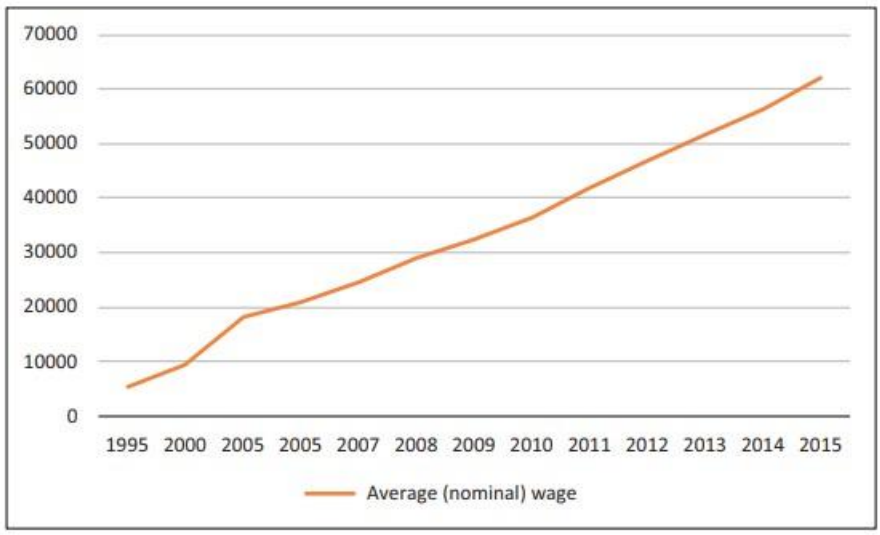

FIGURE 2.2 China – Average (nominal) wage of employed persons in urban unities (1995–2015) (yuans)
SOURCE: NATIONAL BUREAU STATISTICS OF CHINA, 2017

As can be seen, although the wage level has started from a very low point, there has been an increase in the last few years, including after 2008. It's worth mentioning that China has a wide diversified and complex labor market, especially in urban centers. In the mid-1990s, for example, after the end of the *danwei*[24] and the privatizations, and after mass layoffs in the public sector, there has been an expressive growth of informal labor in urban areas. Despite the increase in the minimum wage for registered workers, there has also been an increase in wage inequality between formal and informal workers, meaning those who work without an urban residence registration (Nogueira, 2011).

A consequence of the wage increase is the increase in production costs, pointed out as a contributing factor to the transference of parts of industrial production to areas near to China, in Asia, which had lower wages. According to Pinto (2015), the process of transference of stages, phases, or specific tasks in Chinese industrial production to other Asian economies can be understood through its relationship with the "China plus one" strategy.

Chinese foreign direct investment (FDI) in the region has been deepening the regional links in the global productive chain even further. Having the Chinese economy as its articulating axis, it's fairly easy to see changes that allow for the reduction of costs in the

[24] As highlighted by Nogueira (2011), until the 1990s the *danwei* represented a series of benefits granted to urban dwellers employed in State-run companies, in a model very close to the one found in welfare States. Among those benefits were the guarantee of lifetime employment, social security, subsidized housing, free healthcare, access to subsidized food, and primary and secondary school for one's children.

transaction of international operations. Thus, there's an increase in the interdependence of Asian countries, which reinforces the processes of fragmentation and relocation of global value chains.

The expansion in Chinese external investments, not only in Asia but in the whole world, represents a big change in the country's development strategy in the period after the 2008 crisis. In 2016, Chinese FDIs already amounted to US$ 217 billion, almost reaching the USA[25] (OECD Data, 2017).

According to Cintra and Pinto (2017), one of the central elements in the internationalization strategy for Chinese capital has been the support for the realization of large scale infrastructure projects through what has been called "infrastructure diplomacy" (Kroeber, 2015: 3). A highlight is the "Silk Road Economic Belt"' announced in 2013 by president Xi Jinping.[26]

It's worth mentioning that, over more than 30 years, China was on the receiving end of a growing amount of external investment, absorbing a total of more than US$1 trillion in FDI between 1979 and 2010 (Shambaugh, 2013). After the consolidation of economic growth, the situation was reversed and the Chinese advanced by projecting their own foreign investment, with Chinese enterprises expanding to many parts of the world while supported by a substantial volume of accumulated reserves. It's an important change, for it signals a more active posture towards the diversification of its assets and a greater disposition to expand outwards, be it as part of a strategy of diversifying its accumulated reserves, be it as part of a political strategy of national affirmation on a global scale.

