

China: A New Imperial Power

By Keith L., Connecticut Branch, May 17, 2018

Preface

This document was originally submitted to the Socialist Action pre-convention discussion for the October 2018 convention. Its general line was adopted at the convention, but the document was not subsequently published. The author is now submitting it, with minor edits, for the use of Socialist Resurgence.

Imperialism: What it is and how to define it

Any serious analysis of whether China is an imperialist state must start with a definition of imperialism and an explanation of the criteria used to analyze such a state. For this study, I have chosen to base my definition upon the definition constructed by Lenin in *Imperialism, the Highest Stage of Capitalism*. It is my belief that Lenin's explanation of the functioning of imperialism under capitalism has, by and large, proved accurate in explaining the actions and development of imperialist powers. So far as I am aware, the use of this basis for a definition is shared by other parties to this debate within Socialist Action. Lenin summarized his conception of imperialism as such: "If it were necessary to give the briefest possible definition of imperialism we should have to say that imperialism is the monopoly stage of capitalism."¹ More specifically, he identified five elements of monopoly capitalism he considered fundamental to imperialism:

(1) the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life; (2) the merging of bank capital with industrial capital, and the creation, on the basis of this "finance capital", of a financial oligarchy; (3) the export of capital as distinguished from the export of commodities acquires exceptional importance; (4) the formation of international monopolist capitalist associations which share the world among themselves, and (5) the territorial division of the whole world among the biggest capitalist powers is completed. Imperialism is capitalism at that stage of development at which the dominance of monopolies and finance capital is established; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun, in which the division of all territories of the globe among the biggest capitalist powers has been completed.²

The formation of monopoly companies is the fundamental basis of the Leninist concept of imperialism. Consequently, one key element we must analyze within a state to determine whether it is imperialist is investigating the development of gigantic, monopolistic companies. One means to determine this is investigating lists of the largest companies globally and seeing whether and where companies from the nation in question place on them, and a further

¹ Lenin, Vladimir. *Imperialism: the Highest Stage of Capitalism*. Marxists Internet Archive, 2005. Chapter 7.

² Ibid.

investigation of some of these monopolies. Of particular interest is the development of financial monopolies which have expanded into the realm of industry. This can be examined through a thorough examination of the large banks in a country under study, their role in the economy, and placing them in comparison to other global financial monopoly companies.

The export of capital is another major element of Lenin's concept of imperialism. As the development of monopoly companies squeezes out profitable investments at home, the capitalist classes of imperialist states increasingly seek opportunities for profit abroad through capital export. The best available measure for capital export today is Foreign Direct Investment (FDI) - specifically, FDI *Outflows* - investment from a state to other states. Two elements of FDI outflow are particularly important to any investigation: the yearly rate of capital export, and the accumulated sum of capital held in foreign markets. Furthermore, these figures must be viewed in comparison to other leading world powers.

The nature of imperial exploitation of other states has changed significantly since 1917. In particular, there has been a near-extinction of formal colonialism. Absent a small handful of overseas territories of a few of the imperialist great powers of the nineteenth and twentieth century, nearly every territory that was a colony at the time of Lenin's writings today is nominally independent. In practice, however, this independence is severely limited or rendered nearly non-existent by the degree of political, economic, and military control the imperialist great powers exercise over those countries. In fact, this phenomenon existed (to a significantly smaller extent) when Lenin authored his work, and he identified several states, including Persia, China, and the Ottoman Empire as "semi-colonies" - states which were "formally independent, but in fact, [were] enmeshed in the net of financial and diplomatic dependence, typical of this epoch".³

Lenin saw semi-colonies as "transitional forms" which would be converted into formal colonies by the further course of inter-imperialist struggle.⁴ Indeed, all three of the above states faced partial dismemberment and imperial occupation and conquest in the interbellum period. Since the Second World War, however, the majority of formal colonies have been converted to semi-colonies, and the semi-colony is now the dominant form of imperialist extraction in the world today. This transformation is due in no small part to the rise of anti-colonial consciousness and rebellions causing the financial, military, and political costs of maintaining direct colonial rule to outweigh the commercial advantages for an imperial metropole. Consequently, modern imperial powers primarily compete over economic, political, and military influence within notionally independent semi-colonies - and it is in that regard that we should examine the international relations of a state under study.

One question that has been raised with regards to assessing whether China is an imperialist power is the question of productivity. The development of imperialism for Lenin

³ Ibid, chapter 6.

⁴ Ibid.

indeed was tied together with increasing productivity. Lenin did not, however, ascribe the strength of an imperialist power to its abstract productivity; rather, he explained that the *relatively* increased productivity of large enterprises as against small helped monopoly companies to displace free competition and thus produce the conditions for imperialism.⁵ The general measure of productivity today is per capita economic activity, specifically, Gross Domestic Product (GDP) per capita. It is clear, however, that productivity is neither the primary mechanism of measuring imperialist states nor, in and of itself, a gatekeeper on defining a state as imperialist, as has previously been argued with regards to the debate over China. This is implicitly accepted by most Marxists - even if they do not do so consciously. For instance, if a Marxist were asked to rank from strongest to weakest as imperialist powers Norway, Canada, the United States, and Australia, they would most likely come to the following conclusion: the United States, Canada, Australia, Norway. In terms of productivity, however, the ordering is exactly opposite. No serious person would contend that Norway is a stronger imperialist power than the United States, that Sweden surpasses the United Kingdom, etc. as would be implied by declaring productivity the primary factor. It is clear, rather, that aggregate factors and not per-capita factors such as productivity are the predominant deciders of position in the imperialist hierarchy.

Furthermore, there are numerous historical examples of states Marxists have considered imperialist despite being extremely backwards in terms of productivity and technology. In 1914 Lenin and Trotsky considered Russia an imperialist power - despite the fact that "On the eve of the war, when tzarist Russia had attained the highest point of its prosperity, the national income per capita was 8 to 10 times less than in the United States".⁶ Japan, on the eve of American entry into the Second World War, was likewise considered an imperialist power, waging an imperialist war in China - despite the fact that:

[T]he United States had nearly twice the population of Japan, and *seventeen* times the national income, produced five times as much coal, and made eighty times as many motor vehicles each year. Its industrial potential, even in a poor year like 1938, was seven times larger than Japan's; it might in other years be nine or ten times as large.⁷

The United States, even in the midst of the large recession of 1937-38 had three and a half times higher industrial productivity than Japan - and closer to five times as high when an average year was considered. This was, furthermore, after the massive expansion of the Japanese economy during the interbellum period; the Japan of 1916 which Lenin considered imperialist was even less productive and further behind technologically relative to the other imperialist powers. How can we explain the development of imperialism - the *highest* stage of capitalism, according to Lenin - in states so backwards relative to the leading powers? The answer comes from Trotsky's law of combined and uneven development - even as many

⁵ Ibid, chapter 1.

⁶ Trotsky, Leon. *The History of the Russian Revolution*. Translated by Max Eastman. Marxists Internet Archive, 1997. Chapter 1.

⁷ Kennedy, Paul M. *The Rise and Fall of the Great Powers*. New York, NY: Random House, 1988. 303.

elements of the Russian and Japanese economies remained backwards, they were simultaneously able, to differing degrees, to develop monopoly industries, export capital, and conquer and exploit colonies and semi-colonies.

Another major element of Lenin's work on imperialism was his critique of Karl Kautsky's idea of ultra-imperialism. Kautsky proposed that capitalist imperialism could develop into a unified alliance of all imperial powers for the sake of jointly exploiting the rest of the world, thereby eliminating inter-imperialist wars.⁸ Lenin's reply to this theory pointed out that such an alliance might occur, but only on a temporary basis:

We ask, is it "conceivable", assuming that the capitalist system remains intact—and this is precisely the assumption that Kautsky does make—that such alliances would be more than temporary, that they would eliminate friction, conflicts and struggle in every possible form?

The question has only to be presented clearly for any other than a negative answer to be impossible. This is because the only conceivable basis under capitalism for the division of spheres of influence, interests, colonies, etc., is a calculation of the *strength* of those participating, their general economic, financial, military strength, etc. And the strength of these participants in the division does not change to an equal degree, for the *even* development of different undertakings, trusts, branches of industry, or countries is impossible under capitalism. Half a century ago Germany was a miserable, insignificant country, if her capitalist strength is compared with that of the Britain of that time; Japan compared with Russia in the same way. Is it "conceivable" that in ten or twenty years' time the relative strength of the imperialist powers will have remained unchanged? It is out of the question.⁹

Lenin's reply highlighted the instability of any such world order as necessarily leading to its undoing. For Lenin, there was no question that new imperialist powers could emerge, or that the power of one or another country could wax or wane; indeed, this was, according to his argument, an inevitable development and one which had already occurred repeatedly within the era of capitalist imperialism. How has Lenin's prognosis fared? The alliance of imperial powers under the leadership of the United States against the Soviet Union during the Cold War had aspects of the ultra-imperialist alliance that Kautsky predicted. It had different motivations (including the threat of socialism as manifested in the USSR and elsewhere) and with its share of disagreements and transitions as the US largely supplanted the UK and France globally, such as the Suez Crisis, but in general there was no major inter-imperialist war during the postwar period. This alliance, however, is already breaking down today; the Trump administration has accelerated the phenomenon of US-European divergence. The rise of China, furthermore, has upset the balance of economic and military forces that defined this world era.

My criteria for defining a state as imperialist thus asks the following questions: Has its economy developed monopoly companies which dominate its economy? Has it developed large-scale financial monopoly companies which have "merg[ed]... bank capital with industrial

⁸ Lenin, Vladimir. *Imperialism: the Highest Stage of Capitalism*. Chapter 9.

⁹ *Ibid.*

capital”?¹⁰ Is it a major exporter of capital? Does it participate in establishing military, political, and economic control over semi-colonies? Of course, there are national peculiarities to any state, and a historical and Marxist analysis of this type cannot be made in a wholly mechanical manner, but rather must also incorporate a holistic account of a state in question, its relation to other powers, and its world position. Furthermore, the possibility of uneven and combined development - a state developing many or most imperialist characteristics to a high degree despite a relative backwardness overall or in specific areas, must be considered. Such criteria, however, provide a basic framework with which to direct analysis and establish a basis for debate.

The restoration of capitalism in China^{N1}

An overview of China’s recent history and development is important to initiate such a study. After the end of the Chinese Civil War, and following subsequent pressures during the Korean War, the Chinese Communist Party (CCP) established a workers’ state across all of China, excepting Taiwan, Hong Kong, and Macau. While this state was deformed from the start by the Maoist CCP which quickly entrenched itself as a privileged bureaucracy, it nevertheless expropriated capitalist property and the bourgeoisie, established a monopoly on foreign trade, and established a central planning system. Such a situation could not, of course, persist indefinitely; inevitably the bureaucracy grew more and more avaricious and set itself on the road to restoring capitalism and becoming a bourgeoisie. The ascension of Deng Xiaoping in 1978-9 and the introduction of *xiaokang* society (‘moderately prosperous society’) policies constituted the beginning of this restoration process.¹¹ This process was in part justified by delusions that it would allow China to sidestep the inherent obstacles to socialist construction in an isolated state by creating small, controlled capitalist areas within China in the form of Special Economic Zones (SEZs).¹² After a series of failed efforts at industrial ‘reform’ in the late 1970s which met extensive resistance from workers, the CCP bureaucracy turned to Chinese agriculture, which was more politically vulnerable, and carried out a process of decollectivization whereby the collective farms were broken up into small, individual or household peasant plots.¹³ This process helped to splinter political ties between workers and peasants, and thus ensure that “resistance to privatization in urban China, including the Tiananmen Square protests, attracted little peasant support”¹⁴ while also helping to create a large labor supply for the cities that would ease capitalist restoration in industry.

The collapse of the Soviet Union in the early 1990s was an important learning experience for the CCP bureaucracy. Watching the political, economic, and social chaos that Russia descended into, and the pilfering of the remnants of the workers’ state by Western capitalists alongside ex-Communist Party bureaucrats, gave dire warning to the CCP of the risks

¹⁰ Ibid, chapter 7.

¹¹ Rostoker, Ben. *On the Question of Workers’ States Today*. 6

¹² Ibid, 7.

¹³ Ibid, 9.

¹⁴ Ibid.

of an unmanaged transition to capitalism. Consequently, subsequent reforms towards capitalism were tightly managed to ensure that key members of the CCP became the most important capitalists and the Communist Party was maintained as an organ to keep control over the state and military. In agriculture, the peasant smallholdings formed by decollectivization were re-integrated, except as large-scale capitalist farms employing wage labor.¹⁵ In industry, the massive state owned enterprises (SOEs) were downsized, reformed, and privatized, collapsing from 74% of industrial output in 1983 to 51% in 1992 to 11% in 2003.¹⁶ Indeed:

By 1998, a national survey showed that one quarter of China's 87,000 industrial SOEs had restructured and another quarter planned to restructure in some way. Among the restructured firms, 60-70 percent had been partially or fully privatized. By the end of 2001, 86 percent of all SOEs had been restructured and about 70 percent had been partially or fully privatized.¹⁷

As a result of this reform process, the workers' state in China was dismantled and the CCP bureaucracy established itself as a new ruling capitalist class - without losing its grasp on the state apparatus or creating a chaotic power vacuum, as happened in the Soviet Union.

