

**WORLD HEGEMONY IN QUESTION:
THE COMPLEXITIES & CONTRADICTIONS OF
CHINA'S 'PASSIVE REVOLUTION'
IN ITS GLOBAL CONTEXT**

***LA HEGEMONÍA MUNDIAL EN ENTREDICHO:
LAS COMPLEJIDADES Y CONTRACCIONES DE LA
'REVOLUCIÓN PASIVA' DE CHINA
EN SU CONTEXTO GLOBAL***

JONATHAN PASS*

Summary: I. INTRODUCTION. II. 'PASSIVE REVOLUTION': A BRIEF OVERVIEW. III. CHINA'S ECONOMIC TRANSITION. IV. SOCIAL CONTRADICTIONS IN CONTEMPORARY CHINA. V. 'TRASFORMISMO' STRATEGIES: FROM DENG TO HU. VI. XI'S 'CAESARISM' & NASCENT HEGEMONIC PROJECT'. VII. CONCLUSION: WORLD HEGEMONY IN QUESTION.

ABSTRACT: China's unprecedented meteoric rise has dramatically altered the structure and functioning of the global order sparking debate about whether it may become a 'world hegemon'. The *Neo neo-Gramscian* perspective adopted here understands hegemony as a power relationship between *state-society complexes*, each determined by the social forces emergent from its particular class configuration. To enjoy world hegemony a *state-society complex* must, amongst other things, enjoy *politico-cultural* hegemony over its subordinate counterparts, manifested in intellectual and moral leadership, enabling it to remaking the world in its 'own image'. In order to assess China's 'hegemonic credentials' (and the kind of world order it would be) according to this criterion, this study examines the evolving and contradictory nature of the country's ongoing top-down social restructuring – a *passive revolution* – within the context of a changing global capitalist system. Contemporary China stands at a crossroads, its growth model "unstable, unbalanced and uncoordinated" and its society far from "harmonious". Against the backdrop of authoritarian *Caesarism*, we argue, a nascent *hegemonic project* has emerged under Xi Jinping, which seeks not just to carry out profound domestic social reform, but to extend Chinese hegemony internationally, as witnessed over the last few years. We conclude that for the foreseeable future Chinese world hegemony appears unlikely, amongst other reasons because its present societal model fails to inspire emulation abroad, a key requirement for intellectual and moral leadership.

Fecha de recepción del trabajo: 26 de junio de 2019. Fecha de aceptación de la versión final: 4 de noviembre de 2019.

* Profesor Asociado de Derecho Internacional y Relaciones Internacionales de la Universidad Pablo de Olavide. Email: jonapass@upo.es. Es autor del libro recién publicado *American Hegemony in the 21st Century: A Neo Neo-Gramscian Perspective*, New York, Routledge, 2019.

RESUMEN: El auge meteórico sin precedentes de China ha cambiado de forma espectacular la estructura y funcionamiento del orden global, provocando un debate sobre si se convertirá en el 'hegemon mundial'. La perspectiva Neo neogramsciana aquí presentada comprende la hegemonía como una relación de poder entre complejos estado-sociedad, cada uno determinado por las fuerzas sociales emergentes de la configuración particular de sus clases sociales. Para poder disfrutar de la hegemonía mundial un complejo estado-sociedad, entre otras cosas, tiene que ejercer la hegemonía político-cultural sobre sus homólogos subordinados, manifestada en el liderazgo intelectual y moral, lo que le permite rehacer el mundo 'en su propia imagen'. Con el fin de evaluar las 'credenciales hegemónicas' de China (y la clase de orden mundial resultante) según este criterio, este estudio examina el carácter cambiante y contradictorio de la reestructuración social 'de arriba abajo' – una revolución pasiva – que el país lleva experimentando desde hace tiempo en el contexto de un sistema capitalista global variable. La China contemporánea se encuentra en una encrucijada, su modelo de crecimiento "inestable, desequilibrado y descoordinado" y su sociedad lejos de ser "armoniosa". Con el Cesarismo autoritario como telón de fondo, sostenemos que ha emergido un proyecto hegemónico naciente bajo el mandato de Xi Jinping, que pretende no solamente llevar a cabo una reforma social doméstica profunda, sino extender la hegemonía china internacionalmente, tal y como hemos presenciado durante los últimos años. Concluimos que por ahora la hegemonía mundial china parece poco probable, entre otras razones porque su modelo social actual no inspira la imitación en el exterior, un requisito clave para el liderazgo intelectual y moral.

KEYWORDS: China, hegemony, state-society complex, passive revolution, hegemonic project, Xi Jinping

PALABRAS CLAVES: China, hegemonía, complejo estado-sociedad, revolución pasiva, proyecto hegemónico, Xi Jinping

I. INTRODUCTION

The economic development of the People's Republic of China (PRC) is unparalleled: "the fastest sustained expansion by a major economy in history";¹ recording a real gross domestic product (GDP) average growth rate of 9.5% for almost 40 years (1979–2017).² China's GDP, measured in purchasing power parity, went from being amongst the poorest countries to the world's richest, to overtaking the United States (US) in 2014.³ In 2010 it also ended the US's 125-year reign as the world's largest manufacturer, not to mention its biggest exporter.⁴

The need to guarantee a constant supply of resources and customers has forced the PRC embed itself ever-deeply into global trade networks. Backed by Beijing, and more acutely after the 2008 Global Financial Crisis (GFC) hit, Chinese state-owned enterprises (SOE) have 'gone global', signing hundreds of so-called Angola Mode deals with governments throughout Africa, Latin America and the Middle East, securing access to oil, gas,

¹ THE WORLD BANK, "The World Bank in China", 18th April 2019, <https://www.worldbank.org/en/country/china/overview> (accessed 01/05/19).

² Albeit one that has been slowing down of late with 6.3% expected for 2019. INTERNATIONAL MONETARY FUND, "IMF World Economic Outlook", April 2019 <https://www.imf.org/en/Countries/CHN> (accessed 28/05/19).

³ BBC NEWS, "Is China's Economy really the largest the world?" Ben Carter, 16th December 2014, <https://www.bbc.com/news/magazine-30483762>, (accessed 18/12/14).

⁴ THE ECONOMIST, "Global Manufacturing: Made in China", 12th March 2015.

minerals etc. in return for building crucial infrastructure, technology transfers, arms and cash. Similarly, China has become the first or second biggest trading partner the world's most powerful economies (e.g. the US, European Union, Japan, India, Russia, Brazil, South Korea, Australia), many of which have found themselves pulled ever closer into PRC's economic orbit.

The PRC is a keen defender of the liberal international economic order, actively participating in the Bretton Woods 'trio'⁵. The fact that Beijing can portray itself as one of the global guardians of free trade in the face of Donald Trump's 'America First' and heightened protectionism remains the ultimate irony. Nevertheless, given what it sees as the pro-Western bias prevalent within the orthodox institutional framework, China has started to set up its own international organisations in 'the shadows', as it were (e.g. Asian Infrastructure Investment Bank and the New Developmental Bank). These offer alternative Sino-centric development aid; one which is increasingly reliant on the *yuán* (instead of the dollar) and enjoys independence from what is considered as the unstable and predatory nature of Anglo-Saxon finance.

China's interest in international institution-building, one could suggest, finds its historical parallels in the establishment of US hegemony in the 1940s. Beijing's launching of its multi-billion-dollar Belt and Road Initiative (BRI) in 2013, for example, bears more than a passing resemblance to the 1949 Marshall Plan: a world power seeking to garner support amongst international elites by underwriting a new 'hegemon-centred' accumulation regime. Certainly, Washington is concerned about the BRI's geopolitical importance, urging its allies not to participate in it, while accusing Beijing of building up its military and engaging in aggressive power projection throughout Asia-Pacific.

Given the supposed relative decline of the US and China's growing economic, political, military and technological strength – the heart of the present Huawei/5G clash – it is inevitable to raise the question as to whether we are now seeing the emergence of a new 'world hegemon'.⁶

In mainstream international relations theory, be it realist, neorealist or American international political economy, hegemony is defined in inter-state terms: the 'supremacy' or 'dominance' of one country over another (or others), especially in military and economic terms.⁷ The modified (or *Neo*) neo-Gramscian approach adopted in this paper, however, understands hegemony as a relationship between *state-society complexes*, whose particular nature is determined by the underlying configuration of

⁵ The World Trade Organisation, the International Monetary Fund and the World Bank.

⁶ See for example JACQUES, M., *When China Rules the World: The End of the Western World and the Birth of a New Global Order*, New York: The Penguin Press, 2009.

⁷ See for example MORGENTHAU, H. J., *Politics Among Nations: The Struggle for Power and Peace*, New York, Alfred A. Knopf, 1948; WALTZ, K., *Theory of International Politics*, New York: McGraw Hill, 1979; MEARSHEIMER, J. J., *The Tragedy of Great Power Politics* (Updated Edition) New York, W.W. Norton & Company, 2001; KEOHANE, R., *After Hegemony, Cooperation and Discord in the World Political Economy*, Princeton New Jersey, Princeton University Press, 1984; GILPIN, R., *Global Political Economy. Understanding the International Economic Order*, Princeton and Oxford, Princeton University Press, 2001.

dominant and subordinate social class forces termed the *historical bloc*⁸. A relationship based not just on dominance/coercion but also consensus.⁹

World hegemony has its origins, according to Robert W. Cox, in “an outward expansion of the internal (national) hegemony established by a dominant social class”. The power of the social forces generated guarantees “[t]he economic and social institutions, the culture, the technology associated with this national hegemony become patterns for emulation abroad”,¹⁰ which transposes into countries carrying out a fundamental restructuring of their social relations of production and state-society complex, or *form of state* (FOS).¹¹

Nonetheless, as Jonathan Pass has argued, neo-Gramscian theory displays some serious epistemological and theoretical inconsistencies, stemming from its original ontological position, specifically the reading of the ‘structure-agency’ debate. The desire to further social emancipation project led neo-Gramscian ‘critical theorists’ to *historicise* structure (the so-called ‘method of historical structure’), effectively conflating structure and agency. Consequently, their understanding of hegemony diverges considerably from Antonio Gramsci’s original conceptualisation, amongst other reasons for: a) downplaying its crucial materialist underpinnings; b) placing disproportionate weight on ideas, consciousness, inter-subjectivity and contingent agency; and c) omitting the significance of coercion.¹² It is this reading of hegemony, for example, which enables neo-Gramscians to talk of a the establishment of a class-conscious transnational historical bloc,¹³ and thus the end of traditional geopolitical concerns,¹⁴ assertions we would question.

Instead, this paper adheres to Jonathan Joseph’s materialist theory of hegemony, which considers “hegemonic projects” (*surface* hegemony) as necessarily *emergent* out of *structural* hegemony (fundamental forces and relations of production) with which they enjoy a dialectical, non-determinist, relationship.¹⁵ Hegemonic projects are understood as

⁸ COX, R. W., “Social Forces, States, and World Orders: Beyond International Relations Theory” [orig. pub. 1981] in COX, R. W. with SINCLAIR, T. J., *Approaches to World Order*, Cambridge: Cambridge University Press, 1996a, p. 86; COX, R. W., *Production, Power, and World Order: Social Forces in the Making of History*, New York: Columbia University Press, 1987, p.105

⁹ GILL, S. R. & LAW, D., *The Global political Economy: Perspectives, Problems and Policies*, Brighton, Wheatsheaf, Baltimore, John Hopkins University Press.

¹⁰ COX, R. W. “Gramsci, Hegemony and International Relations: An Essay in Method” [orig. pub. 1983] in COX, R. W. with SINCLAIR, T. J., *Approaches to World Order*, Cambridge, Cambridge University Press, 1996b, p. 137.

¹¹ COX, R. W. (1996a), *op. cit.*, pp. 100-1.

¹² PASS, J., “Gramsci Meets Emergentist Materialism: Towards a *Neo* Neo-Gramscian Perspective on World Order”, *Review of International Studies*, Vol.44, Issue 4, 2018.

¹³ ROBINSON, W. I., “Gramsci and Globalization: From Nation-State to Transnational Hegemony”, *Critical Review of International Social and Political Philosophy*, Vol.8, No.4, 1-16, December, 2005, p. 565.

¹⁴ VAN DER PIJL, K., *From the Cold War to Iraq*, London, Pluto Press, 2006, p. 28.