In 2009, the volume of Chinese reserves amounted to US$ 2,4 trillion. In 2014, they already amounted to US$ 3,9 trillion. In 2016 there was a drop to US$ 3,1 trillion, due to some constraints imposed by the Chinese government. In 2020, the reserves amounted to US$ 3,3 trillion (World Bank Database, 2021). It is a well-known fact that a good portion of Chinese reserves is used in the purchase of US Treasury bonds. As highlighted by Pinto (2010), in 2001

[25] Which can help explain or contextualize some of the recent tensions observed in international geopolitics.
[26] The project's objective is an extremely ambitious one: it aims to promote radical changes in all of Central Asia, contributing both to internal integration in China and integration between China and its neighbors. The idea is to create a large set of (road, rail, and maritime) infrastructure projects that will link China to Europe, crossing 21 countries. The plan counts with a financial institution of its own, created to help finance such operations: the Asian Infrastructure Investment Bank (AIIB). China, the leader in that initiative, initially invested US$ 40 billion in the bank (Miller, 2014). To Cintra and Pinto (2017: 296), that is something in the proportions of a "new Marshall Plan, the initiative that made possible the rebuilding of European economies after World War II, only now it involves 3 billion people scattered throughout dozens of countries."

the Chinese owned only US$ 78,6 billion in Treasury bonds, 7,6% of the total. There's been a significant growth in the weight of China as the holder of these titles, around 1.375%: in 2010, Chinese owned 26% of all American bonds, which amounted to more than US$ 1 trillion. From 2011 on, the Chinese kept on buying those papers, and in June 2017 they owned what amounted to US$ 1,146 trillion in American bonds.

It is noteworthy that, between 2011 and 2017, the pace of growth of the bonds held by the Chinese decreased considerably compared to the pre-crisis period. The average growth rate was 0.12%, highlighting the fact that there was, in 2016, a sharp drop in the purchase of bonds by the Chinese, as Japan took the lead as the largest holder. In October 2017, the Chinese share in total bonds fell to 18.7%, a much smaller share compared to the almost 30% it held in previous years (Department of the Treasury, 2017).

Simultaneously with the process of expanding Chinese FDI and diversifying its reserves, the country has been mobilizing strategies to internationalize its currency, encouraging its use in foreign trade, especially at the regional level, in order to reduce its global dependence on the dollar (Cohen, 2012). The reason for that is that the more Chinese national companies manage to settle their transactions and their investments abroad in their own currency, the less the Chinese Central Bank will be forced to make deposits in the American financial system. Thus, "the internationalization of the renminbi stems from the emergence of China as an economic and commercial power (not as a financial power)" (Cintra and Pinto, 2017: 393).

Simultaneously with the Chinese FDI expansion process and the diversification of its reserves, the country has been mobilizing strategies to internationalize its currency, encouraging its use in foreign trade, especially at the regional level, in order to reduce its global dependence on the dollar (Cohen, 2012). This is because the more Chinese national companies manage to settle their transactions and their investments abroad in their currency, the less the Chinese Central Bank will be forced to make deposits in the American financial system. Thus, "the internationalization of the renminbi stems from the emergence of China as an economic and commercial power (not as a financial power)" (Cintra and Pinto, 2017: 393).

Within the scope of a clear "movement towards financial globalization" (Cintra and Filho, 2015: 477), the objective is to promote a "controlled internationalization" of the renminbi in trade and finance, in order to adjust to the advance of financial and productive globalization, counteracting the asymmetries of the international monetary system that end up

conditioning the scope and degrees of freedom of Chinese domestic and foreign policies (Cintra and Pinto, 2017). In this way, the government has been seeking to carry out reforms in the national financial markets and, little by little, open its capital account, as a way of strengthening Chinese finances for the country's new phase. It is something that poses enormous challenges, since it requires changes in the current axis of its macroeconomic model, characterized, as seen, by the exchange rate, interest rate, bank loan market and public debt managed by the government.