During the pre-convention debate over China for the 2014 Socialist Action convention, it was argued that in fact, China's capitalist restoration had its roots in the Sino-Soviet split and subsequent formation of an alliance between China and the United States. To quote Comrade Jeff M., who raised this point:

[China's] emergence into the capitalist world, in my view, began even before the time when Keith roughly estimates. In my view, and I submit this as an estimation, China's move toward capitalist restoration began earlier than 1979 with the coming to power of Deng Xiaoping. It began, in its infancy so to speak, during the 1960-69 Sino-Soviet rift, wherein Russia began to cut off China as a roughly equal player in the economic realm. China's Stalinist bureaucrats, in reaction, increasingly oriented to the U.S., including breaking from Russia on key issues. These included China's extreme limitation of aid to Vietnam during the ten-year war. Nixon's 1972 visit to China at the height of U.S. bombing was an important indication of China's shift as was China's decision to be among the first nations to recognize the U.S.-aided coup that installed the neo-fascist Pinochet as president in 1973. I should also mention China's invasion of Vietnam almost immediately following the end of the U.S. war in 1975. China's later backing of Jonas Savimbi's war against Angola and its essential siding with apartheid South Africa invasion of Angola was another indication of China's early orientation to capitalist restoration. The price for China's complicity with U.S. foreign policy was the opening of China to U.S. and other imperialist investment and the direct exploitation of its people in return for a layer of the Stalinist bureaucracy beginning the process of securing a portion of China's nationalized industry and associated imperialist investment. The effect of these and other early on Chinese would-be capitalist rulers was the opening of China's labor market to imperialist exploitation. Imperialism's objective was far

¹⁵ Ibid.

¹⁶ "Reform in China". China Labour Bulletin. December 14, 2007.

¹⁷ Ibid.

from bringing China into the world of great imperialist powers. Rather it was to see China as a neo-colonial conquest, as is the case today with Vietnam.¹⁸

I believe this line of argumentation is seriously flawed in several respects. Firstly, it is necessary to make clear that the basis for the restoration of capitalism in China is the CCP-directed assault upon the foundations of the workers' state - the privatization of nationalized property, dismantling of economic planning, reintroduction of the bourgeoisie, and abolition of the monopoly on foreign trade. These are the substantive changes which have made it such that if the Chinese working class were to seize power, it would not find itself at the helm of a state that already had the economic basis of a workers' state after a political revolution, but rather would be compelled to carry out a social revolution anew. The formula by which diplomatic alliances with imperialism or betrayal of international responsibilities to revolutionary forces constitute "early orientation to capitalist restoration" suggests that those policies *in and of themselves* are elements of capitalist restoration - an implication which contradicts the definition and purpose of the definition of a workers' state devised by Trotsky and used by our party.¹⁹ Indeed, if we were to accept that capitalist restoration was a result of the treacherous and counterrevolutionary international policies of the CCP bureaucracy and its alliance with the United States, we would find little grounds on which to object to 'Third Campists' who argue that the Soviet Union had restored or was restoring capitalism in the 1930s and 40s, evidenced by its treacherous and counterrevolutionary international policies and alliance with Nazi Germany.

Furthermore, the idea that because imperialism implemented capitalist restoration in China, it would be impossible for China to become imperialist is likewise unfounded. It seriously overestimates the degree of control imperialist powers had over the restoration of capitalism in China. The process of restoration was not a diktat imposed on China by American or other foreign powers, but rather a conscious, self-interested, and closely managed project which initiated from the CCP bureaucracy. While the influence of American and other imperialisms certainly aided and abetted the restoration, and foreign companies have made enormous profits first in the SEZs and then throughout the country, they did not control the process or grant ownership positions to CCP bureaucrats as part of a bargain in exchange for increased capitalist reforms. In actuality, the bureaucracy was perfectly willing and capable of establishing such positions for itself. Capitalist reforms in China were implemented by the CCP bureaucracy in a concerted process, with a clear internal logic, varying their tempo on the basis of internal economic and political factors, not on the basis of concessions wrested as a cost of an alliance with the United States.

In addition, while it was certainly not the intent of imperialist powers to add another to their ranks, they often do not follow consistent, farsighted, and infallible policies. It certainly was not the intent of American imperialism that the reactionary Islamist forces it mobilized against the Soviet Union in Afghanistan in the 1970s and 80s would prove an obstacle and threat to the establishment of a puppet regime in Afghanistan from 2001 onwards - but nonetheless, they

¹⁸ M., Jeff. "Again: Is China Imperialist?". October 13, 2014.

¹⁹ Ibid.

have. It was not the intent of American imperialism that Saddam Hussein, who it supported in attacking Iran during the 1980s, would later prove an obstacle to American commercial interests and a threat to US client states in the Middle East - but nonetheless, he did. The primary purpose of Sino-American rapprochement for American imperial interests was a realpolitik maneuver to establish a strong hostile power to the Soviet Union on its border, and there was little contemporary conception that China would undergo such a dramatic change. Indeed Richard Nixon told his ambassador to the Republic of China (Taiwan) in 1971, after noting that Taiwan's exports were about equal to that of the People's Republic of China:

Well, you can just stop and think of what could happen if anybody with a decent system of government got control of that [Chinese] main land. Good God. There'd be no power in the world that could even— I mean, you put 800 million Chinese to work under a decent system— and they will be the leaders of the world.²⁰

Hardly the thoughts of a man actively seeking to establish capitalism in China or expecting it to become a subservient colony if capitalism were established!

On Economic Statistics

It is here necessary to explain an important factor in understanding international economic statistics. There are two main methods of converting values between different currencies. The first is to use the market exchange rate. The second is to use an exchange rate calculated based on purchasing power parity (PPP). PPP attempts to account for the difference in the cost of goods between different economies. For instance, if a product costs two units of currency X in one country and one unit of currency Y in another, the implied PPP exchange rate is two X for one Y. Actual PPP exchange rates are calculated by comparing the price of baskets of goods - in most cases including hundreds or thousands of goods. While market exchange rates are more appropriate for financial flows (such as current account balances), in more general uses PPP exchange rate is more appropriate as the market exchange rate can fluctuate significantly from day-to-day trading and it is only directly used for internationally traded goods.²¹ Tom Bramble explained the significance of this distinction well in his article *Australian imperialism and the rise of China*:

There are two methods of making international comparisons of GDP, both with their strengths and weaknesses. The conventional "market exchange rate" method simply compares GDP with currencies all converted to US dollars. Using this measure, the IMF estimated US GDP in 2010 at \$14.7 trillion and China at only \$5.9 trillion. US GDP by this measure was equivalent to that of China, Japan and Germany combined. Evidently such a measure is very susceptible to changes in exchange rates – if the Chinese yuan rises, its market exchange rate GDP rises automatically without any more goods and services produced. This measure also does not take into account

²⁰ Foreign Relations of the United States, 1969–1976, Volume XXVII, China, ed. Steven E, Phillips (Washington: Government Printing Office, 2006), Document 136.

²¹ Callen, Tim. "PPP Versus the Market: Which Weight Matters". Finance and Development 44, no. 1. March, 2007.

that \$US100 spent in China converts to a much bigger basket of goods and services than \$US100 spent in the US because goods and services are cheaper in the former. The “purchasing power parity” measure takes relative prices in each country into account so that the comparable GDP figures give a more accurate guide to the actual volume of goods and services produced in each country.²²

For many purposes within this document, such as comparing GDPs between countries, figures calculated using a PPP exchange rate are more appropriate (indeed, in these contexts, market exchange rate figures are generally referred to as *nominal* - in name only). Consequently, in such areas I have generally given primacy to PPP figures. Nevertheless, I have tried where practical to include both figures, signifying market exchange rate figures with nominal and purchasing power parity figures with PPP when both are used. When not specified, the market exchange rate is used. Finally, all economic statistics throughout this document, unless explicitly otherwise stated, that reference ‘China’ exclude Hong Kong and Macau.

Chinese Capitalism Today

By purchasing power parity, China has surpassed the United States as the world’s largest economy, with a 2016 GDP of about \$21.4 trillion.²³ Its 2016 GDP per capita by PPP is \$15,534.7.²⁴ (By nominal rates, China is the world’s second largest economy today, with a 2016 Gross Domestic Product (GDP) of about \$11.2 trillion).²⁵ Its nominal 2016 GDP per capita is \$8,123.2.²⁶) China’s GDP is not distributed evenly throughout the country. The GDP per capita is significantly higher in major cities:

Figure 1

City	Population (2015, Millions) ²⁷	GDP (2015, Billions USD, PPP) ^{28 N2}	GDP Per Capita (2015, USD, PPP)	GDP (2015, Billions USD, nominal) ^{29 N2}	GDP Per Capita (2015, USD, nominal)
Shanghai	24.25	729.9	30,099.0	389.6	16,066.0
Beijing	21.68	663.6	30,608.9	354.2	16,337.6
Guangzhou	16.67	522.2	31,325.7	278.7	16,718.7

²² Bramble, Tom. “Australian imperialism and the rise of China”. Marxist Left Review, no. 3. Spring 2011.

²³ World Bank. “GDP, PPP (current international \$)”. International Comparison Program database. 2016.

²⁴ World Bank. “GDP Per Capita, PPP (current international \$)”. International Comparison Program database. 2016.

²⁵ “China GDP”. Trading Economics. 2016.

²⁶ World Bank. “GDP per capita (current US\$)”. World Bank national accounts data, and OECD National Accounts data files. 2016.

²⁷ “Top 30 Chinese Cities by GDP in 2015”. China Internet Watch. January 28, 2016.

²⁸ Ibid.

²⁹ Ibid.

Tianjing	15.16	496.2	32,730.9	264.9	17,473.6
Shenzhen	10.77	504.9	46,880.2	269.5	25,023.2
Suzhou	10.60	415.5	38,198.1	221.7	20,916.1

As can be seen in Figure 1, in China’s major cities GDP per capita can reach twice or even three times the national average. Conversely, Gansu, a mostly rural province, had a 2015 GDP per capita of \$7,537.7 by PPP (nominal: \$4,023.1) - less than half the national average.³⁰ This suggests a highly uneven division of economic activity and productivity, with China’s major, mostly coastal urban centers far ahead of the interior and rural areas. Indeed, some of China’s major cities exhibit a productivity similar to that of acknowledged imperialist powers - France has a GDP per capita of \$41,466.3, Italy \$38,160.7, the UK \$42,608.9, etc. Nor is this a phenomenon isolated to small and insignificant areas - these six cities alone have a combined population of 99.13 million and a combined GDP of \$3.3 trillion (PPP) - an area larger in both population and GDP than France.

Not only is China’s economy unevenly divided regionally, it is also incredibly unevenly divided on a class basis. Many estimates of China’s gini coefficient, a measure of income inequality, place it at 0.5 or higher, although the official figures place it at about 0.469.³¹ Either way, this is significantly above the United States, itself a very starkly divided country, at 0.41.³² According to a report from Peking University, “the richest 1 per cent of households [own] a third of the country’s wealth” while “[t]he poorest 25 per cent of Chinese households own just 1 per cent of the country’s total wealth”.³³ China leads the world in billionaires, with 596 as opposed to 537 in the United States as of 2015.³⁴ Furthermore, while real estate is still the most common industry of China’s billionaires, the list has diversified significantly from previous years.³⁵ Four of the top ten Chinese billionaires now come from internet companies.³⁶ China’s 2014 population of ‘high net worth individuals’ (HNWIs) - those with more than \$1.6 million in individual assets - was greater than 1 million, double the 2010 total.³⁷ These ‘HNWIs’ are increasingly looking to foreign assets for expansion of their wealth:

HNWIs' interest in overseas investment continues to increase. Nearly 40 percent of HNWIs and almost 60 percent of ultra-HNWIs indicated that they have overseas investments – a sizable jump from 19 percent and 33 percent, respectively, in 2011. Nearly half of the HNWIs said that they

³⁰ “Gross domestic product (GDP) of China in 2016, by region (in billion yuan)”. Statista. October 2017.
³¹ Hsu, Sara. “High Income Inequality Still Festering In China”. Forbes. November 18, 2016.
³² Wiladau, Gabriel and Tom Mitchell. “China income inequality among world’s worst”. Financial Times. January 14, 2016.
³³ Ibid.
³⁴ Wiladau, Gabriel. “China beats US in dollar billionaire table”. Financial Times. October 15, 2015.
³⁵ “Hurun List”. Hurun Report. 2016.
³⁶ Ibid.
³⁷ “China’s population of high net worth individuals swelled to more than one million in 2014, doubling from just four years ago”. Bain & Company. May 26, 2015.

plan to increase their overseas investments in the next year or two, attracted by the more diverse offering of cross-border investment opportunities. In response, many Chinese private banks are investing heavily to expand their overseas service platforms and capabilities to better serve Chinese HNWI's overseas banking and investment needs.³⁸

This increasing attraction to overseas investment reflects the increasing pressure on Chinese capitalists to find new profitable investments abroad.