¹⁵ See JOSEPH, J., *Hegemony: A Realist Analysis*, London, Routledge, 2002., and JOSEPH, J., “The International as Emergent: Challenging Old and New Orthodoxies in International Relations Theory” in JOSEPH, J., & WIGHT, C. (eds.), *Scientific Realism and International Relations*, Basingstoke, Palgrave Macmillan, 2010.

being led by conscious political actors (dominant groups and class factions) who wish to conserve, advance or transform particular political programmes via societal restructuring and alliance formation, but whose access to resources and options available are conditioned and strategically limited by underlying material conditions.¹⁶

Despite their shortcomings, neo-Gramscian theory does offer some important insights regarding *surface* hegemony at the international level: 1) it is engendered by domestic hegemonic class relations; 2) these social forces must exercise *politico-cultural* hegemony over their foreign counterparts;¹⁷ and 3) the latter is achieved/maintained by a) drawing others into its regime of accumulation, and b) setting up international organisations, which help legitimize and socially embedding those ‘universal’ rules, norms, practices and values most conducive to its own interests and therein shape “world order”.¹⁸ Though materially underpinned, hegemony involves “a consensual acceptance of socioeconomic and political hierarchy through a network of social, cultural, and institutional means”.¹⁹

From this perspective, whether the PRC can become truly ‘world hegemonic’ or not, does not *just* depend upon its economic might or techno-military capabilities, but whether the social forces emitted outwards from its domestic historical bloc are able to exercise “intellectual and moral leadership”,²⁰ to inspire emulation internationally and, establish the necessary institutions and regimes to remake the world in its ‘own image’.

For more than forty years the PRC has been undergoing a radical state-led domestic social transformation as part of its integration into the global capitalist system. The basic thesis of this paper is that only by uncovering the dynamics and contradictions of this evolving “passive revolution” can one begin to debate the Asian power’s world ‘leadership’ potential and how it might impact the international system. This study emphasizes the historical significance of Chinese state-building under Xi Jinping, understood as an emergent nascent “hegemonic project”, designed not only to restructure domestic social relations, but also as an attempt to nurture a more Sino-friendly world order.

II. ‘PASSIVE REVOLUTION’: A BRIEF OVERVIEW

Capitalism, as Richard Saull reminds us, has “an inherent propensity towards expansion”, driven by competition and the tendency for profit rates to fall.²¹ Unfortunately, this geographical relocation does not occur uniformly, meaning, “individual nations cannot

¹⁶ JESSOP, B., *State Power: A Strategic-Relational Approach*, Cambridge, Polity Press, 2007.

¹⁷ GILL, S., *Power and Resistance in the New World Order*, Basingstoke, Palgrave, 2003.

¹⁸ COX, R. W. (1996b), *op. cit.*, pp. 137-9.

¹⁹ SAULL, R., “Rethinking Hegemony: Uneven Development, Historical Blocs and the World Economic Crisis”, *International Studies Quarterly*, 56, 2012, p. 328.

²⁰ GRAMSCI, A. *Selections from the Prison Notebooks of Antonio Gramsci*, edited and translated by Quintin Hoare and Geoffrey Nowell Smith, Lawrence and Wishart, London, 1971, p. 57.

²¹ SAULL, R., “*op. cit.*”, p. 327.

be at the same level of economic development at the same time”.²² This *uneven development* of capitalism finds its political reflection in a hierarchically-structured interstate, the competition generated forcing “backward countries” to assimilate “the material and intellectual conquests of the advanced countries”,²³ with core countries’ superior productive development transmitting “ideological currents to the periphery”. As such, all transformations of state-society configurations must be understood in their international context, set against the background of ongoing global capitalist accumulation and interstate rivalry.

It was in this context, and with special reference to his native Italy, that Gramsci introduced the concept of “passive revolution” (or “a revolution without a revolution”). *Passive revolutions*, Gramsci held, generally occur in peripheral countries where the domestic capitalist class and private sector is relatively weak. Faced with the need to assimilate “new economic tendencies” from abroad (e.g. new production systems/techniques and accumulation strategy), but lacking a sufficiently powerful bourgeois class to transform social relations of production and FOS, the responsibility falls on the ‘state class’.²⁴ In carrying out this social restructuring the ‘state class’ cannot rely on subtle politico-cultural methods of social control since it does not exercise ‘intellectual and moral leadership’. Instead the governing elites frequently resort to coercion or “naked power” to quell protest and prevent oppositional elements from consolidating themselves into a politically-conscious counter-hegemonic force.²⁵

In short, a passive revolution is concurrently both a national and international event. At the domestic level it is a “revolution from above” carried out by a narrow modernising elite.²⁶ But his state formation project process itself was driven by social forces generated by world historic conditions of uneven development, with which it enjoyed a dialectical relationship.²⁷

Three connected features of passive revolutions are worth underscoring.

Firstly, they represent an exercise in both continuity *and* change within the context of a global capitalist order. While a modification/modernisation of class relations takes place (allowing the bourgeoisie to gain *real* power without dramatic upheavals), the old political order (the aristocracy, emperors, regime elites etc.) continues to formally reign, with little concern for the interests of the subordinate classes. It is, in essence, a combination of modernisation and restoration.

²² GRAMSCI, A., “The Revolution Against ‘Capital’”, *Selections from Political Writings, 1910-1920*, London, Lawrence & Wishart, 1977, p. 69.

²³ TROTSKY, L., *History of the Russian Revolution*, trans. by Max Eastman, London: Penguin, 2008, p. 2.

²⁴ GRAMSCI, A., (1971), *op. cit.*, p. 59, p. 84, p. 105, pp. 115-7.

²⁵ HUI, E. S. I., “Putting the Chinese state in its place: a march from passive revolution to hegemony”, *Journal of Contemporary Asia*, 47:1, 2017, p. 71.

²⁶ MORTON, A. D., “The Continuum of Passive Revolution”, *Capital and Class*, 34(3), 2010.

²⁷ MORTON, A., “Waiting for Gramsci: State Formation, Passive Revolution and the International”, *Millennium: Journal International Studies* 35 (3): 597-621, pp. 612-13

Secondly, their elitist nature and lack of tacit support amongst subaltern classes means they are always more politically unstable, and hence more authoritarian, than truly hegemonic relations, where moral or ethno-political leadership is to the fore.

Thirdly, passive revolutions are highly political in nature. Although all involve a process of 'imitation', each one manifests itself in different ways, depending upon internal class dynamics within a particular state and how these inter-relate with external social forces.

Despite their historical uniqueness, Gramsci identified two non-exclusive salient forms of passive revolution – *Caesarism* and *trasformismo* – which he illustrated in reference to Italian state formation in the global context.²⁸

Caesarism is when a charismatic figure intervenes to resolve a political stalemate between antagonistic social forces (where “the forces in conflict balance each other in a catastrophic manner”) and could be of a *progressive* or *reactionary* nature: the latter normally developing out of the former to consolidate existing power relations. Mussolini's 'reactionary' Caesarism, for example, replaced Cavour's early 'progressive' version in order to resolve the political stand-off between large industrial/agrarian capital on one side and Bolshevik-inspired labour militancy on the other. The role of *Il Duce* was to preserve the power of the bourgeoisie, encourage the dominant class to participate in a centralised corporatist structure and thereby re-impose capital's control over labour and transform social relations of production according to the demands of global capitalism.

Trasformismo, on the other hand, involves coalition building amongst a wide range of social groups, though necessarily including the co-option of opposition forces (i.e. working class), exemplified by Giovanni Giolitti's attempt to consolidate a common front between Northern industrialists and trade unions/ urban workers via state protectionism in the pre-fascist 1920s. The strategic objective is clear. By assimilating workers into a broad coalition, the dominant classes hoped to be able to dilute revolutionary discourse, undermine class struggle and thereby shape subaltern objectives in a way as to be compatible with their own interests.

Yet to reiterate an earlier point, these two expressions of passive revolution are not mutually exclusive. The state corporativism promoted under Mussolini's *Caesarism*, for example, displayed characteristics of *trasformismo*, and was born out of the need “to develop the productive forces of history” to compete “with the most advanced industrial formations of countries”, notably American “organic innovation”, expressed via revolutionary mass production techniques (Fordism) and scientific management processes (Taylorism).

With regards the contemporary application of passive revolution, Cox was one of the first thinkers to identify and emphasise its utility to explain the process of industrialization followed by developing countries.²⁹ The central thesis of this paper is that the social

²⁸ The following analysis draws on GRAMSCI, A. (1971), *op. cit.*, pp. 58-9, p. 109, p. 129, pp. 219-23, pp. 279-318.

²⁹ COX, R. W. (1996b), *op. cit.*

transformation of China from Deng Xiaoping to present can best be understood as a state-led passive revolution,³⁰ elites seek to restructure the country's FOS in line with the exigencies of global capitalism, which in turn it helps shape. Without abandoning *trasformismo* strategies the ascendance of Xi Jinping saw the passive revolution adopt typical *Caesarism* characteristics, albeit coinciding with emergence of a nascent hegemonic project with world hegemonic pretentions.

III. CHINA'S ECONOMIC TRANSITION

1. Reform and Opening Up under Deng Xiaoping

The PRC's original 'reform and opening up' (*gǎigé kāifàng*) began under Deng Xiaoping in 1978. The driving force was the need to modernise the country's agricultural, industrial and technological base and 'catch up' with neighbouring East Asian countries (e.g. South Korea, Taiwan, Hong Kong, Thailand, Malaysia and Singapore). In lieu of bourgeois hegemony, the transition from a socialist to a capitalist system had to be directed by the state, and with constant recourse to coercion. The 'revisionist' elements amongst Communist Party of China (CPC) elites realised this would require access to foreign direct investment (FDI) and Western 'know-how', technology and consumers which, in the context of the Cold War, meant receiving Washington's blessing. Once diplomatic contacts Sino-American relations were 'normalised' in 1979, and outstanding property claims settled, the US opened up trade with the PRC, bestowing 'most-favoured-nation' status on it.

A few points are worth stressing with regards Deng's *gǎigé kāifàng* policies.

Firstly, opening up was to be done only tentatively and in a controlled fashion: the experiment would take place in four purposely built Special Economic Zones (SEZ) in the Guangdong and Fujian provinces. Beijing invested heavily in infrastructure along the southern seaboard to entice foreign investors to come and set up manufacturing operations, bringing their capital, technologies, latest production/management techniques and knowledge of global markets. In return foreign companies would enjoy a range of tax and profit-repatriation benefits, suffer little direct political interference in their affairs and, most importantly of all, be free to tap into the cheapest, most abundant and productive labour force in South East Asia.

Secondly, the bulk of this 'foreign' investment (remaining so to this day) came from Chinese diaspora located in Hong Kong, Macau and Taiwan, and to a lesser extent Singapore and Malaysia: the so-called 'bamboo network'. Indeed, Guangdong and Fujian were chosen, not only because they were on the coast and far from political life (Beijing), but adjacent to Hong Kong, Macau and Taiwan, respectively.

³⁰ See GRAY, K., "Labour and the State in China's Passive Revolution", *Capital and Class* 34 (3): 449-467, 2010.

Thirdly, although SEZ status was extended to 14 coastal cities (in addition to the Hainan Island) in 1984, it was only in 1987, after the US agreed to let the PRC join the International Monetary Fund and the World Bank, that CPC elites finally opted for a neo-mercantilist, export-driven growth model which had proved so successful for Japan and East Asia 'Tigers'. Converting the PRC into a global exporter of low-end manufacturing goods would require a tight monetary policy, intervention in international currency markets (to keep a stable *yuán*), a constant supply of cheap labour, and access to foreign consumers.

As part of this passive revolution, Beijing carried out deep structural reform, not just of the social relations of production, but of its FOS, relying on a combination of coercive means and market forces.

One strategy to achieve this was by devolving considerable political and fiscal competences to provincial, county and local governments. Huge incentives for regional development were now created since cadres would be evaluated on the basis of their area's economic performance. As state expenditure declined,³¹ local governments had to raise their own revenue, becoming more dependent on business taxes and rents, leases and transaction fees on landed property. The *primitive accumulation* this engendered (see below) would transform China.

It was at the local level too that the market was first introduced into the agricultural and manufacturing sector, at the expense of the communal system.

