

# China's growth dilemmas<sup>1</sup>

## Giuseppe Nardulli<sup>2</sup>

University of Bari and  
Union of Scientists for Disarmament-USPID, Bari, Italy

In an interview given to the Italian journal of peace studies a few years ago the economist Samir Amin presented a pessimistic view of the polarization between rich and poor countries, in his terminology centre and periphery, in the next future. According to the Egyptian economist the centre has five monopolies

1. monopoly of new technologies;
2. monopoly of the world financial market
3. monopoly of the access to natural resources
4. monopoly of communications
5. monopoly of the weapons of mass destructions (WMDs)

Because of the privileges enjoyed by the centre, much of the industrial sector of the periphery is controlled by it and a large part of the economic surplus, instead of producing wealth in the poor countries, goes back to the centre, thus perpetuating economic inequalities and political dependence.

The problem faced by China's leadership after Mao's death was exactly of this type: A part from a small, but significant arsenal of WMDs, most notably nuclear arms (see figure, relevant data taken from the Nuclear Notebook, on Bulletin of the Atomic Scientists), which broke the fifth monopoly, China lacked emerging new technologies and telecommunication and had small if any access to financial markets and natural resources, in particular oil.

Type	NATO designation	Number	Year deployed	Range (kilometers)	Warhead x yield	Number of warheads
<b>Aircraft*</b>						
Hong-6	B-6	100	1965	3,100	1-3 x bomb	100
Qian-5	A-5	30	1970	400	1 x bomb	30
<b>Land-based missiles**</b>						
DF-3A	CSS-2	40	1971	2,800	1 x 3.3 Mt	40
DF-4	CSS-3	20	1980	>5,500	1 x 3.3 Mt	20
DF-5A	CSS-4	20	1981	13,000	1 x 4-5 Mt	20
DF-21A	CSS-5	48	1985-86	1,800	1 x 200-300 kt	48
DF-31	CSS-X-9	0	2001?	8,000	1 x ? kt	0
<b>Submarine-launched ballistic missiles (SLBMs)***</b>						
Julang	CSS-N-3	12	1986	>1,000	1 x 200-300 kt	12
<b>Tactical weapons</b>						
Artillery/Atomic Demolition Munitions/Short-range missiles (DF-15 or DF-11)					low kt	120
<b>Total</b>						<b>~400</b>

\* Figures for bomber aircraft are for nuclear-configured versions only. Hundreds of aircraft are also deployed in non-nuclear versions. Aircraft range is equivalent to combat radius. Assumes 130 bombs for the force, with yields estimated between 10 kilotons and three megatons. \*\* DF stands for Dong Feng, which means "east wind." \*\*\* Julang means "giant wave." The Chinese define missile ranges as follows: short-range, <1,000 kilometers; medium-range, 1,000-3,000 kilometers; long-range, 3,000-8,000 kilometers; and intercontinental range, >8,000 kilometers.

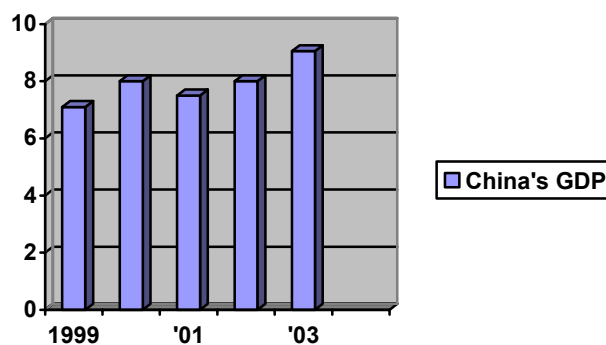
The steady decline of Soviet Union was under way already at the end of the seventies, though obscured by the militarization of the Soviet foreign policy and the febleness of the

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<sup>2</sup> email: giuseppe.nardulli@ba.infn.it

United States after the Vietnam debacle. Reagan's presidency reinvigorated the USA, most notably its military, though at the high cost of a huge federal debt and the deterioration of the social structure of the American society. At the end of the seventies and the first half of the eighties both superpowers were still engaged in a costly arms race which distracted money and efforts from other activities. In that situation China's leaders saw the opening of a window of opportunity for their country, what they called a strategic opportunity (*zhanlue jiyuqi*) to escape the course of economic and political dependence that any realistic analysis would have predicted.

The subsequent twenty years have produced in China a story of economic successes never experienced before in history. From 1970 until now the GDP has grown in real terms from \$106 billion to over \$1300 billion.. The following graph summarizes, by way of example the growth of the GDP in the last five years<sup>3</sup>.



Even more indicative are other data describing the present role of China in the world economy. Between 1990 and 2003 China's total export grew eightfold, to over \$380 billion. China attracts over \$ 500 billion foreign direct investment, the fifth in the world after the US (\$1300 billion), the UK (\$497 billion), Benelux (\$482 billion) and Germany (\$480 billion). China's share of global exports was around 6% in 2003 and China contribution to the growth of the world economy in 2002 was 16%, the largest one after the US. As to new technologies and communications, in 2003 China had already 400 million fixed phone lines and 200 million cell phones; moreover in China there are more than 70 million computers with Internet access. China's software exports were worth \$ 2.12 billion in 1999, which compares favourably with the even more successful story of India in this sector (\$ 5.66 billion). China has already launched its first manned space mission, and is obtaining significant successes in higher education, for example 325,000 new engineers graduate in China every year, three times as many as India<sup>4</sup>.