China's currency, the yuan (also known as the renminbi) became part of the International Monetary Fund's basket of reserve currencies in 2016:

China's yuan joins the International Monetary Fund's basket of reserve currencies on Saturday in a milestone for the government's campaign for recognition as a global economic power. The yuan joins the U.S. dollar, the euro, the yen and British pound in the IMF's special drawing rights (SDR) basket, which determines currencies that countries can receive as part of IMF loans. It marks the first time a new currency has been added since the euro was launched in 1999.³⁹

This decision is significant in several regards. It reflects the growing role the yuan plays in international trade and finance - and the diminishing role of the Euro, as the yuan's new share "is mainly replacing part of the euro's role in the special drawing rights."⁴⁰ Furthermore, it has a concrete impact on IMF lending:

Besides its symbolic weight, the I.M.F. label, which will take effect at the end of September next year, carries specific benefits. The renminbi will become one of the currencies used in the disbursement and repayment of international bailouts denominated in the fund's accounting unit, like Greece's debt deal.⁴¹

The yuan will constitute 11% of the IMF weighting of the SDR basket - greater than the yen or pound (8% each) but smaller than the Euro (31%) or US dollar (42%).⁴²

It has been argued, notably by Comrade Jeff M. during the 2014 Internal Discussion Bulletin, that China's GDP is exaggerated by the presence of foreign owned companies in China, and that conversely, that of the United States is understated by not including American companies abroad.⁴³ Indeed, he argued that:

To be sure, it would be more accurate to exclude from China's GDP figures the value of all good [sic] and services produced and sold by U.S. corporations and all other foreign corporations in

³⁸ Ibid.

³⁹ "China's yuan joins elite club of IMF reserve currencies". Reuters. September 30, 2016.

⁴⁰ Bradsher, Keith. "China's Renminbi Is Approved by I.M.F. as a Main World Currency". New York Times. November 30, 2015.

⁴¹ Ibid.

⁴² Ibid.

⁴³ M., Jeff. "Is China an Imperialist Nation? An Ongoing discussion". October 8, 2014.

China. If this figure could be accurately arrived at, the [2014] U.S. GDP of \$17 trillion, would be massively increased and China's dramatically decreased.⁴⁴

Determining such a figure is possible. While Gross Domestic Product includes all goods and services produced *within* a nation, thus including foreign firms operating within a nation and excluding a country's firms operating abroad, Gross National Product (GNP) includes all goods and services produced *by* a nation, excluding foreign-owned companies and including companies originating from that nation operating abroad. If this argument from Comrade Jeff M. is accurate, we would expect a wide divergence between China's GDP and its GNP, with its GDP being significantly larger than its GNP, whereas for the United States we would expect its GNP to be significantly larger than its GDP.

Figure 2

Country	GDP (2016, Billions USD) ⁴⁵	GNP (2016, Billions USD) ⁴⁶	Difference between GDP and GNP (Percentage of GDP)
United States	18,569.1	18,749.7	0.97
China (PPP)	21,417.1	21,366.1	-0.24
China (nominal)	11,199.1	11,172.4	-0.24

In fact, as shown in Figure 2, there is no large gap between GDP and GNP for the United States or China - less than a one percent increase for the United States and less than a quarter of a percent decrease for China. This does *not* mean that either country has negligible foreign holdings or that there are negligible foreign holdings in either. Rather, it means that for both countries the values of their holdings abroad are approximately equal to the values of foreign holdings in their economies.

A significant development in the Chinese economy has been the increasing development of high-tech production by Chinese companies. While there have been various efforts by the Chinese government to promote this, the most significant is the "Made in China 2025" initiative which began in 2015. As one summation of the effort put it:

The 10-year strategy involves moving the Chinese economy away from labor-intensive and low-value production towards higher value-added manufacturing, and includes plans to improve innovation, integrate technology and industry, strengthen the industrial base, foster Chinese brands and enforce green manufacturing.

⁴⁴ Ibid.

⁴⁵ World Bank. "GDP (current US\$)". World Bank national accounts data, and OECD National Accounts data files. 2016.

⁴⁶ World Bank. "GNI (current US\$)". World Bank national accounts data, and OECD National Accounts data files. 2016.

It is also set to promote breakthroughs in 10 key industries where China wants to be a leader in the future, including information technology, robotics, aerospace, railways, and electric vehicles. To achieve this, Beijing plans, among other things, to continue a trend of state-directed innovation, proposing to establish 15 manufacturing innovation centers by 2020, which would be expanded to 40 by 2025.⁴⁷

The US-China business council described the aim of the project more succinctly, saying that it constitutes transforming “Made in China” to “Made by China”.⁴⁸ While high-tech manufacturing was and is widespread in China, prior to 2015 it was heavily dominated by foreign companies, with foreign content comprising more than half of high-tech products; a major goal of “Made in China 2025” is to raise domestic content of high-tech products to 70% by 2025.⁴⁹

An example of this dynamic can be found within the smartphone industry. If one spends any amount of time reading the analyses of those Marxists who believe that China remains a semi-colonial country, they will quickly find repeated *ad nauseam* the tale of Apple production in China, and how almost all the profits of this production are taken either by Apple itself or retailers rather than the Chinese workers who make them. This analysis is based on a 2011 article which found that Chinese labor constituted about 2% of the price of an iPhone or iPad.⁵⁰ While this share has almost certainly risen as wages in China have increased significantly in the intervening period (the average manufacturing wage hit \$3.60 an hour in 2016, a 64% increase over 2011),⁵¹ we might accept the underlying premise - that Apple’s manufacturing in China primarily benefits Apple rather than China - as broadly correct. This is regularly presented as evidence that China is, in fact, dominated by Western monopolies and thus could not be imperialist. The excessive focus on this narrative, however, has led its proponents to miss major developments in the Chinese economy, as evidenced by Chinese companies’ rapidly growing share of technologically advanced products like smartphones.

In addition to being a major source of labor for the production carried out by Western companies like Apple, China is also now also the home of major companies which compete with Apple and other major Western companies in world markets. The third, fourth, and fifth largest smartphone makers in the world are Chinese.⁵² Chinese telecoms giant Huawei almost

⁴⁷ Domínguez, Gabriel. “‘Made in China 2025’ - The next stage of China’s economic rise?”. Deutsche Welle. February 6, 2015.

⁴⁸ Markus, Dan and Nick Marro. “‘Made in China’ Now ‘Made by China’: Update”. The US-China Business Council. May 27, 2015.

⁴⁹ Hsu, Sara. “Foreign Firms Wary Of ‘Made In China 2025,’ But It May Be China’s Best Chance At Innovation”. Forbes. March 10, 2017.

⁵⁰ Worstall, Tim. “China Makes Almost Nothing Out of Apple’s iPads and iPhones”. Forbes. December 24, 2011.

⁵¹ Yan, Sophia. “‘Made in China’ isn’t so cheap anymore, and that could spell headache for Beijing”. CNBC. February 27, 2017.

⁵² Lomas, Natasha. “Chinese smartphone makers closing the gap on iPhone, Samsung”. TechCrunch. August 2, 2017.

displaced Apple for second place in Q2 2017, selling 38 million phones against Apple's 41.⁵³ The rise of Chinese smartphone companies began in the domestic market: Huawei leads the Chinese market with more than 20% of sales, while Chinese phone makers collectively held 87% of the Chinese market share.⁵⁴ This is a remarkable change from even six years ago:

In 2011, 70% of smartphone sales in China were from three foreign brands: Nokia, Samsung, and Apple. At that time, the country's myriad local electronics manufacturers and nascent domestic brands were thought to be little more than cheap impostors, lacking in quality and simply not carrying the same social-proof and status as the expensive and trendy foreign phones which dominated the market.

"Any self-respecting Chinese consumer wouldn't be seen dead with a local brand," Mark Tanner, the director of China Skinny, a Shanghai-based consumer research firm, described the prevailing attitude of this period.

But now, hardly five years later, this has changed.

"Last year, eight of the top-ten [smartphone] brands were Chinese," Tanner explained, "with Huawei and Xiaomi in the top spots and local brands quickly eroding the two foreign brands, Apple and Samsung."

This year, the trend has continued. Oppo, a home grown Chinese hi-tech/media company, recently became the second most popular smartphone brand in China, whose 67% growth was enough to propel it past Apple. According to various reports, seven of the top ten smartphone brands in the world are now Chinese. This includes Huawei, which is not only the mainland's top handset brand but is currently slotted as number two in Europe and number three in the world.⁵⁵

This growth was primarily the result of Chinese smartphone makers significantly improving the quality of their products.⁵⁶

This advance has not been limited to the Chinese market, however. Increasingly, Chinese firms are seeking sales abroad as a means to increase profits. In the Asia-Pacific region as a whole, Huawei was forecast to lead in 2017 market share.⁵⁷ In Europe, Huawei outsold Apple in 2016 and is currently outselling it in 2017.⁵⁸ In Africa, the Chinese companies Tecno and Huawei occupied second and third place respectively.⁵⁹ In late 2016, Huawei

⁵³ Price, Rob. "Apple may soon lose its position as the second-biggest smartphone maker in the world". Business Insider. August 3, 2017.

⁵⁴ "Chinese domestic handset brands constitute 87% of Chinese smartphone market in Q2". The Economic Times Telecom. July 24, 2017.

⁵⁵ Shepard, Wade. "How 'Made In China' Became Cool". Forbes. May 22, 2016.

⁵⁶ Ibid.

⁵⁷ Sui, Linda. "Huawei Will Top Asia Pacific Smartphone Market in 2017". Strategy Analytics. September 2, 2016.

⁵⁸ Schoon, Ben. "Huawei surpasses Apple in smartphone sales in Europe once again as Xiaomi rises". 9 To 5 Google. August 15, 2017.

⁵⁹ Kazeem, Yomi. "Feature phones made a comeback in Africa as smartphone growth slowed last year". Quartz. March 29, 2017.

pledged to pass Apple in market share within two years - which is seen as plausible by tech industry experts.⁶⁰ Huawei has not yet become a significant smartphone seller in the US, with its initial efforts to enter the market in 2012-13 blocked by the US

government on the basis of “security concerns”.⁶¹ To circumvent this, it is reported to have arranged a deal with AT&T to sell its phones in the US beginning in 2018.⁶²

To boost profitability, Chinese companies are developing manufacturing capacities to cut out what were once Western monopolies in areas like microchips, where the US-based Qualcomm has been dominant.⁶³ Huawei and Xiaomi have already begun to manufacture their own microchips, while other companies have begun acquiring shares in foreign chipmakers.⁶⁴ Huawei has also pushed to gain influence in the establishment of global standards for 5G networks, planned to begin releasing around 2020.⁶⁵ 5G networks are projected to cover far more than mobile devices, incorporating a myriad of items from cars to city services, meaning that involvement in defining how they work presents an opportunity for extraordinary profit.⁶⁶ This corresponds to the priorities set by a popular Chinese saying: “Third tier companies make products; second tier companies make technology; first tier companies make standards.”⁶⁷

Huawei and other Chinese smartphone companies do not yet, of course, post similar profits to Apple. Apple has an established brand identity, consumer loyalty (particularly in wealthier markets), reputation for high-quality products, technologically advanced manufacturing processes, and other factors which enable it to obtain a much larger profit margin per phone. Consequently, Apple managed to capture nearly 79.2% of profits in the smartphone market in 2016.⁶⁸ This constituted a significant fall in its share, however, which previously was regularly in the mid-90s and at one point hit 103.6% (other smartphone companies had posted significant losses, which enabled Apple to achieve more than 100% of total profits).⁶⁹ In fact, this new competition prompted the first decline in Apple profits (a 14% drop) since 2001.⁷⁰ Furthermore, a

⁶⁰ Schoon, Ben. “Huawei sets its sights on surpassing Apple’s smartphone share in the next two years”. 9 To 5 Google. November 4, 2016.

⁶¹ Tiezzi, Shannon. “Huawei Officially Gives Up On The US Market”. The Diplomat. December 5, 2013.

⁶² Pressman, Aaron. “How Huawei May Have Finally Cracked the U.S. Phone Market”. Fortune. August 4, 2017.

⁶³ Tilley, Aaron. “Xiaomi Follows In Footsteps Of Apple And Samsung With Its Own Smartphone Chip”. Forbes. February 28, 2017.

⁶⁴ Ibid.

⁶⁵ Lucas, Louise and Nic Fildes. “Huawei aims to help set 5G standards”. Financial Times. November 29, 2016.

⁶⁶ Ibid.

⁶⁷ Breznitz, Dan and Michael Murphree. “The Rise of China in Technology Standards: New Norms in Old Institutions”. U.S.-China Economic and Security Review Commission. January 16, 2013. 4.