Under the new 'household responsibility system', for example, rural families gained control of the communal land and the profit generated. Peasant households too were given long-term leases on the land, made responsible for their produce and subsequent sale on the free market, encouraging the family-based private sector; by 1983 around 93% of the peasantry had shifted to the new system.³²

Similarly, Constitutional reform passed in 1982 permitted local governments to commandeer communal industrial assets and turn them into 'town and village enterprises' (TVEs), although these were officially classified as 'public market-orientated' manufacturing enterprises, operating for the benefit of the whole village life. Encouraged by fiscally-orientated local governments, these TVEs were greatly expanded throughout the 1980s, constituting most dynamic sector of the Chinese economy until the mid-1990s, providing millions of non-agricultural jobs for rural workers. The TVEs also received generous state bank loans and large foreign capital injections, as did the SOEs, with whom they enjoyed a symbiotic relationship.³³

³¹ Between 1978 and 1995 spending by central government fell from 31% to 11% of GDP. Beijing did reverse the fiscal decentralisation process somewhat in the 1990s, fearing it was putting at risk the territorial integrity of the country. JACQUES, M., *op. cit.*, pp. 166-7.

³² CHINA.ORG.CN, "1983: Household Responsibility System", 16th September 2009 http://www.china.org.cn/features/60years/2009-09/16/content_18534697.htm (accessed 11th October 2011).

³³ As late as 2005 the TVEs still employed around 143 million. BRANDT, L. & RAWSKI, T., *China's Great Economic Transformation*, Cambridge, Cambridge University Press, 2008, p. 190.

The SOEs themselves, continued to be owned by the state, run according to broad socialist production principles within a centrally planned system. Gradually, however, managers were given greater autonomy over the running of their firms and allowed to retain a certain proportion of the profits generated and sell any surplus they produced over their planned targets at free market prices, although SOEs directors did not enjoy property rights and remained legally liable for the companies' losses.

Although the Constitution was amended in 1988, providing the private sector with a legal basis, during this first stage of transition (1978-1992) the Chinese economy still preserved much its non-capitalist nature while the bourgeois class remained weak. In both state-owned and collective enterprises, the basic features of the Maoist *dānwèi* ('work unit') system³⁴, such as permanent employment and public services, survived. Nor was wage labour considered a commodity, albeit new labour laws in the 1980s did introduce 'flexibility' into the proto-labour market (e.g. allowing the easier hiring and firing of workers, removing wage controls and reducing state benefits). SOEs, as we have seen, remained 'social enterprises', private TVEs had to be owned collectively, while even de-collectivised land still belonged to the village and peasant families enjoying use rights.

2. Towards a Socialist Market Economy

China's definitive step to becoming a 'full' capitalist economy began in 1992. Once more, as befitting its on-going passive revolution, this process was driven by the interplay of internal and external social forces. Internally, the Dengists were coming under attack from conservative elements within the State Council who opposed the liberalisation process, the country's cultural contamination by the West, and how the 'reformists' had handled the Tiananmen Square protests. Externally, as Deng declared on high-profile tour of the Guangdong-based SEZs in January 1992, unless deep structural change was forthcoming it would be impossible for China to catch up with the "four little dragons of Asia" in 20 years.³⁵

Later that year the State Council expanded SEZs, most significantly to Shanghai, the Pearl/Yangtze River Deltas and the Pudong New Area. The new quasi-neoliberal stage of Chinese social restructuring and conversion into a "socialist market economy", was officially announced at the XIV Congress of the CPC in October 1992, delivered in a report by the new General Secretary of the CPC, Jiang Zemin, entitled "Accelerating the Reform, the Opening to the Outside World and the Drive for Modernization".³⁶

³⁴ The population was organised into productive *dānwèi* ('work units'), which apart from guaranteeing permanent employment, provided families with key social services (healthcare, housing, education, pensions etc). People's access to these rights were strictly limited to their official place of residence, under the *hùkǒu* ('household registration system').

³⁵ PEOPLE DAILY: "Excerpts from talks given in Wuchang, Shenzhen, Zhuhai and Shanghai, January 18 - February 21, 1992" at <http://peopledaily.com.cn/english/dengxp/vol3/text/d1200.html> (accessed 30/05/19).

³⁶ CHINA TODAY, "The 14th National Congress of the Communist Party of China (CPC), October 1992, http://www.chinatoday.com/org/cpc/cpc_14th_congress_standing_polibureau.htm (accessed 27/11/12)

The PRC, as we have seen, had always been more welcoming to FDI, especially joint ventures (and thus technology transfers) which, by 2000, was responsible for almost 30% of Chinese manufacturing.³⁷ The more it integrated into the global economy the more investment the PRC attracted, especially following its entrance into that very symbol of neoliberal orthodoxy, the World Trade Organisation, in 2001, committing itself to non-discriminatory trade, elimination of price controls, free trade, intellectual property rights protection, opening up its markets to foreign companies, and slashing export tariffs on agricultural goods. In 2003 it overtook the US as the world's largest FDI recipient, with a figure of \$53.5bn.³⁸

Yet, although FDI had an important role in boosting China's technical base, it accounted for *less than 10%* of total capital formation during this reform era. As Clyde Prestowitz noted, "if the foreigners were investing it was only because the Chinese were investing more"³⁹, with central and local governments spending billions of *yuán* on the construction of roads, railway networks, ports and dams. Much of the confusion here is due to the short-sightedness of liberal theory, which typically overstates the importance of international *trade* while underestimating the significance of domestic *production*.

The key point here is that the PRCs' enormously successful export-driven growth model was only the apex of exploitative pyramid with its roots in a process of 'primitive accumulation'⁴⁰ encouraged by Deng's aforementioned land and fiscal reforms. Like earlier transitions to capitalism in Europe, Asia and America, China's passive revolution involved the *commodification* of land and labour.

The commodification of *land* in China began in the 1980s, connected to spectacular urban growth around southern SEZs (Shenzhen, Guangzhou and Dongguan) and medium sized TVEs in the Yangtze River and Pearl River Deltas. Adhering to the historic model, the creation of large cities/metropolises served as a key vehicle of economic transition. Not only did urban development itself dramatically increase GDP and create employment, the resultant thriving real estate market, specifically in private housing, would help bolster a mass consumer society. To that end Beijing introduced laws allowing urban residents the right to buy their own home (1995), *dānwèi* housing was privatised (1999), and a housing mortgage market set up, engendering a property boom amongst the middle-classes. Beijing, Shanghai, Tianjin and Chongqing, were granted considerable autonomy

³⁷ WATKINS, S., "The Nuclear Non-Protestation Treaty", in *New Left Review*, 54, November-December 2008, p. 130.

³⁸ BRESLIN, S., "China and the Political Economy of Global Engagement", in *Political Economy and the Changing Global Order*, Richard Stubbs & Geoffrey R.D. Underhill (eds.), 3rd Edition, Oxford, Oxford University Press, 2006, p.465.

³⁹ PRESTOWITZ, C., *Three Billion New Capitalists: The Great Shift of Wealth and Power to the East*, New York, Basic Books, 2005, p. 61.

⁴⁰ According to Marxist theory 'primitive accumulation' necessary pre-dates the establishment of capitalism and involves privatising the common and forcibly separating people from their means of production, leaving the new proletariat class with little option but to sell their labour in the emerging labour markets.

regarding urban development, permitted to annex nearby territory (including small cities) and clear large sectors of their cities for development, displacing millions of people.⁴¹

But it was at the local level again, thanks to Deng's 'land fiscal policies', where urban development and dispossession were most acutely felt. Municipal, provincial and county authorities were converted into powerful profit-orientated real estate dealers: approving construction projects for lucrative fees; appropriating public land for either lease/sale to the highest bidders, regardless of their effect on residents and the environment; or using land as collateral to finance massive industrial, infrastructure, transport and real estate projects.⁴²

Granted, some peasant farmers did make money, but the main beneficiaries of the estimated 4,000 square miles of land seized annually between 1996 and 2006 were the very wealthy: large agribusinesses; a new powerful class of property developers; banks; not to forget government administrators and CPC officials.⁴³ The size of market was further greatly expanded in the autumn of 2008 when the CPC Central Committee authorised the sale of land by individual households.⁴⁴

With regards the commodification of *labour*, the process was initiated by the privatisation of small and medium-sized SOEs from the early 1990s onwards, increasing during Beijing's negotiations to join the World Trade Organisation. The fact that China's economic transition was taking place in the post-Cold War globalisation age meant its domestic firms faced stiff competition from their larger and more advanced Western, Japanese and East Asian counterparts. Profitability became the bottom line: loss-making SOEs would be subject to bankruptcy, or allowed to merge, downsize or default on their social obligations to workers, in the name of efficiency.

By the early 2000s 'restructuring' had reduced the number of people working for the SOEs by some 30-40 million people, many of which were fired, without redundancy payment, or health and welfare coverage.⁴⁵ Since SOEs subcontracted much of their production/services to TVEs, these too suffered badly, negatively affecting millions of rural workers. And even those TVEs that did survive, were later privatised anyway, along with most of the other collective-owned companies.⁴⁶ The creation of this new proletariat

⁴¹ HE, S. & WU, F., "Property-Led Development in Post-Reform China: A Case of Xintilandi Redevelopment Project in Shanghai", *Journal of Urban Affairs*, vol.27, no.1 (2005), pp. 1-23.

⁴² THE ECONOMIST, "The People's Republic in the Grip of Popular Capitalism", 28th April 2007.

⁴³ GILBOY, G.J. & HEGINBOTHAM, J., "China's Dilemma: Social Change and Political Reform", *Foreign Affairs*, October 14th 2010, <https://www.foreignaffairs.com/articles/china/2010-10-14/chinas-dilemma> (accessed 22/10/12).

⁴⁴ By 2017 it was estimated that China had 102 cities with a population of over 1 million people (compared to the US's 10) and predicted to double to 221 by 2025. THE GUARDIAN, "More than 1 million Chinese cities now above 1 million people", 20th March 2017 (accessed 05/04/17) <https://www.theguardian.com/cities/2017/mar/20/china-100-cities-populations-bigger-liverpool>.

⁴⁵ YUSUF, S., NABESHIMA, K., & PERKINS, D., *Under New Ownership: Privatising China's State-Owned Enterprises*, Washington DC., Stanford University Press, 2006.

⁴⁶ CHEN, G. & WU, C., *Will the Boat Sink the Water? The Life of China's Peasants*, New York, PublicAffairs, 2006.

class was swollen by the incorporation of some 50 million farmers once their communes were dissolved and land seized, for little or no compensation.⁴⁷

Whether 'pushed' by unemployment or land appropriation, or 'pulled' by the dream of greater opportunities, millions of workers left their *dānwèi*, travelling hundreds of kilometres to booming industrial centres around the Yangtze River Delta (Shanghai region), the Yellow River Valley (Beijing-Tiajin) and Pearl River Delta (Guangdong). Since they remained legally bound to their official place of residence under the *hùkǒu* ('household registration') system, in the eyes of the law they were effectively illegal immigrants, and thus denied their basic social and political rights (access to health care, pension scheme and education system, right to vote etc). By early 2018 over 280 million rural migrant workers resided in the cities.⁴⁸ a mobile 'reserve army' of labour, disposed to do the worst, poorest-paid jobs, and without formal work contracts.

Here lay the underlying cause of the PRC's global prowess: a vertical system of exploitation, scientifically designed to extract maximum surplus-value from a cheap, ostensibly exhaustible labour force, who had little option but to spend a substantial part of its wages on consumer goods or private sector substitutes for lost *dānwèi* services. According to Jikun Huang *et al*, for more than twenty years following Deng's initial reforms the urban-biased development model was predicated on the exploitation of the countryside.⁴⁹

Yet for all these upheavals, Beijing was adamant that the transformation process be carried out in a controlled, step-by-step, pragmatic fashion. There would be no Washington Consensus-sanctioned market deregulation, sell off of national assets, or similar "shock therapy" measures, applied so disastrously in transition economies throughout Eastern Europe, Latin America and East Asia in the 1990s.⁵⁰

To date, for example, the state has insisted on retaining a controlling interest over the largest SOEs in the most strategic sectors for national development (e.g. telecommunications, banking/financial services, construction, steel, energy, raw materials, and arms). Nonetheless, and although SOEs are covered under state central planning arrangements, and their directors are selected by the Central Politburo, the companies themselves are structured along 'for-profit' corporate lines, with much of their business outsourced to the private sector. Public sector assets at the local, provincial and regional levels, similarly, are invested in privatised corporate-run enterprises.