In addition to a series of gradual transformations in the national financial system, the initiatives launched so far to gradually connect the domestic financial system with the international one are fundamentally focused on creating an offshore renminbi market in Hong Kong and on trying to transform Shanghai into a major capital (stocks and bonds) market – a kind of new financial capital of Asia.[27]. Linked to such initiatives, the renminbi is rapidly internationalizing. At the end of 2016, 57 countries were already using the renminbi in more than 10% of their payments with China and Hong Kong, and the currency has already become the fifth most used currency in the world (SWIFT, 2016). In 2015, the renminbi was included in the basket of currencies that make up the Special Drawing Rights (SDR), a kind of complementary currency asset managed by the IMF – something that was received as recognition of its growing importance.

In any case, there are many risks in an economy with a high rate of investment based on credit, such as the Chinese one, slowing down and, simultaneously, deepening the internationalization of its financial system. Therefore, it is likely that the Chinese government will remain cautious, avoiding a complete and abrupt financial liberalization, which has been

[27] Cintra and Pinto (2017: 387) also list other initiatives such as: "i. international renminbi trade clearing treaties with fourteen financial centers (Hong Kong, Macau, Taiwan, Singapore, London, Frankfurt, Seoul, Paris, Luxembourg, Doha, Toronto, Sydney, Kuala Lumpur and Bangkok); ii. Authorization of nine specific quotas of RMB Qualified Foreign Institutional Investor – RQFII, which allows foreign institutional investors to use offshore renminbi funds to invest in the Chinese capital market and the interbank bond market; iii. currency swap agreements with 30 central banks; iv. acting as a lender of last resort for countries with difficult access to the international financial market – Venezuela and Ecuador (Global Risk Insights, 2015; Ostroukh, 2015); and v. an independent payment system for renminbi operations". McNally (2019: 10) also highlights: "the establishment of onshore oil futures contracts denominated in RMB with trading open to foreigners. (...) Other initiatives include the bond and stock connect programs between Hong Kong and Chinese markets in Shenzhen and Shanghai; incorporating Chinese equities and bonds into global indices, such as MSCI indices; the China-Japan cross-border investment scheme; the Shanghai-London stock connect based on depositary receipts; and, on a more macro-level, the BRI and AIIB".

happening so far.[28] Defending the hypothesis that the "internationalization of the renminbi and Chinese banking institutions faces major constraints, given the nature and (internal and external) challenges of the country's development process", Cintra and Martins (2013: 212-13) maintain that, for the time being, this process is basically a defensive strategy.

It should be remembered, as previously mentioned, that the regional and international insertion of the Chinese economy is directly related to productive and financial globalization led by the US and, therefore, within the scope of the global monetary system dominated by the flexible dollar. We have also seen that its development model is characterized by relative domestic control of the currency and the banking system, which function under special conditions. This ends up greatly restricting its ability to transfer monetary and banking capital beyond its borders (Cintra and Martins, 2013). In this way, the country remains tied, in terms of exchange rate policy and the accumulation of reserves, to the policies and external pressures of developed countries led by the US. Given that large asymmetries persist in the international monetary and financial order, with great dominance of the flexible dollar, it is most likely that in the medium term the renminbi will play a relatively restricted role as a regional currency (Eichengreen and Kwai, 2014).

In any case, much seems to indicate that, despite all these challenges and constraints characteristic of the new framework, Chinese authorities will continue to seek ways to ensure, within the scope of the reforms, that the financial system, as well as other dimensions, will remain focused on promoting its global goals of economic and social growth and development. Whatever the new strategic direction, however, the paradoxes of accelerated Chinese growth will continue to cry out for direction.

Final considerations

We saw that China strategically conditioned, through the political action of the State, the massive foreign investment it received to an autonomous national development project.[29]

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[28] Cintra and Pinto (2017: 390): "in an unprecedented way, which makes the process more difficult and not very predictable, [China] seeks to internationalize the renminbi with controls on the capital account. That is to say, restricting the full convertibility of the currency or building a limited convertibility".