⁶⁸ Lovejoy, Ben. “Apple once more dominates global smartphone profits, though less dramatically”. 9 To 5 Mac. March 8, 2017.

⁶⁹ Mayo, Benjamin. “Apple iPhone captures 103.6% of smartphone industry profits in Q3, according to analyst estimates”. 9 To 5 Mac. November 4, 2016.

⁷⁰ analyst estimates”. 9 To 5 Mac. November 4, 2016.

Neate, Rupert. “Apple’s annual profits fall for first time in 15 years as iPhone sales decline”. The Guardian. October 25, 2016.

major reason why profits have so far remained relatively low at Huawei and other Chinese smartphone companies is that these companies are making major investments in marketing, opening stores, establishing partnerships, and other activities to expand their market share and gain access to new markets, particularly those with higher profit margin possibilities such as in the US and Europe.⁷¹ As these investments, particularly one-time expenses become less necessary and Huawei and other companies focus more on expanding profit margins in established markets, their profitability is expected to rise.⁷²

Apple is not the only Western company which is losing ground in China. As the price of Chinese labor rises, Chinese firms grow increasingly competitive, and the Chinese government is increasingly confident in dropping concessions to foreign companies and supporting its domestic companies through protectionist measures, foreign companies in China are now leaving, in growing numbers.⁷³ One of four US companies active in China has either started to leave or plans to do so, 45% of such companies have experienced flat or declining sales, and only 64% of US companies in China were turning a profit in their Chinese operations.⁷⁴ This exodus began with labor intensive manufacturing - particularly shoemaking, apparel, and textile manufacturing - moving to India, Vietnam, Thailand, and other countries as the cost of producing goods in China rose dramatically: a 2017 study found that "Manufacturing goods in China is now only 4 percent cheaper than in the United States, in large part because yearly average manufacturing wages in China have increased by 80 percent since 2010."⁷⁵ It has continued for manufacturers of electronic devices: "Chinese consumer appliances giant Huawei... in September [2016] announced that it would manufacture three million smartphones a year in India, and Foxconn, the Apple supplier... is opening a \$10 billion iPhone manufacturing plant in India."⁷⁶ Other higher-end companies are following suit:

In November last year, Japanese electronics conglomerate Sony sold all its shares in Sony Electronics Huanan, a Guangzhou factory that makes consumer electronics, and British high-street retailer Marks & Spencer announced it was closing all its China stores amid continuing China losses.

Add to that list Metro, Home Depot, Best Buy, Revlon, L'Oreal, Microsoft, and Sharp and we start to see more than a trend developing.

Once considered Beijing's most-welcomed guests, bringing with them the money, management skills, and technical knowledge that the country so badly needed, foreign companies now appear to have fallen out of favor.

⁷¹ Sin, Ben. "Huawei Sold More Phones, Made More Money, But Less Profits. Why?". Forbes. March 31, 2017.

⁷² Ibid.

⁷³ Li, Jane. "Why foreign companies are shutting shop in China". CNBC. February 3, 2017.

⁷⁴ Dumalaon, Janelle. "US firms moving out of China". Deutsche Welle. January 20, 2016.

⁷⁵ Lomas, Matthias. "Which Asian Country Will Replace China as the 'World's Factory'?". The Diplomat. February 18, 2017.

⁷⁶ Ibid.

"China doesn't need foreign companies so badly now in terms of acquiring advanced technology and capital as in previous years," said Professor Chong Tai-Leung from the Chinese University of Hong Kong, "so of course, the government is likely to gradually phase out more of these preferential policies for foreign firms."⁷⁷

Even when foreign manufacturers remain in China, they are moving out of the coastal cities into western and central China, where labor costs are lower.⁷⁸ Meanwhile, US internet and tech companies, ranging from Google to EBay have been pushed out of China by local competition, with Uber, which sold its China operations to Chinese rival Didi Chuxin in 2016, being the latest in a string of high-profile failures.⁷⁹

China's emerging high-tech economy is causing serious concern among the previously established imperialist powers. In South Korea, a state-run think tank argued in 2017 that "[i]n five years' time there'll be little difference between the tech of Chinese and [South] Korean companies in most sectors, including high-end smart phones, wearable devices, memory chips, and smart electronics".⁸⁰ The Mercator Institute, a German think tank, argues that Made in China 2025 is likely to produce Chinese monopoly companies across high tech industry which will "dominate their sectors on the Chinese market and become fierce competitors in international markets" as American and European companies complain of "unfairly" being pushed out of the Chinese market.⁸¹ Their concerns, while obviously self-interested and downplaying the entrenched advantages of firms from established imperialist powers, are not wrong insofar as they see the development of significant Chinese competition; in 2016, Chinese high tech industry grew at a rate of 10.8%, significantly above the GDP growth rate at only 6.8%.⁸² Furthermore, the resources being committed to these sectors by the Chinese state far outweigh those from many other imperialist states. As the Mercator Institute noted:

In order to achieve these goals, government entities at all levels funnel large amounts of money into China's industrial future. The recently established Advanced Manufacturing Fund alone amounts to 20 billion CNY (2.7 billion EUR). The National Integrated Circuit Fund even received 139 billion CNY (19 billion EUR). These national level funds are complemented by a plethora of provincial level financing vehicles. The financial resources are enormous compared to, for instance, the 200 million EUR of federal funding that the German government has provided for research on Industry 4.0 technologies so far.⁸³

⁷⁷ Li, Jane. "Why foreign companies are shutting shop in China".

⁷⁸ Magnier, Mark. "How China Is Changing Its Manufacturing Strategy". Wall Street Journal. June 7, 2016.

⁷⁹ Pierson, David. "Why U.S. tech companies can't figure out China". LA Times. August 1, 2016.

⁸⁰ Lee, Jiyeun. "Korea's High-Tech Economy Threatened by Chinese Catch-up". Bloomberg. April 4, 2017.

⁸¹ Bradsher, Keith and Paul Mozur. "China's Plan to Build Its Own High-Tech Industries Worries Western Businesses". New York Times. March 7, 2017.

⁸² Scutt, David. "China GDP beats, high-tech industries surge". Business Insider. January 20, 2017.

⁸³ Wübbeke, Jost and Mirjam Meissner, Max J. Zenglein, Jacqueline Ives, and Björn Conrad. "Made in China 2025". Mercator Institute for China Studies. December 2016. 7.

As will be discussed later, many of these states, particularly the US and Germany, are increasingly responding to these developments and attempting to implement countermeasures.

No analysis of China's economy would be complete without examining the real estate bubble within the country. Property prices in China's largest cities are skyrocketing, with the average price per square meter for a flat in Beijing or Shanghai exceeding the same price in New York City.⁸⁴ Wang Jianlin, a real estate mogul who is the richest person in China, has warned that the Chinese real estate market is the "biggest bubble in history".⁸⁵ In 2016, a slowdown in economic growth led to a halt in construction in many new cities, producing "ghost towns" of abandoned buildings and construction materials.⁸⁶ The Chinese government has taken some steps to try to cool the property market, including efforts to raise interest rates on home purchases, but is threading a needle trying to do so without causing a collapse in the market.⁸⁷ A report from Shanghai University suggests that by as early as 2020, "the ratio of mortgage debt and disposable income in China will reach the same peak level [127 per cent] as the US [in 2007] on the eve of the subprime crisis".⁸⁸

The impact of this development on Chinese imperialism is complicated. In one sense, this constitutes an obvious weakness of the Chinese economy, and if the bubble were to dramatically burst and cause a serious economic crisis it would undoubtedly require a retrenchment of overseas interests and investments, particularly from the Chinese state. In the meantime, however, this prospect has actually encouraged investment abroad, with investors hoping that overseas holdings will be safe from a crash localized to China.⁸⁹ Chinese companies and individual capitalists alike have sought to acquire abroad, with foreign assets (including holding of foreign exchange reserves) expected to triple from \$6.4 trillion in 2015 to \$20 trillion in 2020.⁹⁰ As will be discussed later, this growth in foreign holdings is also reflected in outwards foreign direct investment.

Monopoly Companies

One of the most important elements of capitalist imperialism is the development of monopolies; giant companies which dominate their industry or industries. Operating on a global scale, these companies form the economic basis of imperialism, constituting the core around

⁸⁴ Nunlist, Tom. "China's Housing Market: The Iron Bubble". CKGSB Knowledge. July 31, 2017.

⁸⁵ Mullen, Jethro and Andrew Stevens. "Billionaire: Chinese real estate is 'biggest bubble in history'". CNN. September 29, 2016.

⁸⁶ Chao, Steve. "Inside China's ghost towns: 'Developers run out of money'". Al Jazeera. September 16, 2016.

⁸⁷ Wildau, Gabriel. Chinese top official warns economy 'kidnapped' by property bubble". Financial Times. August 10, 2017.

⁸⁸ Huifeng, He. "China's mortgage debt bubble raises spectre of 2007 US crisis". South China Morning Post. September 27, 2017.

⁸⁹ Liu, Coco. "Why are middle class Chinese moving their money abroad?". South China Morning Post. May 27, 2017.

⁹⁰ Powell, Bill. "China is eager to invest trillions abroad. Is the world ready?". Newsweek. July 2, 2015.

which the political and military operations of imperialism are based. One useful measurement for determining the presence of monopoly companies is the Fortune 500 Global list, which lists the 500 largest companies in the world by revenue. How then, do China and other leading imperial powers compare on this metric?

Figure 3⁹¹

Country	Fortune 500 Companies (2005)	Fortune 500 Companies (2010)	Fortune 500 Companies (2017)
United States	175	141	132
China	18	47	109
Japan	81	71	51
France	40	40	29
Germany	34	36	29
United Kingdom	33	29	23

As Figure 3 demonstrates, in 2017, China had 109 of the largest companies in the world by revenue - 21.8% of the top 500 measured in Fortune's Global 500 list. These included the second, third, and fourth largest companies.⁹² This was the second highest of any country, trailing only the United States, which had 132 and far outpacing the third largest, Japan, which had only 51. Furthermore, it is clear that China's share of the largest monopoly companies has seen extraordinary growth over the past 12 years, as can also be seen in Figure 4:

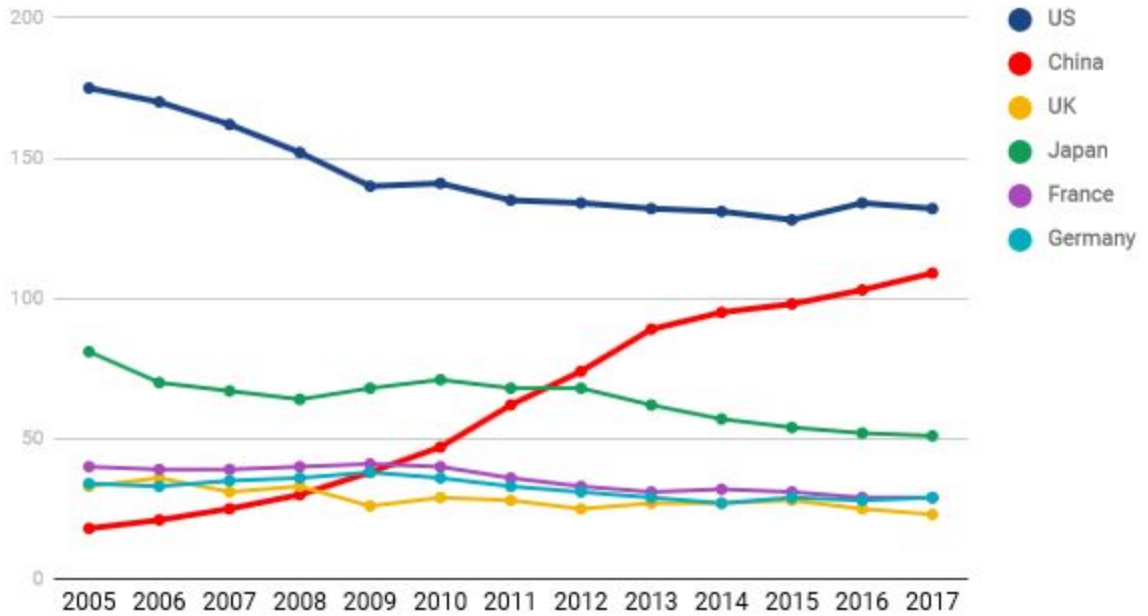
Figure 4⁹³

⁹¹ "Fortune 500 Global List – 2017". Fortune. 2017.

⁹² Ibid.

⁹³ Ibid.