⁴⁷ GILBOY, G.J. & HEGINBOTHAM, J., "China's Dilemma: Social Change and Political Reform", *Foreign Affairs*, October 14th 2010, <https://www.foreignaffairs.com/articles/china/2010-10-14/chinas-dilemma>. (accessed 11/11/14).

⁴⁸ XINHUANET, "China woos migrant workers home for rural development", 24th February 2018, http://www.xinhuanet.com/english/2018-02/24/c_136997089.htm (accessed 07/03/18).

⁴⁹ HUANG, J., ROZELLE, S., WANG, H., "Fostering or Stripping Rural China: Modernizing Agriculture and Rural to Urban Capital Flows", *The Developing Economies*, vol.44, no.1, 2006, pp. 1-26.

⁵⁰ See KLEIN, N., *The Shock Doctrine: The Rise of Disaster Capitalism*, London, Penguin, 2008.

IV. SOCIAL CONTRADICTIONS IN CONTEMPORARY CHINA

Predictably, by the late 1990s Chinese society was highly stratified. A *nouveau riche* had been formed, their political connections helping them gain full advantage of land seizures, property development, privatisations, export industries, domestic consumer markets etc.⁵¹ As political elites either developed vested interests in, or more subtly protected and patronised certain private businesses and SOEs, it became appropriate to talk about a “hybrid cadre-capitalist class”, conscious of objective interests class they needed to defend collectively.⁵²

Although many private entrepreneurs had joined the upper ranks of the CPC, the legal status of the capitalist class along with their property rights and business activities remained uncertain within the regime, even following the 3rd amendment to the Chinese constitution in 1999.⁵³

This changed in November 2002 at the CPC’s 16th Party Congress, however, when Premier Jiang Zemin effectively re-wrote state ideology, with the formal launching of his theory of the *Three Represents*. The CPC retained its key role in the modernisation of the PRC, Jiang declared, because it *represented* three key constituencies: 1) “the development of advanced social production forces” (new capitalists/entrepreneurs); 2) “the direction of advanced culture” (intellectuals and technical experts); and 3) “the fundamental interests of the greatest majority of people” (the general public).

The CPC was not just extending party membership to private entrepreneurs but bizarrely citing Marxist theory to validate the capitalist mode of production. ‘Class’ and ‘class struggle’ were removed from official state doctrine; ‘capitalism’ was no longer synonymous with ‘exploitation’; while the conversion of SOEs into ‘efficient’ joint-stock corporations was merely ‘socialising ownership of production’. The cadre-capitalist relationship was now officially endorsed allowing senior CPC officials to become chief executive officers or sit on the board of newly-privatised firms. A private entrepreneur, meanwhile, was categorised as a “worker”, albeit a “special type of risk-taking worker”.⁵⁴

The need for greater legal protection for private ownership and the role of private capital on the mainland led to more constitutional reform in 2004, followed by the first Private

⁵¹ HUI, W., *China’s New Order: Society, Politics and Economy in Transition*, Cambridge, MA, Harvard University Press, 2003.

⁵² SO, A. Y., *Class and Class Conflict in Post-Socialist China*, Hong Kong, World Scientific Publishing Company, 2013, p. 173.

⁵³ This upgraded the private sector from a “complement to the socialist public sector of the economy” to constitute “an important component” of the country’s so-called “socialist market economy” (Article 16). CHINA INTERNET INFORMATION CENTER, “Amendment to the Constitution of the People’s Republic Of China” (1999), adopted at the 2nd Session of the 9th National People’s Congress, 15th March 1999, http://www.china.org.cn/china/LegislationsForm2001-2010/2011-02/12/content_21907042.htm (accessed 31/05/2019).

⁵⁴ CHINA INTERNET INFORMATION CENTER, “Full Text of Jiang Zemin’s Report at the 16th Party Congress”, Reported by Xinhua News Agency, November 17th 2002; <http://www.china.org.cn/english/2002/Nov/49107.htm> (accessed 10/06/19).

Property Law, adopted by the National People's Congress (NPC) on 16th March 2007 and supported by 99.1% of the country's 2,889 legislators.⁵⁵

Liberal theory deems political freedom automatically follows economic freedom. Far from signalling the end of the 'Communist Party of China', though, the restoration of capitalism has greatly enhanced CPC membership. Given the party's omnipresence the new entrepreneur class soon realised the importance of nurturing political connections, dedicating much of its time and money to patronising certain clubs, associations, bars, coffee shops, saunas etc. Only such 'relevant friendships' would help them cut through the complex bureaucracy, win contracts, gain access to state-controlled credit, resources and markets, or have legislation favourably.⁵⁶

Not that CPC officials were unresponsive to capital's advances. Even those party members not directly connected to the private sector were subject to capitalist disciplines, regardless, promotion depended upon meeting productivity, profit, investment or employment targets. Evidently, this mutual oiling of palms between public and private interests (even in the form of blatant corruption) was not unique to China, but inherent to capitalism itself. Yet the degree of inter-penetration between state bureaucracy, party cadre, entrepreneurs and owners of private companies, extending to all levels of government and economy, was reminiscent of fascist 'corporatism'.

Unsurprisingly, given the nature and huge scale of its accumulation regime, China's super-wealthy has started to reach and even surpass the levels of their Western counterparts. Although 2018 was a 'bad year' for the PRC, the mainland still managed to register 324 dollar-billionaires (396 including Hong Kong and Macau) on the *Forbes* ranking for 2019, the second highest number in the world, after the US with a record 607 (of a global total of 2,153).⁵⁷ The *Hurun Rich List* inverted the relationship, estimating the actual number of billionaires in Greater China in 2019 at 658 (27% of the total of 2,470) – compared to US's 584 – 103 of which reside in the world's billionaire capital, Beijing, relegating New York to second place, with 92.⁵⁸ Although some way behind the US, China has 1.9 million individuals with net liquid assets of \$1 million-plus.⁵⁹

And below these ultra-wealthy sits a burgeoning middle class of civil servants, managers, technicians, lawyers, retailers, consultants, etc. many of which provide services to the

⁵⁵ BBC NEWS, "China Passes New Law on Property, 16th March 2007 (accessed 07/01/13). <http://news.bbc.co.uk/2/hi/asia-pacific/6456959.stm>.

⁵⁶ OSBURG, J., *Anxious Wealth: Money & Morality among China's New Rich*, Stanford, Stanford University Press, 2013.

⁵⁷ FORBES, "Billionaires: The Richest People in the World", March 5th 2019 <https://www.forbes.com/billionaires/#429a0ca7251c> (accessed 31/05/19).

⁵⁸ HUNRUN REPORT, "Hunrun Global Rich List 2019", 26th February 2019, <http://www.hurun.net/EN/Article/Details?num=24DD41EE3B19> (accessed 31/05/19).

⁵⁹ THE GUARDIAN, "Kerching! 400,000 new dollar millionaires created in 2019", Rupert Neate, 16th January 2019, <https://www.theguardian.com/news/2019/jan/16/kerching-400000-new-dollar-millionaires-created-in-2018> (accessed 20/01/19).

private sector.⁶⁰ This ‘group’ has been pivotal in driving China’s 21st century consumption boom, purchasing a wide range of hitherto inaccessible range of domestic appliances, televisions, phones, computers and even cars. Middle class aspirations and culture, meanwhile, have been celebrated and reproduced both by the state (e.g. the official media and the education system) and the private clubs and societies of ‘civil society’ (e.g. chambers of commerce, leisure clubs, property-owners committees, etc.).

Clearly, not all have shared equally in the fruits of the PRC’s economic miracle. While the scale of its poverty reduction programme is undeniable (reaching the UN Millennium Development Goals by 2015) neoliberal reforms have generated huge inequality. China’s Gini coefficient in 1980 stood at 0.28, one of the lowest in the world, by 2017, according to the *National Bureau of Statistics of China*,⁶¹ it rose to 0.467 (0.4 considered ‘severe’) – on a par with the US’s 0.482⁶²; the poorest 25% of mainland households holding just 1% of the aggregate wealth, while the 1% elite boasted a third.⁶³ Moreover, these statistics omitted the undeclared ‘shadow economy’, whose traditional beneficiaries (via bribery and corruption) are the wealthiest 10%. Neither did they take into account the loss of vital goods and services peasants and workers provided free of charge by their *dānwèi* (as part of the *hùkǒu* system).⁶⁴

A good proportion of the subaltern classes have found affordable healthcare difficult to come by following the privatisation of hospitals in the 1990s. In 2000 the World Health Organisation carried out a study of national health systems – the last time they would do so – ranking countries according to their competence, fairness etc. Overall China was placed in 144th position out of 191 (below Burundi, Ghana and Honduras), when only 10% enjoying full health coverage.⁶⁵ While considerable progress, unquestionably, has occurred over the last 20 years, public discontent over the cost, quality of the treatment, and resources available, has frequently manifested itself in angry protests.⁶⁶ And despite being the largest economy in the world (in purchasing power parity terms), China ranked only 86 (out of 189) on the United Nations Development Programme’s “Human Development Report 2018”, with a Human Development Index (measuring life expectancy, literacy, education and standards of living) of 0.752.⁶⁷

⁶⁰ EKMAN, A., “China’s Emerging Middle Class: What Political Impact?” *IFRI Center for Asian Studies*, June 2015.

⁶¹ NATIONAL BUREAU OF STATISTICS OF CHINA, “Indicators on National Economic and Social Development”, *China Statistical Yearbook*, 2018, <http://www.stats.gov.cn/tjsj/ndsj/2018/indexeh.htm>.

⁶² UNITED STATES CENSUS BUREAU, “Income and Poverty in the United States: 2017”, September 12th 2018, <https://www.census.gov/library/publications/2018/demo/p60-263.html> (accessed 05/11/18).

⁶³ SOUTH CHINA MORNING POST, “China’s dirty little secret: it’s growing wealth gap”, Sidney Leng, 13th July 2017 <https://www.scmp.com/news/china/economy/article/2101775/chinas-rich-grabbing-bigger-slice-pie-ever> (accessed 02/02/18).

⁶⁴ Which included subsidized housing, utilities, foodstuffs, household necessities, health care, pensions and education.

⁶⁵ WORLD HEALTH ORGANISATION, *The World Health Report 2000*, “Health Systems: Improving Performance”, p. 200. https://www.who.int/whr/2000/en/whr00_en.pdf (accessed 03/11/19).

⁶⁶ THE NEW YORK TIMES, “Chinese hospitals are battlegrounds of discontent”, Sharon LaFraniere, 11th August 2011, <https://www.nytimes.com/2010/08/12/world/asia/12hospital.html> (accessed 18/12/2014)

⁶⁷ UNITED NATIONS DEVELOPMENT PROGRAMME, “2018 Statistical Update”, *Human Development Reports*, <http://hdr.undp.org/en/2018-update>, (accessed 01/06/19).

All of this serves to highlight *the* fundamental contradiction at the heart of contemporary China's state-society complex. Officially, the *People's* Republic of China is a Maoist/Marxist-inspired workers' state, led by a *communist* party for the furtherment of the subaltern classes, who supposedly owns the means of production. While decades of passive revolution reform have been broadly successful at purging society of traditional communist ideals (e.g. equality, collectivism, camaraderie) true *bourgeois* hegemony remains elusive. Amongst the Chinese working class capital accumulation is perceived in less idealistic terms than in the West, especially in the US, where national myths such as the 'self-made-man', the 'American Dream', and the virtues of 'trickle-down' economics, has long constituted what Gramsci called "common sense".⁶⁸

In the PRC, on the other hand, the *nouveau riche* is widely held to have amassed their wealth through exploitation, the illicit appropriation of public assets, 'personal connections' (*guānxi*) or corruption, rather than talent or hard work. The widespread 'hatred of the rich' (*fèn fù*) amongst the population has fed into subaltern anger over increasing inequality, low wages/poor working conditions, loss of entitlements, disenfranchisement and their own personal circumstances (e.g. forced eviction and land seizures, loss of entitlement, disenfranchisement) and expressed itself in class conflict.