[29] It is not surprising how the CCP bureaucracy in control of the People's Republic since 1949 has been conceiving and adjusting its broader development strategy, deeply imbued as it is with debates and formulations (inside and outside the Marxist camp) about imperialism, dependency, and the constraints and open possibilities for the development of countries located on the periphery of the capitalist world-system. The great questions of the political-intellectual environment of the post-war period and of the Chinese revolutionary period (the

This strategy materialized through state planning (rearticulated amid the political changes the country went through), maintenance of large spheres of economic decision under state control (especially in strategic and base sectors), relative control of macroeconomic prices (wages, interest, exchange rate), high investment in infrastructure and urbanization, in addition to accelerated technological incorporation, adaptive absorption of organizational practices and Western institutional models, always focused on generating local innovation and subject to pre-established objectives. This, combined with other factors, enabled the country to grow economically and, in many ways, increase the income, educational level and quality of life of a considerable portion of its population, activating a gigantic and powerful consumer market – in addition to the consequent strengthening of its economic and political position in the international system. On the other hand, the advanced process of proletarianization of the population has been intensifying the contradictions with the country's ruling classes, which pushes the political and social environment in the direction of new concessions.

Virtù and *fortuna.* If the relative success of applying this strategy (*virtù*) is undeniable in terms of what it was proposed, especially taking into account the difficult balance between limitations and opportunities linked to the structural framework of the world economy in recent decades (*fortuna*), it would not be prudent to ignore its numerous missteps and distortions: the serious environmental degradation, the growing social and regional inequalities[30] and the great weight of economic power in the conduct of politics, the consequent corruption spread across different levels and spheres of the state apparatus, the dead-ends and tensions characteristic of the lack of popular participation in political life inside and outside formal institutions, the poor working and living conditions of a large part of the population, the lack of social assistance, the accelerated process of expropriation and real estate speculation, among many other problems. In some cases, such problems are even accepted openly and publicly by government authorities, which have even been preparing plans, measures and policies to mitigate them, with greater or lesser success.

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decolonization of the global South, the revolts and national liberation revolutions, the dependent State) would continue, from one generation to the next, to thought over, revised and re-elaborated by the intellectuals and leaders of the Party in charge of the State, always in the light of new challenges. Wang Weiguang (2008: 211), then Executive Vice President of the Chinese Academy of Social Sciences (CASS), says that "some famous [Brazilian] academic works were translated by our intellectuals and published by CASS publishing houses, such as Desenvolvimento Econômico Latino-Americano ["Latin American Economic Development"], by Professor Celso Furtado, Imperialismo e Dependência ["Imperialism and Dependency"], by Professor Theotônio dos Santos, etc".

[30] For an overview of growing inequalities in China, see Nogueira (2015).

Therefore, the contradictions of accelerated Chinese growth to be faced in the next period are not residual. In the troubled context of 21st century capitalism, the need for adjustment or "soft landing" towards a development model anchored in domestic consumption and improving the quality of life of the population, for greater weight for services,[31] for technology-intensive sectors, and for spheres more directly driven by market dynamics clashes with the need to constitute a deeper and more complex financial market (a more active presence in the international game of financial globalization), and with the consequent loss of political discretion over certain economic decisions that this gives rise to – which may reinforce, in turn, the deceleration of growth. Added to this is the huge and growing demand for energy and natural resources, the necessary adjustment of the country's multidimensional (class, gender, regional etc.) inequalities, and, even, more objective directions for commercial insertion and internationalization of the Chinese currency and capital around the world.

More than that, in recent years, the social and political legitimacy of the CCP's authority and leadership (something that, as we have seen, was fundamental in its development trajectory) has had in the intense process of economic inclusion of ever-increasing portions of the population one of its foundations. What will the slowdown in growth entail in terms of this political dynamic – whether in relation to the masses of workers and peasants or the country's new business elites? What will be the consequences for China of such clashes regarding the complex equations entangled in the (national and international) dispute for economic and political power?

The Western world has a lot to learn from ancient Chinese history and its recent experience, in many different areas. There are, however, as seen, numerous questions still to be answered. When it comes to the exuberant "Middle" civilization and the dialectic relationship between openness and closure that it has maintained over the centuries with the rest of the world, it is always advisable to go back, review, reanalyze. China's place in the history of our time remains open.

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[31] Nogueira (2015a: 60-61) informs that, despite great international pressure, China has been very cautious in opening up its services sector. In this way, "The State has maintained a central (when not outright dominant) role in the main branches of services that are also productive links (such as in the financial and telecommunications sectors, in which four banks and three State-owned operators dominate the market), and has stimulated the development of correlated national firms, especially in the case of telecommunications equipment."

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