Fortune Global 500 Companies 2005-2017

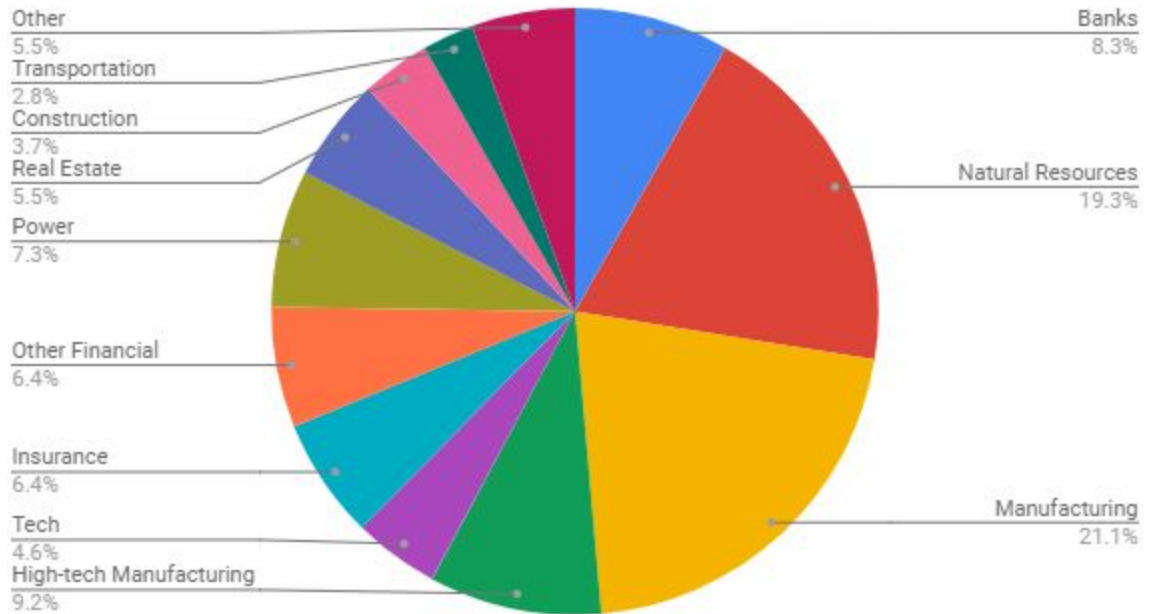


China has acquired a huge share of the world's largest companies, particularly gaining between the start of the major financial crisis in 2007-8 and 2013, after which its rate of increase slowed. This share of the top 500 has largely come at the expense of the previously established imperial powers: while China gained 81 spots from 2005-2017, the United States lost 43, Japan lost 30, France lost 11, the UK lost 10, and Germany lost 5. The trend is clear: China is home to an increasing share of the world's largest companies. Furthermore, these companies are increasingly divided across a variety of key capitalist industries and sectors.

Figure 5⁹⁴ N3

⁹⁴ Ibid.

China Fortune 500 Global Companies



As is evident from Figure 5, China's share of world monopoly companies is not the exclusive domain of light manufacturing or any other single industry. While resource extraction and manufacturing companies constitute the largest shares, there are also significant shares for various financial sectors and high-tech sectors.

Financial Monopolies

The banking sector is of particular interest to a study of capitalist imperialism. As capitalism develops into monopoly capitalism, banks serve a key role in this development. They become integrally connected throughout domestic and foreign economies, with access to credit serving as the lifeblood of advanced capitalism. In terms of the largest banks in the world, then, where does China place?

Figure 6⁹⁵

Country	Top 100 Banks	Total Assets (Billions USD)
China	18	20,993
United States	12	16,841 ^{N4}
Japan	8	9,995

⁹⁵ Mehmood, JahanZaib. "The world's 100 largest banks". S&P Global Market Intelligence. April 11, 2017.

France	6	7,813
United Kingdom	6	6,806
Germany	5	3,200

With regards to banks, China leads the world by wide margins in terms of both number of top banks with 18 of the top 100 and the total assets of those banks, nearly \$21 trillion. Four of the five largest banks in the world are Chinese.^{96 N5} This obviously constitutes an enormous and highly monopolized banking sector.

A major argument by those Marxists who believe that China remains a semi-colonial state is that China’s monopoly companies, and specifically its banks which are its largest companies, are vastly less profitable in terms of return on assets than Western multinational corporations, and that consequently they are qualitatively different from imperialist monopolies. Sam King is one of the foremost proponents of this claim:

A capitalist economy encompassing one sixth of the planet’s population must possess some gigantic companies. China does. Four of the world’s top 10 corporations by gross profits are Chinese. However, this doesn’t really tell us much. Here is the list in order of gross profits, with each company’s return on assets (RoA) in brackets: Exxon Mobil (13), Apple (24), Gazprom (10), Industrial Commercial Bank of China (1), China Construction Bank (1), Volkswagen (7), Shell (7), Chevron (11), Agricultural Bank of China (1) and Bank of China (1). Thus, according to *Fortune*, imperialist giant MNCs’ average return on assets is 12 times higher [sic] than that of Chinese monopolies!⁹⁷

In fact, King’s use of data here is extremely misleading and fails to supply the proper context. He suggests that the return on assets (RoAs) between these companies are comparable, but in fact, they are not. All of the Chinese companies listed are banks, and all the non-Chinese companies are not banks. Banks are highly leveraged and consequently have an artificially inflated level of “assets” for the purpose of calculating RoA, so their RoA is seemingly very low, even when a bank is extremely profitable, as even basic investment advice notes:^{N6}

Another good metric for evaluating management performance is a bank’s return on assets (ROA). When calculating ROA, remember that banks are highly leveraged, so a 1% ROA indicates huge profits. This is one area that catches a lot of investors: technology companies might have an ROA of 5% or more, but these figures cannot be directly compared to banks.⁹⁸

⁹⁶ Ibid.

⁹⁷ King, Sam. “Lenin’s theory of imperialism: a defence of its relevance in the 21st century”. *Marxist Left Review*, no. 8. Winter 2014.

⁹⁸ “The Industry Handbook: The Banking Industry”. Investopedia. Accessed March 17, 2018.

An examination of the average RoA for American commercial banks between 1980 and 2005 confirms that rates above one percent are high; the highest average RoA during this period was 1.35% in 2003.⁹⁹ This is not, of course, indicative that banks are unprofitable enterprises, but rather that measuring their profitability by return on assets is not comparable to other industries because of the way that fractional reserve banking creates seemingly enormous “assets” for the purpose of the calculation. Furthermore, certain industries, such as the tech industry which includes Apple which King cites as an example of much higher Western profitability, are likely to produce an artificially higher RoA than the average company because of how ‘assets’ are accounted:

Also, since the assets in question are the sort that are valued on the balance sheet - namely, fixed assets and not intangible assets like people or ideas - ROA is not always useful for comparing one company against another. Some companies are 'lighter', having their value based on things such as trademarks, brand names and patents, which accounting rules don't recognize as assets. A software maker, for instance, will have far fewer assets on the balance sheet than a car maker. As a result, the software company's assets will be understated, and its ROA may get a questionable boost.¹⁰⁰

King’s argument completely failing to account for or inform the reader of these glaring problems with comparing RoA directly between companies in different fields and particularly between banks and non-banks is at best a serious error and undermines confidence in the accuracy and forthrightness of his economic analysis. For an apples-to-apples comparison, we must examine Chinese banks against the major banks of Western imperial powers that appear on the *Fortune 500 Global* list.

Figure 7¹⁰¹

Company	Country of Origin	Profits (2017, USD Billions)	Assets (2017, USD Billions) ^{N7}	Return on Assets (2017, Percentage)
Industrial & Commercial Bank of China	China	41.9	3,473.2	1.21
China Construction Bank	China	34.8	3,016.6	1.15
Agricultural Bank of China	China	27.7	2,816.0	0.98

⁹⁹ Mishkin, Frederic S. *The Economics of Money, Banking, and Financial Markets Eighth Edition*. Pearson Addison-Wesley, 2007. Appendix 2 to Chapter 9, 37.

¹⁰⁰ McClure, Ben. “Use ROA To Gauge A Company's Profits”. Investopedia. Accessed March 17, 2018.

¹⁰¹ “Fortune 500 Global List – 2017”. Fortune. 2017.

Bank of China	China	24.8	2,611.5	0.95
JPMorgan Chase	US	24.7	3,349.5	0.74
Bank of America	US	17.9	2,776.3	0.64
Citigroup	US	14.9	2,356.9	0.63
Goldman Sachs Group	US	7.4	1,512.7	0.49
Sumitomo Mitsui Financial Group	Japan	6.5	1,775.3	0.37
Mitsubishi UFJ Financial Group	Japan	8.6	2,722.4	0.31
Mizuho Financial Group	Japan	5.6	1,800.0	0.31
Societe Generale	France	4.3	1,457.8	0.29
Lloyds Banking Group	UK	2.8	1,010.2	0.28
Credit Agricole	France	3.9	1,607.5	0.24
HSBC Holdings	UK	2.5	2,375.0	0.10
Deutsche Bank	Germany	-1.6	1,677.4	-0.09

As is evident in Figure C, when a more honest comparison is made, the massive Chinese banks are not out-profited twelve to one on their assets by the massive Western banks, but rather in 2017 out-profited them per asset - by nearly two to one compared to US banks and three or four to one compared to British, Japanese, and French banks. They also out-profited US, British, Japanese, German, and French banks in total, posting the four highest gross profits. That these seemingly low RoAs are in fact a product of a trick of accounting is also made clear: it would be quite difficult for anyone remotely familiar with the economy of the United States to seriously argue that JPMorgan Chase, Bank of America, Citigroup, and Goldman Sachs are unprofitable! And yet - using King's method - one could point to the Chinese tech and internet companies Huawei Investment & Holding (RoA 8.74%), Alibaba Group Holding (8.82%), and Tencent Holdings (10.86%), compare them to Western banks, and proclaim that 'according to *Fortune*, Chinese monopolies' average return on assets is *20-40 times* higher than that of Western monopolies!' Such a statement would be as vacuous as King's - there is no genuine insight to be gleaned from cherry-picking and comparing incomparable statistics.

Export of Capital

The export of capital is one of the cornerstones of capitalist imperialism. As capitalist monopolies conquer and exploit every profitable opportunity in their domestic economies, they are driven to find better pickings abroad. It is the competition between capitalist monopolies to enforce favorable terms and deny such terms to their international competition which forms a key element of international colonialism and neo-colonialism. Capital export is one of the most direct and effective ways in which monopolies can acquire and profit from overseas holdings. There are two critical factors to understanding world capital export. The first is the annual outflow of capital, representing how much a country's firms are increasing (or decreasing) their investments abroad each year. The second is the accumulated stock of export capital the value of the exported capital one country's firms have accumulated. How does China stack up on the world stage in this regard?

Figure 8^{102 NB}

Country	FDI Outflow (2016, Billions USD)	FDI Outflow (Mean, 2011-2016, Billions USD)	Share of World FDI Outflow (2011-2016, Percentage)	FDI Outflow Stocks [Accumulated holdings] (2016, Billions USD)
United States	299.0	318.8	22.1	6,383.8
United Kingdom	-12.6	-14.4	-1.0	1,443.9
Japan	145.2	128.1	8.9	1,400.7
Germany	34.6	68.3	4.7	1,365.4
China	183.1	117.3	8.1	1,281.0
France	57.3	43.1	3.0	1,259.4
Netherlands	173.7	83.0	5.7	1,256.0
Italy	22.8	26.0	1.8	460.4
Thailand	13.2	8.1	0.6	85.6
Indonesia	-12.5	3.4	0.2	58.9

¹⁰² United Nations Conference on Trade and Development. "Annex table 02. FDI outflows, by region and economy, 1990-2016". World Investment Report. June 7, 2016; United Nations Conference on Trade and Development. "Annex table 04. FDI outward stock, by region and economy, 1990-2016". World Investment Report. June 7, 2016.

Figure 8 contains data from the United Nations Conference on Trade and Development on Foreign Direct Investment (FDI) outflows. For Figure 8, I have selected seven countries which are nearly universally agreed by Marxists to be imperialist powers - the United States, United Kingdom, France, Germany, Italy, Japan, and the Netherlands. I have also selected the country of study, China, and two states generally agreed to *not* be imperialist powers - Indonesia and Thailand - which I have selected on the basis of being large states that are semi-colonies. Of note is that these are outflows - FDI *from* the selected countries *to* other countries. FDI Outflow (2016) refers to the amount of capital each specified state exported in 2016. FDI Outflow (Mean, 2011-2016) refers to the average amount of capital each specified state exported annually between 2011-2016. By taking an average over a five year period, the influence of particular circumstances which might arise in one year or another are reduced and consequently this figure gives a better understanding of the general trend. The Share of World FDI Outflow (2011-2016) is the percentage of total world capital export which originated in each specified state from 2011-2016. This gives an understanding of the share of world capital export each state occupies and a good means of comparison between them. Finally, FDI Outflow Stocks (2016) refers to the total value of holdings in foreign economies - in essence, the accumulated sum of exported capital from each of the specified countries.