Reiterating a central theme of this paper, the absence of bourgeois hegemony means that states undergoing passive revolutions often have to resort to coercion to control and discipline the lower classes. As neoliberal reforms have deepened, Beijing has become more concerned that sporadic, spontaneous and uncoordinated political protests by the subaltern classes could consolidate into a genuine popular movement. While certainly the use of overt force, detainment without trial, *lǎojiào* ('re-education through labour'), capital punishment, and heavy censorship, retain their utility for quelling errant social elements – stepped up under Xi Jinping (see below) – Beijing understands the importance of appearing fair and as acting for the common good. Accordingly, over time, and thanks in part to their political mobilisation, the subaltern classes have been granted certain concessions, with some of their basic demands being assimilated into the neoliberal project, albeit in a modified form, and always compatible with the interests of capital. Commonly dressed up in liberal democratic discourse, *trasformismo* has been a key strategy used by the State Council to direct/manage internal political change from the early 1990s onwards.

V. 'TRASFORMISMO' STRATEGIES: FROM DENG TO HU

1. Low-level Democracy and Worker's Rights

The key ways Beijing has sought to co-opt the subaltern classes under its *trasformismo* strategy has been through the promotion of low-level democracy and 'recognising' workers' rights.

⁶⁸ GRAMSCI, A. (1971), *op. cit.*, pp. 323-8.

Superficial measures to augment democratic accountability at the grass-roots were introduced in the 1980s, granting citizens the right to vote, and a degree of choice in selecting candidates in village elections. Under the 1998 Organic Law on Villager's Committees elections were now to be 'competitive' (i.e. more candidates than positions available) and could involve 'independent' candidates (i.e. people not belonging to the CPC, as long as they were not from any other party). This model was later then extended to county-level elections, and the Election Law amended in March 2010 recognising rural and urban residents' rights to equal representation in legislative bodies, supressing the traditional bias towards the latter group.

But these changes have been largely inconsequential. At village level, for example, while there has been a sharp increase in independent candidates putting themselves forward since the late 1990s, they seldom manage to get voted in, often subject to insuperable official impediments and numerous personal attacks. The *real* purpose of these village elections, according to Landry *et al* is to give Beijing a way to control local leaders and, if need be, wash their hands of inadequate/corrupt officials: more a way to perpetuate top-down authoritarian rule than anything else.⁶⁹

The official state media refutes such allegations, claiming China has a 'responsive', 'effective' and 'substantial' democracy for all social classes and ethnic groups, unlike the West's decadent 'formal' democratic model, which boasts of transparency, accountability and universal suffrage, but is little more than a "game for the rich".⁷⁰

Nonetheless, over time, Beijing has introduced aspects of 'formal' democracy into public discourse. Speaking in August 2010, for example, Wen insisted the CPC had to protect rights and make the government more accountable in order to build a fairer, democratic, law-abiding society. "If we don't push forward with reform", Wen insisted the following October, "the only road ahead is perdition" quoting Deng's words to conservatives in 1992. Similarly, in a CNN interview the Prime Minister proclaimed, "freedom of speech is indispensable for any country" and "the people's wishes and needs for democracy and freedom are irresistible".⁷¹ As seen below, *real* democratic reform under Xi Jinping would fall woefully short of official discourse.

Arguably where more tangible progress could be observed was with regards workers' rights.

Conforming to the classic *trasformismo* template, Beijing has attempted to assimilate workers into the fold by 'institutionalising' labour relations, guaranteeing greater legal transparency/accountability in the workplace. Yet rather than confirming 'rule of law', the State Council has actually reinforced the CPC's regulating capacity, disguising it by

⁶⁹ LANDRY, P. F., DAVIS, D., & WANG, S., "Elections in Rural China: Competition Without Parties" *Comparative Political Studies* XX(X), 1-28, 2010.

⁷⁰ CHINA DAILY, "Top legislator warns of chaos unless correct path is taken", 3rd March 2011, http://www.chinadaily.com.cn/china/2011npc/2011-03/11/content_12152319.htm (accessed 26/08/11).

⁷¹ THE FINANCIAL TIMES, "Political stasis is China's Achilles heel", Jonathan Fenby, 14th October 2010.

behind an impersonal legalistic/bureaucratic smokescreen of abstract norms. This 'rule by law' (*yǐfǎ zhìguó*) codification, described by Mary Gallagher as "authoritarian legality"⁷² has a dual aim: 1) depoliticising industrial relations; and 2) diverting political opposition away from Beijing, since the implementation of these law was cleverly delegated to the local level.⁷³

This process began in the 1990s where, thanks to initiatives such as the introduction of the first "Labour Law" (1995) and a 1999 amendment to the Constitution (Article 5), there did now exist, in principle, a legal basis for the mediation of labour-capital relations and dispute resolution in China. Further Labour Laws managed to codify workers' rights but these were done in abstract terms as *individuals*, rather than as a collective, avoiding any reference to exploitation or social class.

In addition, while workers were now technically free to joining unions, as part of the original *trasformismo* strategy, in reality the options were limited to those affiliated to the official vertical trade union federation: the All-China Federation of Trade Unions (ACFTU). Yet defending working class interests always took a poor second place to ACFTU's main priority which was reproducing the regime of accumulation, which they achieved by: 1) colluding with company managers and local government against workers' interests; 2) moulding workers' demands to the parameters set by the CPC; and 3) undermining the development of a genuine independent trade union movement.⁷⁴

Nonetheless, and no matter how 'soft' in character, the new laws did constitute *some* kind of institutional basis for the defence of labour rights vis-à-vis capital, sparking a dramatic increase in the number of cases brought before municipal courts. The fact that conservative judges usually interpreted the law in favour of business, only provoked subaltern class militancy still further. Between 1990 and 2008, thus, the PRC witnessed some of the world's biggest demonstrations. Though reliable statistics are difficult to come by, the number of these denominated 'mass incidents' are thought to have risen from 8,700 a year in 1993, 74,000 in 2004, 90,000 in 2006, to around 127,000 in 2008.⁷⁵

Rising class conflict caused a reshaping of the passive revolution itself. According to Cheng Li this coincided with shift of power within the top CPC leadership, manifested in the seven-member Politburo Standing Committee. The so-called *Shanghai gang* 'elitists', which included Jiang Zemin and Zeng Qinghong gave way to the *Tuánpài* 'populists', who garnered greater support amongst rank-and-file CPC members and the Communist Youth League. Key *Tuánpài* leaders, Hu Jintao and Wen Jiabao, became the new

⁷² GALLAGHER, M. E., *Authoritarian Legality in China: Law, Workers and the State*, Cambridge, Cambridge University Press, 2017.

⁷³ See LEE, C. K., "From the Spectre of Mao to the Spirit of the Law: Labour Insurgency in China", *Theory & Society*, 31 (2), 2002; and LEE, C.K., *Against the Law: Labour Protests in China's Rustbelt and Sunbelt*, Berkeley, University of Berkeley, 2008.

⁷⁴ The ACFTU has not, for example, accepted the international labour standards of the International Labour Organisation (e.g. right to association).

⁷⁵ DONG, L., KRIESI, H., KÜBLER, D. (eds), *Urban Mobilizations and New Media in Contemporary China*, Farnham, Ashgate Publishing Ltd, 2015, p. 3.

President/CPC Secretary General and Prime Minister, respectively, in November 2002.⁷⁶ Whether this elite rift is genuine or not, official CPC discourse under Hu and Wen did adopt a more conciliatory position towards workers, emphasizing the needs of the *third* of Jiang Zemin's "Represents" – the general public – rather than the *first* (capitalists). Beijing acknowledged that rapid marketisation had had polarising social consequences.

At the annual NPC's meeting in March 2007 for the first time, Beijing acknowledged that the economic growth model was "unstable, unbalanced and uncoordinated". There could be no "harmonious society", Hu insisted, without a fairer distribution of wealth from rich to poor, from coastal to inland regions, and from urban to rural areas.⁷⁷ Apart from new investments and favourable fiscal arrangements for rural areas (towards a 'new socialist countryside') the NPC promised new workers' rights.

In January 2008, NPC's Standing Committee announced a new Labour Contract Law (LCL), standardising the establishment, performance, variation, and termination of labour contracts. Under these new laws, employers had to: (with a few exceptions) offer their workers written contracts (LCL, Article 10); pay their workers in full and on time (LCL, Article 30); and refrain from forcing workers to do overtime (LCL, Article 31) or perform dangerous operations (LCL, Article 31). The stipulations that particularly upset companies were Article 4 (LCL) – compelling consultation with employees over variations in working conditions – and articles 37-47 (LCL), regarding the discharge and termination of labour contracts.⁷⁸

On closer inspection workers' rights protection was not so comprehensive. The LCL left many loop-holes enabling employers to deny their employees said benefits. Many of the rights recognised, notably those regarding redundancy payments, for example, depended on the type of contracts ('fixed', 'continuing' or 'project') offered (Articles 13-15). Nor did it make clear just what the correlative remedial or penalty provisions were in the case of non-fulfilment of obligations. And crucially, the right to strike was not recognised. But once again, regardless of whether employers, CPC officials, or the ACFTU actually took the new LCL seriously or not, workers certainly did. When effects of the GFC hit China, many sought to exercise their newly codified rights. That year there was a massive increase in the number of labour disputes going to mediation – nearly 700,000, almost

⁷⁶ The *Shanghai gang* 'coalition', Li maintains, consists of high CPC members and their children (the "princelings"), capitalists, foreign educated Chinese, the emerging middle classes and even the Shanghai Mafia; the *Tuánpài* however, is made up of rank-and-file CPC members, rural leaders, left wing academics, workers and the peasant groups. While the former has a powerful political base around the urban-industrial coastal regions and is most integrated into the global economy, the *Tuánpài* finds support in the hinterland and are more concerned about national cohesion, sustainability and domestic consumption. See LI, C., "One Party, Two Coalitions in China's Politics", *Brookings Institute*, 16 August 2009, <http://www.brookings.edu/research/opinions/2009/08/16-china-li> (accessed 21/10/15); and LI, C., "Rule of the Princelings", *Brookings Institute*, 10th February 2013, <https://www.brookings.edu/articles/rule-of-the-princelings/> (accessed 04/12/15).

⁷⁷ INTERNATIONAL MONETARY FUND, "IMF Survey: China's Difficult Rebalancing Act", IMF Country Focus, September 12th 2007 <https://www.imf.org/en/News/Articles/2015/09/28/04/53/socar0912a> (accessed 18/04/09).

⁷⁸ CHINA CULTURAL INDUSTRIES, "Labour Contract Law of the People's Republic of China", available at http://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=76384 (accessed 17/07/12).

double that of 2007 – while the number of labour cases in civil courts (where workers can appeal arbitration committees' decisions) stood at 280,000, a rise of 94% on the previous year.⁷⁹

Nor were workers actions confined to formal legal procedures. Frustrated as they were by the gulf between the formal recognition of rights and their actual enforcement, the following two years saw a dramatic upsurge in the number of labour mobilizations. In the spring of 2010, a number of high-profile strikes hit the international headlines, the most significant at the 400,000-strong 'live-in' Longhau Science and Technology Park plant of the Taiwan-owned Foxconn Electronics, the world's largest contractor of electronics manufacturers (products for Apple, Sony, HP etc). The Foxconn case not only alerted the world's attention to the true human cost of exploitation in China – and how integral this labour exploitation was to rich countries' technology and consumer requirements – it produced a domino effect of 'non-official' strikes at other foreign-owned multinational corporations (MNCs) first at Honda and then a plethora of other auto supply and electronics factories throughout the Pearl River Delta, including the Toyota-related components factory in Tianjin.⁸⁰

2. Unsustainable Economic Growth Model

Beijing's uncharacteristic *laissez-faire* attitude to industrial action at foreign MNCs in 2010, together with atypically benevolent coverage in state-run media (e.g. *Xinhua*)⁸¹ seemed to suggest that the CPC elite did harbour certain sympathy for the workers' cause. But even if not, the onset of the GFC exposed the economic unsustainability of China's export-driven development model. Experts now agreed that social stability was contingent upon developing the domestic economy. In fact, the State Council's immediate response to the crisis was to adopt classic Keynesian deficit spending to compensate for export losses. State banks loaned out 4 trillion *yuán* (then \$586bn) – amounting to a 50% expansion of money supply (M2) in 2 years – to finance massive infrastructure and transportation projects and diverse social programmes.