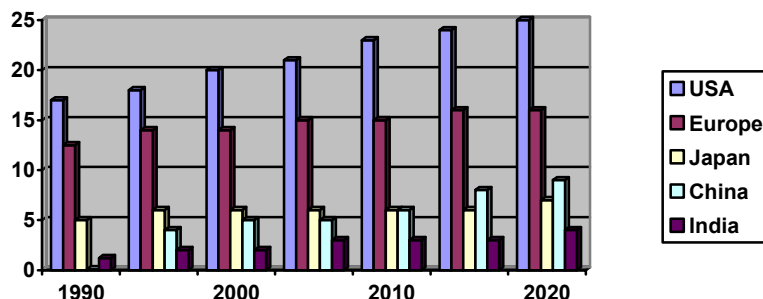
If we compare these results to the fundamental feeblenesses of the third world countries pointed out by Samir Amin we see that only remaining weakness is the dependence on oil, an indispensable resource to sustain economic development. The following graph<sup>5</sup> shows the present and future (forecasts) needs of oil (in millions of barrels per day) of several countries, including China. The demand will be significantly less than

<sup>3</sup> Source: *The Economist*, May 15th-21st 2004.

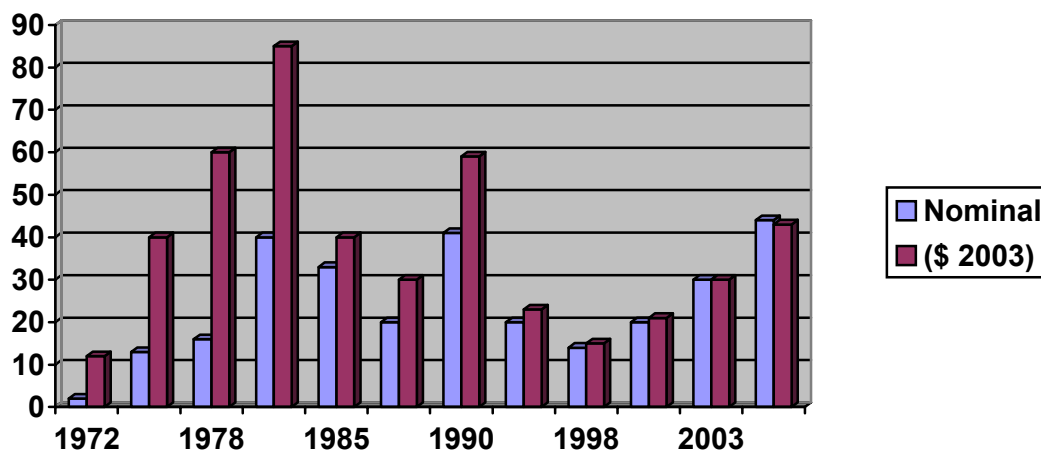
<sup>4</sup> D.Hale and L.H.Hale, China takes off, *Foreign Affairs*, November/December 2003 p.36.

<sup>5</sup> Source: Us Dept. of Energy, *International Energy Outlook 1999*, as reported by M. Klare, *Resource wars*, Owl Books, NY, 2002.

that of Europe or the US, but still relevant and especially so because of the high price of oil<sup>6</sup> and the relative scarcity of such resources in China (see the subsequent figure). The international Energy Agency projects by 2030 a China's net oil import of 9.8 million barrels a day. To satisfy this large demand China will have to maintain a large export oriented sector of the economy also in the future



Present and future (forecasts) needs of oil (in millions of barrels per day)



Price (\$) per barrel of the West Texas Intermediate

This dependence might produce serious difficulties in the future, but it is likely that in the next few years China economy will transform itself, from having an agricultural-industrial character to a more service-oriented society, where the huge demand of energy generated by big firms might be reduced. This development is already under way. This change might also help to relieve the problem of pollution that at the moment, together with health care<sup>7</sup> and rising unemployment are the most severe challenges China faces.

The extraordinary economic growth has many causes, but here I wish to emphasize the role of the political one-party system. If one compares the political course of the attempts to modernize and reform Soviet Union under Gorbachev with that of Deng and his successors in China one is led to the following hypothesis. The reform of Socialist countries could have happened along two different paths: Either by liberalizing and democratizing the political system while maintaining a supervised planned economic

<sup>6</sup> Source: *The Economist*, from BP, Thomson Datastream.

<sup>7</sup> *The Economist*, August 21st-27th 2004

structure or by maintaining the political system untouched, but liberalizing the economic basis. M. Gorbachev choose the former way, Deng the latter. No doubt the Perestroika programme, with its corollary of glasnost (openness), freedom of speech and free press was much more sympathetic to the liberal and left-wing parties in the West. On the contrary the Tian An Man square repression was considered a tremendous mistake by them. We can now say that, whatever the desires, the former approach has led to disaster, the latter to success. The long tradition of national culture, historical continuity and political ability embodied in China's political culture has produced these transformations by a process that, although painful, has preserved the state integrity and political stability. The price to our western eyes is the lack of democracy. But democracy is not a category of Spirit, it is a historically determined political superstructure that may or may not increase wealth, welfare and quality of life. China might well find its own way to people participation and to some sort of Montesquieu division of powers. If the trends presently visible in China are not reverted, the most enduring legacy of Leninism might be the quiet transformation of the largest third world nation-state into one of the leading countries of the world through a peaceful and astonishing modernization. China's story might thus offer another example of the Reasons's cunning and unpredictability.