The first, most obvious conclusion from these data is that the United States is the uncontested leader in world capital export. Not only does it have the highest accumulated sum of exported capital by a lead of nearly \$5 trillion over its closest competitor, it is also exporting more than twice as much capital from 2011-2016 on average as any other state. The US comprised 22.1% of world capital exports from 2011-2016 as against 8.9% for Japan, the next highest. It is noteworthy, however, that the ratio of the US's capital export stock to that of China (5:1) and Japan (4.6:1) is higher than the ratios of its annual outflow to their annual outflow (2.7:1 and 2.5:1, respectively), meaning that both China and Japan are gaining relative to the US in terms of stock on an annual basis.

It is also obvious that Thailand and Indonesia, the 'control group', are clearly mostly insignificant in world capital export, with very small accumulated holdings and little yearly addition to those holdings. This is particularly relevant given the argument made by Sam King to attempt to refute a point made by Tom Bramble, which echoes a common refrain by those who believe China is not an imperialist state:

It is [sic] true, as Bramble argues, that China, "is now undertaking large scale capital export, both to developing and Western countries", [sic] but such information should not be taken out of context. Today, even backward countries export capital. In 2012, for example, Thailand's outward FDI increased by \$12 billion. Virtually all Third World nations now have an outward FDI stock. ¹⁰³

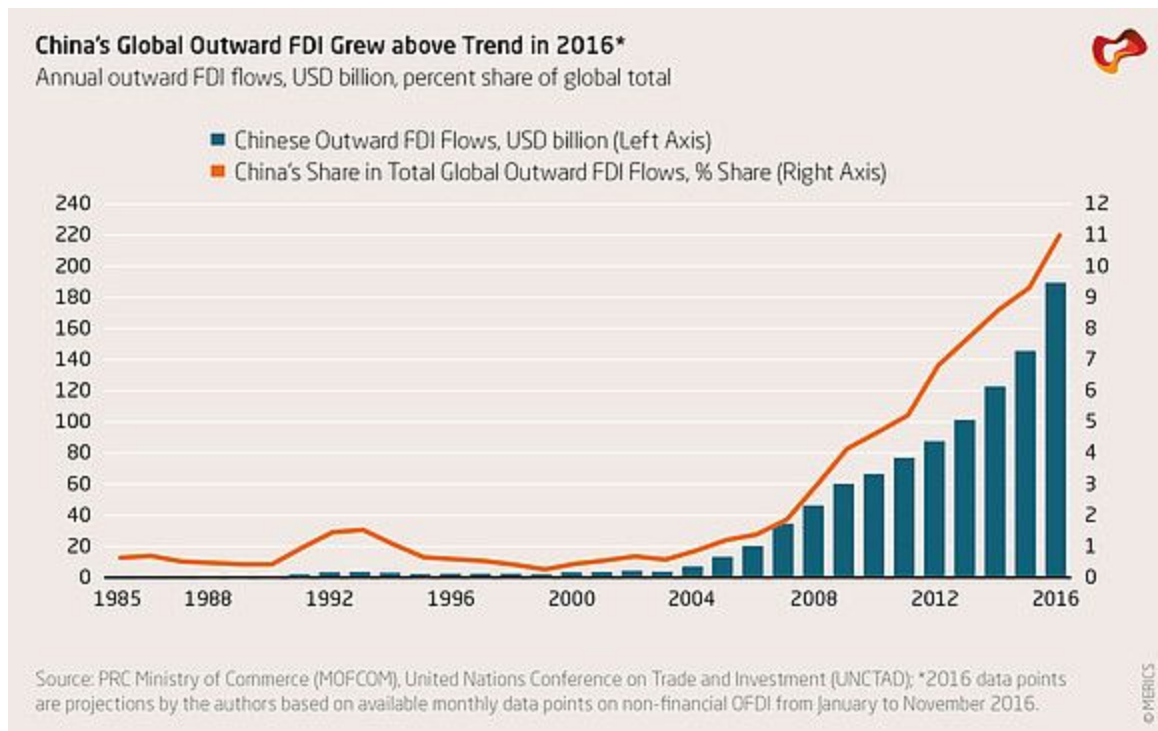
When the amounts in Figure X are examined, it is clearly King who is taking this information out of context. Thailand - the example King cites - constituted less than one percent of world capital

¹⁰³ King, Sam. "Lenin's theory of imperialism: a defence of its relevance in the 21st century".

export from 2011-2016 and its stock of accumulated capital export is extremely small. China's capital export is not even remotely comparable to that of Thailand. Even in 2012 (the year from which King draws his figures), China's FDI outflow was 7.5 times as large as Thailand's and its stock was 10.8 times as large.¹⁰⁴ In 2016, China's outflow was 13.9 times as large as Thailand's and its stock 15 times as large.¹⁰⁵ Thailand's (or, for that matter, Indonesia's) capital export is clearly not even remotely comparable to China's. To do so is the mathematical equivalent of conflating the capital export of the United States with that of Finland.

China had an FDI outflow of \$183.1 billion in 2016 - the second highest in the world. Indeed, over the past five years, China has had 8.1% of the world's FDI outflow - third after the United States and Japan. In terms of accumulated capital exports, China has accumulated about \$1.281 trillion - more than Italy, the Netherlands, or France, and a comparable amount to Germany, Japan, and the United Kingdom. Indeed, its high ranking in FDI outflow suggests that China is outpacing these powers and will soon eclipse them in accumulated export capital - particularly the United Kingdom, which has actually been *negative* in FDI outflow over the 5 year period (that is to say, has been retrenching its investments abroad faster than expanding them) .

Figure 9¹⁰⁶



¹⁰⁴ United Nations Conference on Trade and Development. "Annex table 02. FDI outflows, by region and economy, 1990-2016"; United Nations Conference on Trade and Development. "Annex table 04. FDI outward stock, by region and economy, 1990-2016".

¹⁰⁵ Ibid.

¹⁰⁶ Hanemann, Thilo and Mikko Huotari. "Record Flows and Growing Imbalances". Mercator Institute for China Studies. January 2017. 4.

A cautionary note is necessary on the large jump in Chinese outward FDI from 2015 to 2016. As Figure 9 demonstrates, China's FDI growth during that period was significantly higher than the trend. China's 2015 FDI outflow was about \$127.6 billion, whereas in 2016 it was \$183.1 billion - an increase of more than 43%.¹⁰⁷ This jump was inspired, at least in part, by efforts to send money out of country to evade an anti-corruption investigation, and in fact China has implemented measures to crack down on this type of foreign investment.¹⁰⁸ Consequently, it seems likely that Chinese FDI will 'regress to the mean' of its growth pattern from 2007-2015 rather than remaining at the 2016 level. Nevertheless, Chinese outwards FDI is projected to rise to more than \$275 billion annually in the 2020s, more than double its 2015 level.¹⁰⁹ One projection suggested that China's FDI outflow stock might reach \$2 trillion by 2020 - which would likely make it the second largest global investor after the United States.¹¹⁰ Furthermore, its investment portfolio is rapidly changing in its composition.

Chinese outwards FDI, which previously was dominated by energy and mining, is changing in character as it massively expands in scale:

China's outward investment has become more sophisticated as companies shift their focus from seeking natural resources toward creating a global strategic presence. Earlier, investment activities were concentrated in the energy and mining sectors. However, they have more recently expanded into the technology, real estate, finance, agribusiness and health care sectors. The existing M&A [merger & acquisition] market also shows clear diversification: In 2010, energy and mining accounted for 61% of the total value of Chinese companies' M&A deals but this had dropped to 16% in 2014. Conversely, the share of the technology, media and telecommunication (TMT) sector increased from 6% in 2010 to 21% in 2014; agriculture and real estate are also exciting M&A sectors.¹¹¹

This shift in targeted sectors has been matched by a geographic shift:

With the transformation and strengthening of the Chinese economy and the development of Chinese enterprises, the objective of investment has shifted from acquiring production factors such as resources to acquiring advanced technology and brands. This shift in focus is aimed at increasing the international competitiveness of Chinese companies and meeting the changing domestic consumption behavior. Driven by this shift, the investment destinations for China are becoming increasingly diversified, as Chinese companies are expanding into the developed countries in Europe and America rather than the resource-based economies in Asia, Africa and Latin America.

¹⁰⁷ United Nations Conference on Trade and Development. "Annex table 02. FDI outflows, by region and economy, 1990-2016".

¹⁰⁸ Wildau, Gabriel. "Why China is cracking down on outbound deals". Financial Times. November 29, 2016.

¹⁰⁹ Reiss, John, Alex Zhang, Francis Zou, Vivian Tsoi, and Farhad Jalinous. "China's rise in global M&A: Here to stay". White & Case. March 2017.

¹¹⁰ Anderlini, Jamil. "China to become one of world's biggest overseas investors by 2020". Financial Times. June 25, 2015.

¹¹¹ Ng, Albert. "Riding the Silk Road: China sees outbound investment boom". Ernst & Young. March 2015. 6.

Furthermore, the slow economic recovery of developed countries after the 2008 financial crisis has also provided a good opportunity for Chinese companies to “buy on the dips”. In recent years, the growth of Chinese investment in developed countries was significantly outpaced that in the developing countries. China’s investment in the US increased 23.9% in 2014 and investment in the EU increased 1.7 times, much higher than the 14.1% overall FDI growth in the same period.

¹¹²

A 2015 analysis by the Financial Times projects that China will overtake the United States as the largest source of outward FDI, while also projecting that the above trends in its composition will continue:

Firstly, in our view China’s ODI [outward direct investment] will to continue to grow by around 20 per cent a year, with China overtaking the US as the world’s largest outbound direct investor in the next few years. This year, the pace of investment to accelerate, [sic] pushed by massive infrastructure investments in Asia and Europe envisioned in the “One Belt, One Road” initiative.

Secondly, Chinese companies will continue to shift their geographic and sector focus. The investment destination is changing away from Africa, Latin America and Asia. Chinese investors are now making strategic investment in developed markets, in particular the European Union and North America. Europe has recorded 14 per cent of China’s ODI in goods and services in the last five years.

In addition, China’s ‘Third Wave’ ODI is shifting focus from acquiring natural resources in coal, oil and metals to infrastructure including rail, shipping and ports. They are now turning to agriculture, technologies, high-end manufacturing, consumer goods, real estate, services and brands. This is at an early stage, but growth rates are rapidly accelerating.¹¹³

The fact that China is now competing significantly for acquisitions within the established imperial powers, and the inclusion of these new types of assets, in conjunction with the huge and growing role China plays in global capital export generally, are significant pieces of evidence that China has become an imperialist power.

Chinese Imperialism Abroad

Belt and Road Initiative

Figure 10¹¹⁴

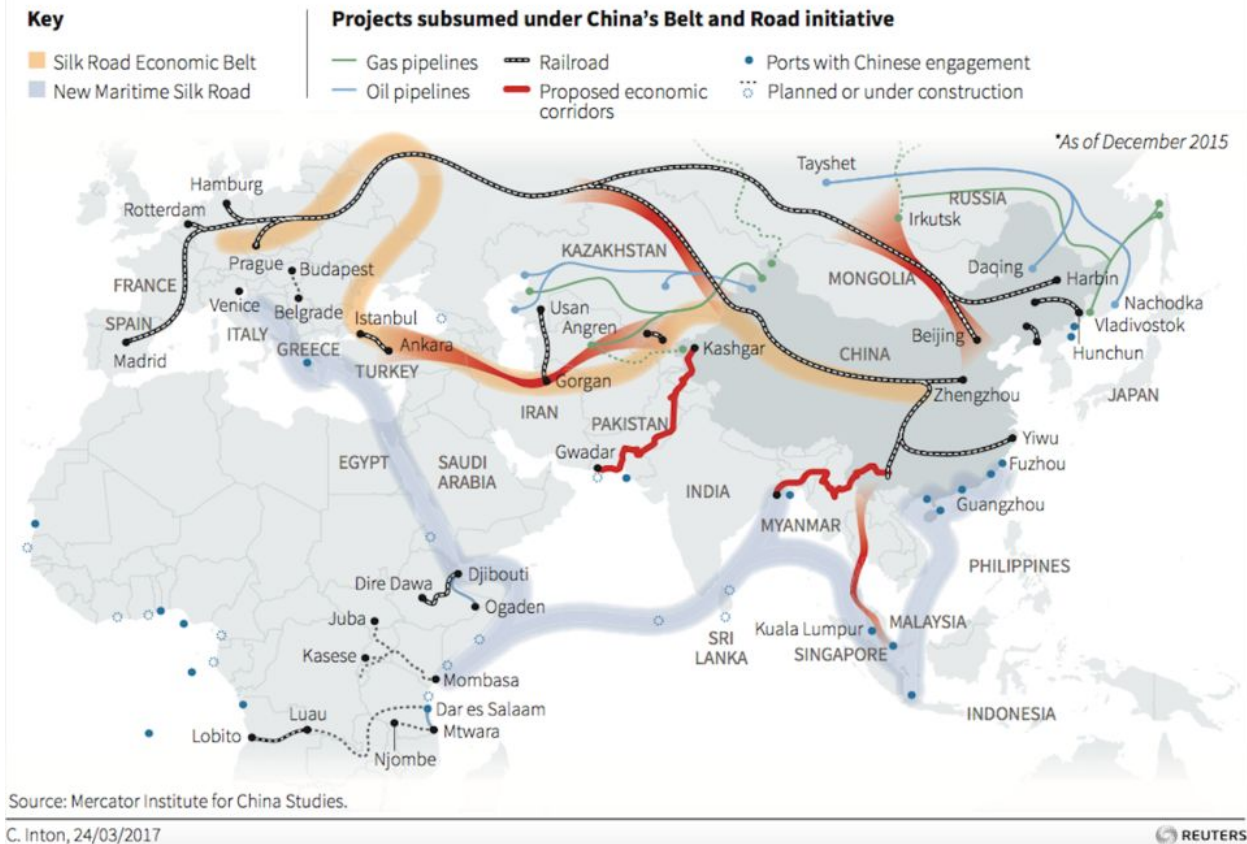
¹¹² Ibid, 12.