For the short term this investment-led growth model work well. Dozens of cities competed against each other for the funds to construct airports, high-speed rail networks, subways, road, hospitals, government complexes, office blocks and residential properties etc. By 2011, however, the property boom reached such proportions that Western pundits began forecasting an imminent crash. *The Economist* reported that 40% of the world's skyscrapers due for completion in the following six years would be built the PRC, with real estate surpassing foreign trade as the single largest item on the country's GDP statistics.⁸²

⁷⁹ PRASATH, S. A., (2014), "A Study on the Importance of the Trade Union in Organisation", *Journal of Advances on Humanities*, vol.1. n°1. May 2014.

⁸⁰ CHAN, K. C. C., & HUI, E. S. L., "The development of collective bargaining in China: From 'collective bargaining by Riot' to 'party state-led wage bargaining'", *China Quarterly*, 217, 2014.

⁸¹ This also followed state-media revelations of slave-labour conditions in the brick kilns and coal mines of the Shanxi and Henan provinces, and a child-labour ring in Guangdong.

⁸² THE ECONOMIST, "Building Excitement: Can China Avoid A Bubble?", 3rd March 2011.

High systemic inflation not only damaged the nation's export industries it devalued the population's wages and savings.⁸³ Worse still for the lower classes who found affordable housing difficult to come by in the largest cities such as Beijing, Shanghai, Shenzhen and Guangzhou, with many others facing eviction for urban development projects, which again provoked tens of thousands of public protests.⁸⁴ The CPC elite had little choice but to deflate the real estate bubble, tighten fiscal and monetary policies, introduce laws to protect home-owners from eviction, and extend public housing programme projects. As a result, from the summer of 2013 property prices did start to drop.

Yet the underlying problem for China remained, one which the investment bubble failed to overcome: systemic *over-production*. Indeed, the reason SOEs were encouraged to 'go global' post-GFC was not only to guarantee supplies of cheap inputs (e.g. energy) but to access new markets in which to bury their surplus value and therein avoid falling profit rates. Indeed, the BRI is merely the biggest, most ambitious and coordinated expression of Beijing's attempt to resolve its problems of over-production via geographical relocation/restructuring, which David Harvey has termed a *spatio-temporal fix*.⁸⁵

The cold reality was that the accumulation regime at the heart of China's passive revolution was unsustainable. Over-capacity, reliance on foreign customers, the accumulation of billions of dollars-worth of foreign reserves and the blowing of investment bubbles, were all symptoms of this over-production, or seen from a different perspective, *under-consumption*⁸⁶: a direct corollary of the country's over-exploitative production model and chronic inequality.⁸⁷ Workers had seen their share of GDP steadily decline⁸⁸ while job insecurity and limited welfare services, especially for those workers outside their *hùkǒu*, meant what money they did receive was likely to be saved rather than spent.⁸⁹

There was also a strategic imperative behind restructuring the economic growth model. The CPC elite was well aware that any ambitions of exercising regional or world

⁸³ The Consumer Price Index hit 6.5% in July 2011, marking a 37-month high. CHINA.ORG.CN, "China's July CPI hits 37-month high of 6.5%", 10th August 2011, http://www.china.org.cn/video/2011-08/10/content_23178581.htm (accessed 13/05/12).

⁸⁴ SUM, N.L. & JESSOP, B., *Towards a cultural political economy: Putting culture in its place in political economy*, Cheltenham, Edward Elgar, 2013, p. 463.

⁸⁵ HARVEY, D., *The Limits to Capital*, Oxford: Basil Blackwell, 1982.

⁸⁶ See LUXEMBURG, R., *The Accumulation of Capital*, London, Routledge, 2003.

⁸⁷ According to World Bank statistics, household consumption as a share of GDP in 2017 stood at 38% for China, some way off Germany (53%), France (54%), Japan (56%), the UK (66%) and the US (68%). THE WORLD BANK, "Households and NPISHs final consumption expenditure (% GDP)", <https://data.worldbank.org/indicator/NE.CON.PRVT.ZS?view=chart7> (accessed 03/06/19).

⁸⁸ HUANG, Z. & LARDY N. R., "China's Rebalance Reflected in Rising Wage Share of GDP", *Peterson Institute for International Economics*, 13th October 2016, <https://piie.com/blogs/china-economic-watch/chinas-rebalance-reflected-rising-wage-share-gdp>, (accessed 22/07/17).

⁸⁹ The CIA estimated China's gross national savings rate as percentage of its GDP in 2017 as standing at 45.8% compared to the Germany (28.0%), Japan (28.0%), the European Union (22.7%), the US (18.9%) and UK (13.6%). CENTRAL INTELLIGENCE AGENCY, "Gross National Saving: Country Comparison Ranking", *The World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/fields/212.html#CH> (accessed 04/06/19).

hegemony hinged upon the country shifting away from low value-added manufacturing exporter to become a high-quality, technology-heavy, generator of goods and services, much of which can be consumer at home.

According to world-systems theorist, Giovanni Arrighi, a world hegemon must be capable of leading the capitalist world to a new period of cycle of accumulation. To do so, amongst other attributes, the hegemon must possess a large enough internal market to absorb global surplus capital, converting itself into the consumer of last resort, as both Britain and the US did in the 19th and 20th centuries, respectively.⁹⁰ In fact, it was concerns about the weakness of global demand following the GFC which converted Western business media outlets such as the *Financial Times* and *The Economist* into unexpected supporters of “alienated Chinese workers” and their right “to fight back”, in the hope this would translate into higher wages and raise international consumption.⁹¹ The need for China to consume more was one of the key issues reiterated by US Vice-President Joe Biden Jr. when he met with then Vice-President, Xi Jinping, in August 2011.

It was in this context, that the Twelfth Five-Year Plan (2011-15) was approved at the annual NPC conference in March 2011, officially transforming the passive revolution accumulation regime. The “unbalanced, uncoordinated and unsustainable” development model would now be replaced by a serviced-based, technologically-intensive “knowledge economy”, based on “national creativity”, and “innovative spirit”. Boosting domestic demand not only made good economic sense, but constituting the best way to achieve an “harmonious society”.

Compatible with its ongoing *trasformismo* strategy, Beijing announced plans to increase the disposable income of urban and rural residents by at least 7% and minimum wage rate by at least 13% over the following 5 years, in addition to strengthening the welfare state and guaranteeing affordable housing.⁹²

But it was not just ‘bottom up’ pressure (labour militancy) or ‘top down’ governmental decisions that were conspiring to drive salaries up: supply and demand played an important role too. Incredulously, given the country’s population size, many businesses complained of a labour shortage, not helped by thirty years of low birth rates (‘one-child policy), an unreformed *hùkǒu* system in the large cities, and rural immigrants returning to their inland villages. Especially hit were those businesses based in the coastal regions and the Pearl River, such as Shanghai, Shenzhen, Guangdong, Zhejiang, Fujian, Shandong who all announced a further 20%-plus minimum wage increase in the spring of 2011 (on top of those announced in 2010). In 2013 a total of 27 regions raised their minimum wage by an average of 17%, with 7 provinces (amongst them Shanghai,

⁹⁰ ARRIGHI, G., *The Long Twentieth Century: Money, Power and the Origins of our Times*, 2nd ed. London, Verso, 2010, pp. 231-5.

⁹¹ THE FINANCIAL TIMES, “Currency wars in an era of chronically weak demand”, Martin Wolf, 29th September, 2010; THE ECONOMIST, “The rising power of the Chinese worker”, 29th July 2010.

⁹² XINHAUNET, “China unveils five-year development blueprint as parliament starts annual session”, 5th March 2011, available online at <http://www.xinhuanet.com/english> (accessed 23/01/14).

Shenzhen, Tianjin and Beijing) rising it 12.5% further in 2014.⁹³ Even companies that have set up factories in cheaper inland provinces have had to increase wages well above the statutory minimum to guarantee labour supplies. According to the International Labour Organisation, between 2008 and 2017 almost half of the 22% increase in average global wages was due to China, where salaries rose by 8.2% annually, reaching levels comparable with countries in Eastern Europe.⁹⁴

VI. XI'S 'CAESARISM' & NASCENT HEGEMONIC PROJECT

1. Nurturing Consent

In November 2012 at CPC's 18th NPC the new General Secretary, and 'Shanghai Gang' member, Xi Jinping, announced plans for the "rejuvenation" of the nation based on the 12 Core Socialist Values⁹⁵. A central aim of this "Chinese Dream", he explained in Volume I of his *The Governance of China*, was to turn the country into a "moderately prosperous society" by 2021, and a "modern socialist country" (strong, culturally advanced, democratic, and harmonious) by 2049.⁹⁶ In November 2013 Beijing announced a package of measures entitled "The Decisions on Major Issues Concerning Comprehensively Deepening Reforms". Building upon the 12th Five Year Plan, these "deepening reforms" sought to "develop socialism with Chinese characteristics" and modernise the system of governance; "only reform and opening-up can save China, socialism and Marxism", Xi cautioned.⁹⁷

This represented the biggest top-down overhaul of the Chinese FOS since Deng. Crucially, at the heart of this state-building mission lay a nascent *hegemonic project*: a conscious step by the cadre-capitalist class to move beyond a passive revolution and consolidate a broader, more stable, domestic historical bloc.⁹⁸ This transitional phase towards hegemony would take place under the cover of *Caesarism*. In a process of 'leadership cult' not witnessed since Mao, Xi was promoted as the focal point of heightened nationalist propaganda campaign in the press, on television and social media: the honest, moral, principled and highly successful defender of the nation and socialism,

⁹³ THE US-CHINA BUSINESS COUNCIL The US-China Business Council (2014), "China Raises Monthly Minimum Wages in Shanghai, Shenzhen, Beijing", Wenham Shen, 2014, <https://www.uschina.org/china-raises-monthly-minimum-wages-shanghai-shenzhen-beijing> (accessed 09/09/16).

⁹⁴ Quoted in CHINA DAILY, "China drives global wages up", 19th December 2018, <http://www.chinadaily.com.cn/a/201812/19/WS5c197b87a3107d4c3a001829.html> (accessed 17/01/18).

⁹⁵ These encompassed *national* values (prosperity, democracy, civility, harmony), *social* values (freedom, equality, justice, rule of law), and *individual* values (patriotism, dedication, integrity, friendship).

⁹⁶ XI, J., *The Governance of China*, Beijing, Foreign Language Press, 2014, p.38

⁹⁷ Launched at the conclusion of the Third Plenary Session of the 18th CPC's Central Committee on November 12th 2013. See CHINA.ORG.CN, "The Decision on Major Issues Concerning Comprehensively Deepening Reforms in brief", 16th November 2013, (accessed 06/05/14) http://www.china.org.cn/china/third_plenary_session/2013-11/16/content_30620736.htm.

⁹⁸ HUI, E. S. I., "Putting the Chinese state in its place: a march from passive revolution to hegemony", *Journal of Contemporary Asia*, 47:1, 2017.

and personification of the modern “China Dream”, as both his 2014 book and the state-funded 2018 “Amazing China” documentary extolled.

Conforming with Gramsci’s model, the charismatic ‘strong man’ Xi would be granted unprecedented executive powers – and potentially for an unlimited term, following the 2018 Constitutional reform – in order to overcome elite divisions and discipline opposition elements during the period of China’s neoliberal restructuring and state-building process. Accordingly, the People’s Liberation Army was reformed, and all components of national security were centralised under a new National Security Commission, swearing allegiance to the CPC General Secretary himself.

First and foremost, the “rejuvenation” of the nation depended upon shifting towards a new system of capital accumulation. To save socialism, paradoxically, the CPC leadership insisted the market had to be given a “decisive” role in the resource allocation. This meant to a large extent accepting neoliberal orthodoxy and encouraging the country’s economic competitiveness within the global capitalist system via a new ‘Made in China’. Nationally, accumulation would centre on technological innovation, urbanisation and nurturing consumption; internationally, it involved developing construction and infrastructure projects, to offset domestic over-capacity, manifested in the setting up of the BRI.