¹¹³ Lake, Spencer. “China set to overtake the US as an outward investor”. Financial Times. June 29, 2015.

¹¹⁴ Ma, Alexander. “Inside 'Belt and Road,' China's mega-project that is linking 70 countries across Asia, Europe, and Africa”. Business Insider. January 31, 2018.

Reviving the Silk Road

Announced by Chinese President Xi Jinping in 2013, the Silk Road initiative, also known as China's Belt and Road initiative, aims to invest in infrastructure projects including railways and power grids in central, west and southern Asia, as well as Africa and Europe.



The Belt and Road Initiative (BRI), also known as One Belt, One Road or the 21st Century Silk Road, is an enormous infrastructure project being advanced by China. It is comprised of two main elements, the 'Silk Road Economic Belt' across land from China to Europe through central Asia and the Middle East, and the 'New Maritime Silk Road' by sea from China through southern Asia to Africa, the Middle East, and Europe.¹¹⁵ It includes road and rail networks, ports, energy pipelines, power plants, and other such infrastructure elements.¹¹⁶ The BRI has already included more than \$300 billion in projects and an additional \$1 trillion of projects are expected to be completed over the next 10 years.¹¹⁷ What is the purpose and impact of the project?

There are a variety of motivations for China's introduction of the BRI. One is to reduce the costs of Chinese trade to Europe and intervening countries, and create incentives for

¹¹⁵ Ibid.

¹¹⁶ Ibid.

¹¹⁷ Manuel, Anja. "China Is Quietly Reshaping the World". The Atlantic. October 17, 2017.

countries along the route to open themselves further to Chinese trade and investment. Another is to create new markets for China's excess production of steel, cement, aluminum, and other construction materials as the Chinese government attempts to deflate and deflect its housing bubble.¹¹⁸ 70 percent of loans made through BRI have contained requirements for the use of Chinese materials, equipment, or labor.¹¹⁹ Energy is also a substantial motivator. The New Maritime Silk Road projects offer China potential means to transport natural resources, especially oil, through Pakistan or Myanmar, bypassing the Straits of Malacca. At present, more than 80% of Chinese oil passes through the straits, creating a chokepoint that is extremely vulnerable in case of conflict.¹²⁰ The loans that form the cornerstone of BRI are themselves expected to produce significant returns for China, particularly as interest rates climb from initial lows around 2.5% to 5% and higher.¹²¹ There are also potential diplomatic benefits, as states receiving investment under the program might be less willing to criticize China or support anti-Chinese measures.

Such investments, of course, are not free from risk. Many countries are already struggling to repay the loans they have taken out under BRI. One study found that Pakistan, Djibouti, the Maldives, Laos, Mongolia, Montenegro, Tajikistan and Kyrgyzstan would face serious difficulties in funding the BRI projects they had initiated.¹²² China has partially secured its investments by using the produced infrastructure as collateral. Sri Lanka produced one example of this when it was forced to grant a Chinese firm a 99-year lease on the port of Hambantota, which had been significantly expanded under BRI, due to its inability to repay the debt it had incurred.¹²³ The Maldives also faces a similar prospect due to a heavy BRI-incurred debt load to China.¹²⁴ In the case of Pakistan, a lapse in debt repayment could lead to Chinese seizure of roads, coal mines, power plants, and oil pipelines; China has already acquired a 40 year lease on the Pakistani port of Gwadar.¹²⁵

Africa

Beginning in the early 2000s, China massively expanded its trade with and investment into Africa. This expansion took a variety of forms, which have changed over time. Initially, the primary interest of Chinese companies in Africa was acquisition of natural resources, most prominently oil but also including iron, copper, tin, gold, cobalt, uranium, and timber, as well as a

¹¹⁸ Chan, Sara. "The Belt and Road Initiative: Implications for China and East Asian Economies". *The Copenhagen Journal of Asian Studies*, 2017. 66-67.

¹¹⁹ Djankov, Simeon and Sean Mine, eds. "China's Belt and Road Initiative Motives, Scope, and Challenges". Peterson Institute for International Economics. March 2016. 7.

¹²⁰ Manuel, Anja. "China Is Quietly Reshaping the World".

¹²¹ *Ibid.*

¹²² Ming, Cheang. "China's mammoth Belt and Road Initiative could increase debt risk for 8 countries". *CNBC*. March 5, 2018.

¹²³ Yamada, Go and Stefania Palma. "Is China's Belt and Road working? A progress report from eight countries". *Nikkei Asian Review*. March 28, 2018.

¹²⁴ Ramachandran, Sudha. "The China-Maldives Connection". *The Diplomat*. January 25, 2018.

¹²⁵ Manuel, Anja. "China Is Quietly Reshaping the World".

variety of other resources.¹²⁶ As China's presence in Africa expanded, African countries became important markets for Chinese exports of manufactured goods; by 2013 "China had become by far the largest source of imports to the continent."¹²⁷ African countries have also become important destinations for Chinese capital export, with China becoming the leading source of FDI flows to Africa in 2016.¹²⁸ In addition, China has become a major funder of infrastructure projects, particularly in East Africa, with a mixture of projects that enable easier import of African resources and export of Chinese goods, and Belt and Road Initiative projects which seek to use African ports as stepping-stones on the route to and from Europe.¹²⁹

One factor that has remained largely constant throughout modern Chinese involvement in Africa is that African workers have seen little reward from its investments and have borne a heavy toll in workplace injuries and deaths, awful working conditions, wage cuts, and environmental destruction, among other factors. A 2009 report by the African Labour Research Network, a research group formed by African unions, makes these points extremely clear:

Although working conditions at Chinese companies in Africa differ across countries and sectors, there are some common trends such as tense labour relations, hostile attitudes by Chinese employers towards trade unions, violations of workers rights, poor working conditions and unfair labour practices. There is a virtual absence of employment contracts and the Chinese employers unilaterally determine wages and benefits. African workers are often employed as "casual workers", depriving them of benefits that they are legally entitled to.

Chinese employers tend to be amongst the lowest paying in Africa when compared with other companies in the same sector. In Zambia, for example, the Chinese copper mine paid its workers 30% less than other copper mines in the country. In general, Chinese companies do not grant African workers any meaningful benefits and in some instances ignore even those that are prescribed by law. Wages above the national average were only found at those Chinese companies with a strong trade union presence. Chinese staff members enjoy significantly higher wages and more benefits than their African counterparts.

Collective bargaining hardly takes place in Chinese companies. They resort to union bashing strategies to discourage their workers from joining a trade union. In many instances, Chinese businesses were supported by host governments who defended Chinese investments against the demands of labour. Trade unions see the practices of Chinese companies as a threat to the limited social protection that unions have achieved over the years through collective bargaining. Chinese employers violate several of the core ILO conventions. These include the rights to join trade unions, to bargain collectively, to receive equal remuneration and to be protected against discrimination. Basic rights such as paid leave are often ignored and workers are forced to work overtime – at times without any additional remuneration. They feared that refusal to do so would

¹²⁶ Pilling, David. "Chinese investment in Africa: Beijing's testing ground". Financial Times. June 13, 2017.

¹²⁷ Dollar, David. "China's Engagement with Africa From Natural Resources to Human Resources". The John L. Thornton China Center at the Brookings Institute. 2016. 22.

¹²⁸ Dيبie, Michael Ike. "China becomes single largest contributor of Africa's FDI- Report". Africa News. April 5, 2017.

¹²⁹ Ibid.

result in their dismissal. A particularly grave case of workers' rights violations is the "locking-in" of workers during working hours, which led to deaths during fires in Nigeria and Kenya.

Health and safety issues receive very little attention at Chinese companies as precautionary measures are ignored and no training on health and safety issues is provided. In some countries, Chinese employers terminate the employment of female workers once they fall pregnant. Chinese companies tend to employ African workers for basic tasks at very low pay while importing Chinese managers and supervisors for higher paid positions.¹³⁰

This abhorrent record should be kept firmly in mind throughout this analysis.

In Tanzania, Chinese interest in natural resources is evident, ranging from energy products, particularly natural gas, to a variety of metals and other minerals:

Tanzania is one of the focal points of the Chinese globalization strategy in Africa. In 2011, a large Chinese company invested \$3 billion in coal and iron ore mines in the country. The enormous natural gas reserves off the Tanzanian coast -- an estimated 40 trillion cubic feet -- are of strategic interest. The China National Petroleum Company is currently installing a 532-kilometer (333-mile) pipeline from Mtwara, a port city in southeastern Tanzania, to Dar es Salaam.

When the pipeline is finished, supertankers docking at the new Bagamoyo port will load liquefied natural gas, cooled to temperatures of minus 164 degrees Celsius (minus 263 degrees Fahrenheit), and transport it to the Far East. Mineral ores and agricultural products from Tanzania, Zambia and Congo will also be shipped from the port. The Chinese are also reportedly planning to build a naval base to protect their economic interests along the Indian Ocean.¹³¹

The port of Bagamoyo is itself a major Chinese project, and a good example of Chinese infrastructure investment in Africa. The port, which is being financed and will be operated by China Merchant Holdings, is planned to handle more than 20 million containers a year - which would make it vastly larger than Tanzania's previous main port at Dar es Salaam and the largest port in East Africa.¹³² Chinese companies are also constructing roads, railways, and pipelines to link Bagamoyo to the minerals and natural gas China extracts from Tanzania.¹³³ These projects are expected to yield significant benefits for Chinese economic activity in Africa, as well as establishing military access to East African ports for the Chinese navy:

Investing in the development of African ports can generate many advantages for China: Large scale and modern high tech ports allow for a great increase in exporting Chinese manufactured goods to Africa, and, in turn, in shipping raw materials and natural resources from Africa to China. Investment in ports is also expected to attract more Chinese foreign investment to other sectors. In fact, the intensified economic ties between China and Africa have been accompanied by huge

¹³⁰ Yaw Baah, Anthony and Herbert Jauch, eds. "Chinese Investments in Africa: A Labour Perspective". African Labour Research Network. May 2009. 13-14.

¹³¹ Grill, Bartholomäus. "Africans Divided over Chinese Presence Part 2: 'History is Repeating Itself'. Der Spiegel. November 29, 2013.

¹³² "The race to become East Africa's biggest port". BBC. June 7, 2016.

¹³³ "China's investment in Tanzania surges". The Citizen. February 14, 2014.

investment in the construction of transport infrastructure in many African countries, notably roads, airports and railways. This trend was enshrined in the Beijing Action Plan (2013-2015), which sets the framework for future China-Africa cooperation: "The two sides will continue to encourage and support more flights and shipping links to be set up by their airlines and shipping companies, and capable Chinese companies will be encouraged to invest in ports, airports and airlines in Africa." With regard to Chinese geopolitical interests in the Persian Gulf, ports with Chinese influence on Africa's east coast, can also be useful for Chinese warships to obtain fuel, supplies or repairs. The military importance given by Beijing to the Persian Gulf is related not only to the role it plays in Chinese internal policy regarding energy, diplomatic and economic issues, but also in the international political scene.¹³⁴

Bagamoyo, which is expected to be the largest port in East Africa, will be Chinese-built and operated and will service Chinese container ships and supertankers, importing Chinese manufactured goods while exporting resources from Chinese-owned mines and gas fields which have been transported to the port across Chinese-built roads, railways, and pipelines, with the whole enterprise financed by Chinese banks.