A hegemonic project, unlike a passive revolution, must assimilate the subaltern classes. Beijing’s One Nation discourse reiterated the need to work for the ‘common good’, to turn “harmonious society” objectives into reality. The CPC elite promised a fairer redistribution of wealth both between urban and rural areas, the rich and the poor and capital and workers, a relaxation of *hùkǒu* rules, and improved access to social services. In a report delivered at the Communist Party’s 19th NPC October 2017, Xi acknowledged achieving ‘common prosperity’ would require adapting the growth model, there was a “contradiction between unbalanced and inadequate development and the people’s ever-growing need for a better life”. The goal of eliminating rural poverty by 2020, for example, required the nurturing of local industries, education and healthcare.

The assimilation of the subaltern classes also including improving political accountability. In the same NPC report, the Premier laid out a 14-point guideline entitled “Thought on Socialism with Chinese Characteristics for a New Era”. Officially the country was a “socialist consultative democracy”, involving “orderly participation” by the people, who enjoyed certain Constitutional rights (e.g. freedom of speech, association and demonstration) as long as these did not threaten the CPC, with ‘constitutionalism’ itself dismissed as a degenerate Western phenomenon. Beijing promised the strengthening of grassroots democracy, greater transparency in, and effectiveness of, the judicial system, a cracking down on corruption, reforming the ‘one child’ policy, abolishing the ‘re-education through labour’ (*láojiào*) system and detainment without trial, and reducing the use of capital punishment.⁹⁹

⁹⁹ CHINA DAILY, “Full Text of Xi Jinping’s report at the 19th CPC National Congress”, 4th November 2017, http://www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-11/04/content_34115212.htm (accessed 12/12/18).

At the same time, there would be no liberal democratic emphasis on individual rights, only collective citizen rights based upon moral obligations in keeping with Core Socialist Values were recognised. Indeed, areas of state-society complex, such as the state media and public and private firms, had to conform to CPC orthodoxy. The education system was especially monitored. All university law books, for example, had to be registered with the Ministry of Education and consistent with “Xi Jinping Thought”. In short, all political reform had to take place under party leadership and through traditional channels. Xi greatly expanded the CPC’s reach, setting up 77,000 smaller branches around the country. Promotion within the party depended upon adherence to ideological conformity and political loyalty to the leader.

One other important area Xi’s *Caesarism* sought to garner public consent around its One Nation programme is by stepping up the war on corruption, bribery and organised crime, which have grown in direct proportion to capital accumulation. Few issues anger citizens more than the prevalence of *guānxi* (‘personal connections’), especially watching crooked state officials, party members and wealthy businessmen remain immune to prosecution. In a one-party state it is vital, for legitimacy sake, that the vanguard exercise moral superiority. To show that no one is above the law, and reinforce its claim as ‘neutral arbiter’, Beijing (supported by the state media) has orchestrated periodic high-profile campaigns against *hēi shè huì* (the criminal underworld).

This anti-corruption drive is not new,¹⁰⁰ but under Xi it has been augmented considerably, helping to reinforce his own position, eliminate powerful enemies and quash critics (e.g. independent lawyers and unauthorised groups). Since 2013 the newly-reinforced Central Commission for Discipline Inspection has chastised over a million cadres, indicting tens of thousands, including high profile military (e.g. Xu Caihou and Guo Boxiong), political (e.g. Ling Jihua and Zhou Yongkang) and business (e.g. Xiao Jianhua and Wu Xiaohui) leaders, hitherto assumed to be above the law. In January 2018 Xi launched a must publicised 3-year campaign dedicated to *sǎohēi chū è* (‘sweeping away black and evil element’), targeting a wide range of society ‘threats’ ranging from corrupt officials, organised crime and market-fixing “tyrants” (e.g. taxi and sea-food cartels), but also extending to so-called ‘gangster’ lawyers and petitioners who have either challenged injustices perpetuated by officials or fought against evictions.

A common theme reiterated throughout this paper is the inseparability of the national and international dimensions. It comes as no surprise that at the same NPC congress in October 2017 Xi announced a more assertive foreign policy, demanding a more central position for the PRC on the world stage.¹⁰¹ As Andreas Mulvad has affirmed, Xi’s domestic hegemonic project is *implicitly* a world hegemonic project: an internationalisation of the state project geared to reshaping global governance norms and institutions in line with Chinese national interests and therein reinforce the social class

¹⁰⁰ See for example the mass arrests of government officials, judges, businessmen, criminals, judges and police officers in Chongqing under municipality chief, Bo Xilia, between 2009-11.

¹⁰¹ REAL INSTITUTO ALCANO, “La Política Exterior de Xi Jinping tras el 19º Congreso: China quiere un papel central en la escena global”, Mario Estaban, 25th October 2017, article available at <http://www.realinstitutoelcano.org> (accessed 18/10/19).

hierarchy at home.¹⁰² In short, it means promoting a more China-friendly/centric alternative to Western liberal hegemony.

The inclusive, win-win 'One Nation' discourse at home was reflected in inclusive, cooperative liberal internationalist 'One World' vision abroad. Paralleling the domestic neoliberal shift Xi gave a keynote speech at the Davos Economic Forum in Jan 2017 extolling the virtues of free markets, globalisation, liberalisation and cultural interaction. At the same time, and again shadowing the ongoing national narrative, Xi recognised that the global economy was 'unbalanced', and in need of management to promote equitable growth and stem rising inequality (between both rich and poor people and the North-South country divide)¹⁰³. Against the backdrop of the Trump administrations increasingly protectionist position, as Mulvad indicates, Beijing was offering itself as the 'intellectual and moral leader' for an elite-driven, universal, open, cooperative, harmonious, inter-state global order for 'common prosperity'.¹⁰⁴

Although the Beijing supports the liberal international order, unsurprisingly it considers the system of global governance adequate, demanded an institutional restructuring (notably of the Bretton Woods 'trio') in order to grant more weight to developing countries, like itself. Simultaneously, the PRC has sponsored the setting up of new institutions, such as the New Development Bank and the Asian Infrastructure Investment Bank, to offer countries alternative sources of development financing to traditional highly liquid Anglo-Saxon banks.

The setting up of the Asian Infrastructure Investment Bank is especially significant for the supportive role it plays in financing BRI projects. The BRI constitutes the central pillar of a new Sino-centric accumulation regime, and hence China's global hegemonic project itself. Potentially, the BRI will not only permit the PRC to export its excess capacity abroad – finding construction and infrastructure projects for its SOE's across Eurasia – therefore helping to stabilise its own domestic accumulation strategy (and political system), but also expanding its economic and political influence across Eurasia.

2. Resorting to Coercion

But for all these consensual aspects the Chinese bourgeoisie has yet to establish its hegemony and the country remains anchored in a top-down passive revolution which, as reiterated throughout this paper, involves frequent recourse to coercive methods to control society. Indeed, and conforming to Karl Polanyi's theory that free market capitalism can only survive via increased authoritarianism,¹⁰⁵ state oppression in the PRC has augmented

¹⁰² MULVAD, A. M., "Xiism as a hegemonic project in the making: Sino-communist ideology and the political economy of China's rise", *Review of International Studies*, 45: 3, 449-470, 2019, p. 451.

¹⁰³ WORLD ECONOMIC FORUM, "China's Xi Jinping defends globalization from the Davos stage", Ceri Parker, 12th January 2017, <https://www.weforum.org/agenda/2017/01/chinas-xi-jinping-defends-globalization-from-the-davos-stage/> (accessed 25/10/19).

¹⁰⁴ MULVAD, A. M., *op. cit.*, p.459.

¹⁰⁵ POLANYI, K., *The Great Transformation: The Political and Economic Origins of Our Time*, Beacon Press, Boston, 1957, pp. 256-8.

proportionally as the economy has been opened up, and especially noticeable from 2008 onwards.

Pointedly, just two months after the arrest of Charter 08 activist, future Nobel Peace Prize winner, Liu Xiaobo, the Fourth Plenary Session of the 17th Central Committee in September 2009 dramatically increased the *national security state*, enhancing capacities to deal with dissident political groups and potential ‘terrorists’. Along with the military and the regular police force (both uniformed and plain-clothed), Beijing also greatly expanded the authority and resources of the paramilitary People’s Armed Police, establishing 36 units (1.5 million servicepersons) nationwide, in addition to an unarmed civilian militia to ‘keep order’ in the cities.

The CPC has always controlled the flow of information in China through state-run media outlets, setting up the Public Information and Internet Security Supervision Bureau to monitor the internet in 1998. Over subsequent years the infamous ‘Great Firewall of China’ was erected – the world’s most censored region of cyberspace – allowing Beijing to expurgate content, block websites, close down any publication and fire/prosecute any journalists spreading ‘dangerous’ news or ideas. Access to most foreign news networks and social networks is prohibited. *Twitter*, for example, has been blocked since 2009 (along with all *Google* services, *Facebook*, *Instagram*, *YouTube* etc) substituted by heavily monitored national versions (e.g. *Sina Weibo*, *Baidu* and *We-Chat*).

The Arab Spring of 2010, with its anti-authority/pro-democracy images and messages, was a particular concern for CPC elites, leading to heavy censorship of both old and new media platforms. The following March (2011) internal security expenditure was increased by 13.8% to stem what Wen Jiabao considered “an abundance of threats within”; pointedly, for the first time, the PRC would be spending more on police and domestic surveillance than it would on defence.¹⁰⁶

Under Xi’s *Caesarism* state oppression has got worse. Directly contradicting the BRI’s objective of ‘encouraging the free flow of ideas’, the CPC has taken advantage of new technologies (e.g. AI, face recognition software recognition and Big Data) to submit civil society to stricter surveillance, especially their use of internet with over 2 million ‘internet public opinion analysts’ employed to detect and quash ‘dangerous’ news/ideas circulating amongst the country’s 772 million internet users.¹⁰⁷

Under the 2015 Criminal Law, journalists and bloggers can face up to seven years in jail for spreading ‘false information’ and ‘slandorous rumours’ about politicians or celebrities

¹⁰⁶ REUTERS, “China internal spending jumps past army budget”, Chris Buckley, 5th March 2011, <https://www.reuters.com/article/us-china-unrest/china-internal-security-spending-jumps-past-army-budget-idUSTRE7222RA20110305> (accessed 17/03/11).

¹⁰⁷ CHINA INTERNET NETWORK INFORMATION CENTER, *The 41st Statistical Report on Internet Development in China*, January 2018, p. 7 (accessed 09/02/18). <https://cnnic.com.cn/IDR/ReportDownloads/201807/P020180711391069195909.pdf>

online, even in joke form.¹⁰⁸ Furthermore, this official censorship is reinforced by self-censorship. Any firm operating social-media platforms, blogs, private chat groups or sharing content are now obliged to employ staff to police sites and remove any offensive material, be it of a political, sexual, violent or 'immoral' nature, since *they* are legally responsible for the content. Little wonder that China occupies 177th place (out of 180) on *Reporters Without Borders* "2019 World Press Freedom Index".¹⁰⁹

Some Chinese do manage to try to circumvent the Great Firewall using proxy nodes and encrypted data, to varying degrees of success. One common technique is to access a 'virtual private network' (VPN), but Beijing has countered with stricter laws, improved surveillance and political pressure. In July 2017, for example, Apple agreed to remove VCN products from its Chinese app store with Android following suit, while national telecommunications companies must now use government sanction VPN. That December Beijing sent out a clear signal to the public, sentencing small trader Wu Xiangyang to five and a half years in prison for 'illegal business' practices – selling software to access VPN.

Another way the Great Firewall has been via encrypted platforms such as Microsoft's *GitHub*. Designed to allow experts to collaborate on software projects *GitHub* at the time of writing is being used by IT workers as a forum for the "996" labour protest movement. Since the American company is reliant on Beijing's approval to continue operating other services in the country such as *Bing* and *LinkedIn* – albeit with censored content – *The Economist* considers it likely that commerce will prevail over free speech.¹¹⁰

For many, Xi's recently announced anti-corruption campaign (*sǎohēi chū è*) is little more than a smokescreen to eliminate any opposition elements. Similarly, under the banner of One Nation unity an estimated 1 million Muslim Uighurs from the North Western autonomous region of Xinjiang have been sent to 're-education camps' and millions more subject to 24-hour high-tech surveillance with the excuse that they support radical Islam and terrorism.¹¹¹

Meanwhile in Hong Kong the pro-democracy "Umbrella Movement" has seen many of its leaders jailed, associated lawyers and activists silenced since its launch in 2014, with the island's politicians barred from running for office on the island unless they pledge loyalty to the CPC. Mass demonstrations, sabotage and violent clashes with police involving tear gas and rubber bullets, have increased considerable since June 2019 in protest to the introduction of a new Extradition Law claimed to jeopardise Hong Kong's political/legal independence. On the 4th October 2019 the Hong Kong's Chief Executive invoked the Emergency Regulation Ordinance to ban the use of face masks (thereby

¹⁰⁸ People could face defamation charges if their rumours were seen by over 5,000 netizens or retweeted more than 500 time. GLOBAL TIMES, "7-year penalty for spreading rumors on net", 28th October 2015, <http://www.globaltimes.cn/content/949407.shtml> (accessed 12/12/15).

¹⁰⁹ REPORTERS WITHOUT BORDERS, "2019 World Press Freedom Index" https://rsf.org/en/ranking_table (accessed 05/06/19).

¹¹⁰ THE ECONOMIST, "GitHubbub: Office Workers in China organise a rare online labour movement", 17th April 2019.

¹¹¹ THE ECONOMIST, "Extraordinary Rendition: China seems deaf to mass protest in Hong Kong, over extradition", 10th June 2019.

permitting face recognition) following mass demonstrations on the PRC's 70th anniversary (1st October).

VII. CONCLUSION: WORLD HEGEMONY IN QUESTION

This paper began by acknowledging China's spectacular, unprecedented socio-economic rise and the effect this has had on world order. The central research question was then posed: to what extent do it constitute a potential *world hegemon*? In order to answer this, we began by setting out our modified (or *Neo*) neo-Gramscian perspective on world hegemon, understood as:

- 1) the supremacy of a particular state-society complex over the rest, each one resting on its own particular historical bloc and rooted in underlying forces and relations of production
- 2) originating in the outward expansion of social forces emergent from a national hegemonic project
- 3) being established through a mixture of consensual and coercive measures, notably the launching of a new regime of accumulation and the setting up of international organisations, helping to restructure the social relations of production and FOS of other states
- 4) depending not just on a superior economic and military capabilities but of *politico-cultural* hegemony, involving the exercising of 'intellectual and moral leadership' and remaking the world order 'in its own image'

Bearing these points in mind, and in order to assess the PRC's 'hegemonic potential' on the latter criterion, we have deemed it vital to examine the complexities of its ongoing passive revolution: a state-led social restructuring programme driven by the exigencies of a competitive capitalist system afflicted by uneven development.

We noted how China's original 'opening up' and establishment as a global exporter of low-end manufacturing goods was facilitated by FDI and massive 'primitive accumulation', creating unthinkable riches but at significant human cost. The dispossession, loss of entitlement and inequality incurred sparked 'bottom-up' protests, demanding social justice and a fairer distribution of wealth. In the absence of bourgeois hegemony, CPC elites have adhered to a *trasformismo* strategy of trying to assimilate the subaltern classes into its historical bloc by granting minimal concessions (e.g. minimal workers' rights/wages, extending rule-by-law, sanctioning low-grade democracy etc.) while retaining strict political power and constant recourse to coercion.

From the mid-2000s onwards, but more acutely following the GFC and subsequent bursting of the investment bubble, it became clear to the party-state that the economic growth model was no longer sustainable. Beijing's 2013 announcement of "deepening

reforms” formed part of nascent hegemonic project under Xi Jinping to launch a new accumulation regime: a quasi-neoliberal, knowledge-rich, service-based economy, reliant on domestic consumption and integrated into the global capitalist economy. This overhaul of social relations of production and the FOS would take place under Xi’s *Caesarism*, and against the backdrop of heightened state nationalist propaganda and myth-building (e.g. One Nation, Chinese Dream etc.).

As we have seen ‘harmony’, ‘unity’, ‘equity’, ‘strength’ and ‘progress’ occupy pride of place in this new One Nation hegemonic discourse, with the promise of ‘moderately prosperous society’ by 2021, and a ‘modern socialist country’ by 2049. Under this paternalist top-down Confucian style of governance, certain material concessions would be offered to the subaltern classes (enhanced living standards and welfare benefits) but without permitting them to participate in the political process or enjoy workers’ rights (e.g. recognising independent unions and the right to strike).

Passive revolutions, as reiterated throughout this paper are implicitly international events, inseparable from, and in constant interaction with, the global capitalist system. As we have seen this nascent hegemonic project under Xi is not limited to the national sphere, it constitutes a concerted effort to internationalise the Chinese state, to refashion global institutions and norms consistent with its domestic priorities and thereby help bolster and reproduce its own historical bloc.

Hegemony, as we have argued, involves exercising intellectual and moral leadership. Especially since the arrival of Donald Trump in the White House, the Beijing has gone out of its way to reiterate its commitment to open and free trade and the international liberal order in general at every international forum, putting itself forward as a responsible global power and demanding a greater political presence on the world stage. China’s politico-cultural hegemony is further bolstered by its underwriting of a new (Sino-centric) regime of accumulation across Eurasia via the BRI (supported by the Asian Infrastructure Investment Bank), helping it to offset its systemic infrastructure over-capacity at home while extending its regional hegemony abroad.

But exporting a state project is difficult. Leaving the regime of accumulation aside, one of the greatest challenges to the PRC exercising intellectual and moral leadership abroad is the nature of its authoritarian state-capitalist model and FOS which does not easily lend itself to emulation abroad, except perhaps amongst other Hobbesian ‘contender states’, but certainly not advanced liberal states in the ‘Lockean heartland’.¹¹² Certainly, as we have seen, the nascent hegemonic project under Xi does seek to deepen neoliberal reforms and limit state controls, including the financial sector. Yet as Saull has indicated, this poses grave political risks for the CPC elite, undermining its ability to manage macroeconomic tendencies with potentially socially destabilising effects¹¹³

¹¹² VAN DER PIJL, K., *Transnational Classes and International Relations*, London, Routledge, 1998.

¹¹³ SAULL, R., *op. cit.*, p. 326.

Culture forms a vital part of intellectual and moral leadership and is intrinsic to Joseph Nye's "soft power" notion.¹¹⁴ Evidently, the US has long exercised cultural hegemony over the Western world, but also arguably globally, post-Cold War. Thanks to its dominance in academia, the performing arts, the entertainment industry (especially film and television), the elite press, social media, advertising, fashion etc. the US can shape *ideas* promoting liberal values and aspirations and, into the bargain, demand for American goods, services and lifestyle.

Like the US before it the PRC has placed great importance on globalizing Chinese culture. Much of this typically takes place through market transactions, but while American cultural infiltration largely takes place within the realms of 'civil society' (and propagated by clubs, associations, elite forums, think tanks etc.), the nature of its FOS means the PRC must rely more on overtly state-directed initiatives to rectify what Hu acknowledged as the country's "soft power deficit". Since then Beijing has adopted a number of strategies to globally promote Chinese culture and language, including subsidizing foreign students' programmes, funding state-media outlets (e.g. Xinhua, People's Daily) and setting up 539 Confucius Institutes¹¹⁵ and 37 Chinese Cultural Centers around the world.¹¹⁶

Yet despite the cultural promotion abroad until a genuine bourgeoisie hegemony develops China's global image will likely be harmed by the coercive nature of its passive revolution. And the more the international media focuses on the Beijing clashes with the Uighurs, or "Umbrella Movement" in Hong Kong, for example, the more damage is done to the country's leadership possibilities.

As we have noted, under Xi's *Caesarism* authoritarianism has spiked, and the need to resort to censorship and coercion is constant as the country passes through this transition period. Despite 40 years of *trasformismo* and contemporary One Nation and Chinese Dream discourse, "harmonious society" is far from achieved in the PRC.

Amongst the middle classes, frustrations over corruption, lack of professional opportunities, rising pollution levels and particularly the lack of civil and political rights, remain of key concern. But conversely, the growing middle class owes its newly acquired status and consumption opportunities to the PRC's incredible economic development, which few wish to see jeopardised. Added to that a fear of working-class insurgence, has meant the middle class, on balance, remains largely supportive of the CPC, who, as part of China's integration into the global circuits of capital, are increasingly being seduced by Western consumption patterns and lifestyle.¹¹⁷

Lower down the social scale public discontent revolves around socio-economic justice (inequality, land seizures/housing, access to welfare services) and workers' rights.

¹¹⁴ NYE, J., *Bound to Lead: The Changing Nature of American Power*, New York, Basic Books, 1990.

¹¹⁵ CONFUCIUS INSTITUTE HEADQUARTERS, June 2019, http://english.hanban.org/node_10971.htm (accessed 12/06/19).

¹¹⁶ THE ECONOMIST, "Cultural Wars: The Communist Party capitalises on foreign interest in Chinese culture", 9th February 2019.

¹¹⁷ SAULL. R., *op. cit.*, p. 332.

Frustrated with present Labour Laws – or at least their ineffective application – workers and peasants have frequently taken matters into their own hands. The *China Labour Bulletin* of 2018 indicates that strikes and other forms of ‘mass incidents’ (involving 100+ people) have increased steadily nationwide over the last two decades, affecting every industry.¹¹⁸ The explosion of labour strikes has forced management into a degree of ad hoc consultation with workers – or “collective bargaining by riot”¹¹⁹ – which Beijing has sought to stem by promoting formal collective agreements through ACFTU. Admittedly, these strikes have tended to be short-lived, small-scale (the 2014 Yue Yuen shoe factory strike apart) and predominantly economistic in nature. Online labour campaigns, such as the office workers’ “969” movement on Microsoft’s platform *GitHub* has commanded international attention, but to date remains rather limited in scope and faces, as we have seen, a rather uncertain future.¹²⁰

So far, the 40-year passive revolution has been successful in preventing workers from becoming a conscious, organised, strategic actor (Marx’s class ‘for itself’). Nonetheless, with a working class of around 750 million people it would only require a small percentage of them to mobilise to seriously challenge power relations not just in China, but the world order in general.

Under classic liberal theory economic freedom usually leads to pressure for political reform. As China experiences neoliberal reform under Xi’s hegemonic project, simultaneously becoming more integrated into, and commanding greater influence over the global economy it may well be, as Alvin Y So suggests, that a section of the capitalist class, less directly linked to the CPC, will push for greater political freedom and legal accountability to match their new-found economic liberties.¹²¹ It remains to be seen if the splits between elite factions identified by Li Cheng’s can develop into anything approaching a bourgeois multiparty system. The one-party system suits the ‘hybrid cadre-capitalist class’, and at least for the short-term there appears little elite support for challenging the CPC’s omnipresence.

Furthermore, there is no reason, as Karl Polanyi observed¹²², why authoritarianism/surveillance and capitalism cannot coexist, a tendency increasingly prevalent in the contemporary world order as the contradictions of the neoliberal regime of accumulation starts to hit home, and not just amongst ‘contender states’ (e.g. Russia and Turkey), but also via within the Lockean ‘heartland’, albeit by more subtle means ‘civil society’ means. Time will tell to what extent Xi nascent hegemonic project will manifest itself in intellectual and moral leadership at the international level. Ultimately,

¹¹⁸ CHINA LABOUR BULLETIN, “Labour relations in China: Some frequently asked questions”, July 2018, <https://clb.org.hk/content/labour-relations-china-some-frequently-asked-questions> (accessed 01/08/18).

¹¹⁹ CHAN, C. & HUI, E., “The Development of Collective Bargaining in China: From ‘Collective Bargaining by Riot’ to ‘Party State-led Wage Bargaining’”, *China Quarterly*, 217: 221-242, 2014.

¹²⁰ The ‘969’ movement brings together IT workers protesting about the long hours they are obliged to work – from 9am to 9pm, 6 days a week – which is well over the Labour Law statutory 40-hour limit, over which overtime must be paid.

¹²¹ SO, A. Y., *op. cit.*, pp. 177-8.

¹²² POLANYI, K., *op. cit.*

the PRC's ability to its role as world hegemon, however, will depend up its underwriting a new stable regime of accumulation. Given the social and environmental unsustainability of neoliberalism, both at home and abroad, one wonders what that could be.