Zambia is another country where Chinese investors have sought to acquire natural resources - in particular, its copper mines. Historically, copper was one of the most important elements of the Zambian economy through the 1990s, with the nationalized copper mining company, Zambia Consolidated Copper Mines Limited (ZCCM) being so critical that it was frequently stated that "ZCCM is Zambia, Zambia is ZCCM".¹³⁵ Deep levels of debt and an inability to compete against major Western mining firms on world markets as well as a fall in copper prices, however, led to the company facing financial crisis in the 1990s, which the Zambian government, under pressure from the IMF and World Bank, attempted to resolve through an unbundling and piecemeal privatization of ZCCM.¹³⁶ China Non-Ferrous Metal Industries purchased a major section of ZCCM in 1998, forming the NFC Africa Mining PLC which controls a major mine in Chambishi, Zambia.¹³⁷ Subsequently, major Chinese investment in Chambishi has increased production significantly. Zambian hopes that the privatized copper mines would reinvigorate the economy as a whole and provide significant social benefits have, however, been dashed:

However, FDI in mining is characterised by very few forward and backward linkages. Hence, direct capacity building effects arising from investment in the mining sector are limited. Within this context, therefore, attainment of the goal of the FNDP [Fifth National Development Plan] to foster the integration of the mining sector with the rest of the economy through backward and forward linkage appears remote going by the form and pattern of Chinese FDI in Zambia's mining sector. It is also argued that the direct benefits arising from the increased copper production and sales are not being translated into improved welfare for the citizenry at large. At least two reasons

¹³⁴ Daniel Sousa, Fernando. "China's Presence In African Ports: Investment Across The Ocean". European Parliamentary Research Service". May 13, 2013.

¹³⁵ Craig, John. "Putting Privatisation into Practice: The Case of Zambia Consolidated Copper Mines Limited." *The Journal of Modern African Studies* 39, no. 3 (2001). 390-392

¹³⁶ Ibid, 390-401.

¹³⁷ Ibid, 402.

account for this: (i) the nature of the Development Agreements and (ii) the low tax take from mining investors. As Fraser and Lungu (2007:54) report, "Profits from the mines leave the country without any positive impact on the Zambian economy, rather than being reinvested in building up the national economy, [they are] placed in banks or reinvested in companies outside the country." In addition, the low tax take from mining investors due to huge tax incentives accorded to them is another factor undermining the positive impact that mining could have had on the national economy. As the World Bank argues, mining contributions to total tax revenues - after privatization of the mines - are extremely low (World Bank, 2004:38 quoted in Fraser and Lungu, 2007:55). On this account, Fraser and Lungu (2005:55) demonstrate that the contribution of around US\$75 million made into the national treasury by new mine owners in 2005 was less than one third of the contribution made to the national treasury by ZCCM in 1991.¹³⁸

These benefits have likewise failed to reach Zambian workers, who instead have faced both low wages (even by Zambian standards - Chinese mines paid 30% less than the average of other mines in Zambia) and extremely dangerous working conditions.¹³⁹ One 2015 analysis of China's economic role in Africa found that:

For instance, at Chinese-run mines in Zambia's copper belt, employees must work for two years before they get safety helmets. Ventilation below ground is poor, and deadly accidents occur almost on a daily basis.¹⁴⁰

In addition, African workers at Chinese mines and mining-related industries in Zambia have faced violent repression of protests against these conditions:

In April 2005, fifty-two Zambians were killed in an accident in an explosives factory jointly owned by the Beijing General Institute for Research and Metallurgy (BGRIMM) and the Non-Ferrous China-Africa (NFCA) Mining Company - both state-owned companies - in Chambishi in Zambia's Copperbelt Province (BBC 2005). One year after the accident at the BGRIMM plant, five Zambians were shot and injured by gunshots fired by their Chinese manager while they were protesting against low wages and lax safety standards at the NFCA Chambishi Mine.¹⁴¹

In 2010, Chinese managers at the Collum Coal Mine fired shotguns at an unarmed group of Zambian workers protesting poor labor conditions, wounding 11.¹⁴² Charges against the managers were dropped, and they were allowed to return to China.¹⁴³

The attention drawn by this incident also highlighted the scale of Chinese investment in Zambia: "In 2008, more than 55 percent of all foreign money invested in Zambia came from

¹³⁸ Yaw Baah, Anthony and Herbert Jauch, eds. "Chinese Investments in Africa". 184.

¹³⁹ Ibid, 13.

¹⁴⁰ Esposito, Mark and Terence Tse. "China Is Expanding Its Economic Influence in Africa. What Is Africa Getting Out of It?". Slate. November 24, 2015.

¹⁴¹ Dynamic, Mukete Beyongo. "Fighting the Race to the Bottom: Regulating Chinese Investment in Zambian Mines." In *Disturbances in Heaven*, edited by Franceschini Ivan, Lin Kevin, and Loubere Nicholas, 112-15. Acton ACT, Australia: ANU Press, 2017. 113.

¹⁴² Bower, Eve. "Zambia mine shootings raise tensions with China". CNN. November 4, 2010.

¹⁴³ Okeowo, Alexis. "China, Zambia, and a clash in a coal mine". The New Yorker. October 9, 2013.

China, according to the Zambia Development Agency. Out of every overseas dollar that poured into Zambian mining, nearly 73 cents were from China.”¹⁴⁴ This investment was facilitated by the establishment of a Special Economic Zone (SEZ) in Zambia in which Chinese companies were exempted from taxes, which attracted \$2.5 billion in investment by 2012.¹⁴⁵ By 2016, the value of Chinese investment in Zambia surpassed \$5.2 billion.¹⁴⁶ The SEZ at Chambishi, with a sub-zone in Lusaka, was the first Chinese SEZ in Africa when it was established in 2006 - although it was quickly followed by similar SEZs in Egypt, Ethiopia, Mauritius, and two in Nigeria as part of a Chinese Ministry of Commerce plan.¹⁴⁷ Subsequently, Uganda, Nigeria, Mozambique and Ethiopia have had additional Chinese SEZs established.¹⁴⁸

China and the response to Chinese investment in Zambia have become major political issues in the country. In the 2006 elections, the incumbent president Rupiah Banda was heavily associated with Chinese investment - to the point where his campaign was widely believed to have received funding from the Chinese government.¹⁴⁹ His main opponent, Michael Sata, conversely channeled popular anger against Chinese labor practices.¹⁵⁰ The Chinese ambassador to Zambia threatened to cut off diplomatic and economic relations if Sata won the election.¹⁵¹ Although Banda prevailed in 2006, Sata was able to win the presidential elections in 2011 in part due to the backlash from the 2010 Collum coal mine shootings. He had, however, significantly pulled back his anti-Chinese rhetoric - with allegations arising that he, too, had sought Chinese election funding.¹⁵² These suspicions seemed to be confirmed for many when, shortly after his election, Sata called for closer ties with China and became an advocate of further Chinese investment.¹⁵³

In addition to being a source of natural resources, Zambia is also a major export market for China. Chinese is by a wide margin the leading exporter to Africa in general:

By 2013 China had become by far the largest source of imports to the continent. China’s exports—which consist primarily of manufactured products like textiles, electronics, and machinery—totaled nearly US\$45 billion, or about three times the levels of either Germany or the United States.¹⁵⁴

¹⁴⁴ Bower, Eve. “Zambia mine shootings raise tensions with China”.

¹⁴⁵ Okeowo, Alexis. “China, Zambia, and a clash in a coal mine”.

¹⁴⁶ Dynamic, Mukete Beyongo. “CHINA’S ENVIRONMENTAL FOOTPRINT: THE ZAMBIAN EXAMPLE.” In *Control*, edited by Golley Jane, Jaivin Linda, and Tomba Luigi, 299-306. Australia: ANU Press, 2017. 300.

¹⁴⁷ Xiaoyang, Tang. “HOW DO CHINESE ‘SPECIAL ECONOMIC ZONES’ SUPPORT ECONOMIC TRANSFORMATION IN AFRICA?”. Supporting Economic Transformation. July 10, 2015. 3-4.

¹⁴⁸ *Ibid*, 3.

¹⁴⁹ Laing, Aislinn. “Zambian election a referendum on China”. The Telegraph. September 20, 2011.

¹⁵⁰ Reed, John. “China intervenes in Zambian election”. Financial Times. September 5, 2006.

¹⁵¹ *Ibid*.

¹⁵² Laing, Aislinn. “Zambian election a referendum on China”.

¹⁵³ “Sata in surprise U-turn on China”. The Herald. December 13, 2011.

¹⁵⁴ Dollar, David. “China’s Engagement with Africa”. 22.

In Zambia specifically, Chinese imports have mostly consisted of textiles, electronics, and other manufactured goods.¹⁵⁵ A study by the Africa Research Institute found that:

Trade [with China] has not been accompanied by significant skills development, technology transfer or productivity improvements in Africa.

The discourse of the “mutual benefit” of economic relations between China and Africa is attracting increased scrutiny. The Beijing government must do more to reconcile official rhetoric with the delivery of more discernible – and widespread – benefits. The frequently mentioned transfer of jobs from China to Africa remains illusory. A more prevalent reality in Africa is the collapse of small and medium enterprises under pressure from cheap imports. According to one recent study, competition from Chinese imports may have cost the South African economy 78,000 industrial jobs in 2001-10.¹⁵⁶

Zambia has experienced a similar outcome from Chinese imports. Its textile industry (including its largest factory which, ironically, was established with significant Chinese assistance in the 1970s), has been devastated by Chinese imports with many factories closing or implementing mass layoffs.¹⁵⁷

Zambia - and many other African countries - have also faced widening trade deficits with China since 2015, as a slowing of growth in China and China’s increasing acquisitions of resources from other regions caused a fall in Chinese imports of African natural resources while Chinese exports to Africa continued to grow, as demonstrated in Figure 11.¹⁵⁸

Figure 11¹⁵⁹

¹⁵⁵ Polgreen, Lydia and Howard W. French. “In Africa, China Is Both Benefactor and Competitor”. New York Times. August 20, 2007.

¹⁵⁶ “Between extremes: China and Africa”. Africa Research Institute. October 22, 2012.

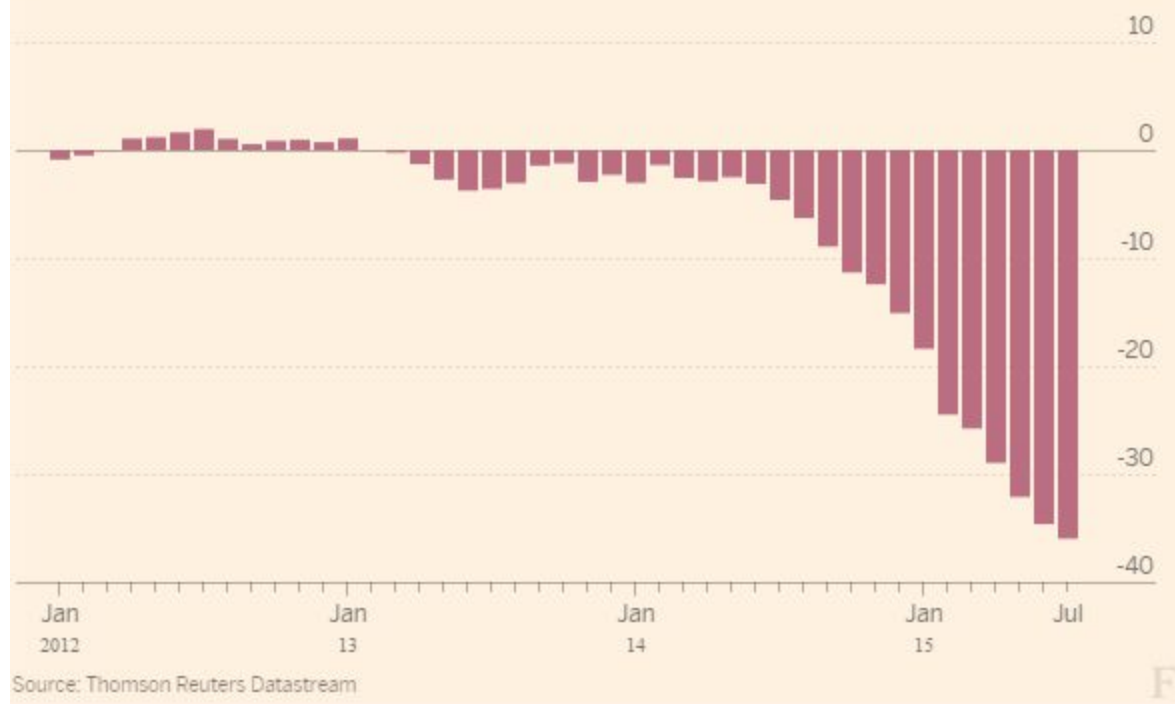
¹⁵⁷ McGreal, Chris. “Thanks China, now go home: buy-up of Zambia revives old colonial fears”. Guardian. February 5, 2007.

¹⁵⁸ Romei, Valentina. “China and Africa: trade relationship evolves”. Financial Times. December 3, 2015.

¹⁵⁹ Ibid.

Sub-Saharan African trade balance with China falls to its lowest nominal level ever

Rolling 12-month sum, \$bn



Chinese imports from Africa are predominantly raw materials, while Chinese exports to Africa are predominantly manufactured goods, machinery, and equipment:

Figure 12¹⁶⁰

¹⁶⁰ Ibid.

Trade remains dominated by commodities and raw materials

2014 (\$m)

China imports from Africa

Africa imports from China



This trade pattern is highly advantageous to China, as its manufactured goods are significantly more valuable and more profitable than the base resources extracted from Africa. One Congolese lawyer, commenting on this phenomenon of unequal trade, summed it up as such:

The problem is to determine what is Africa's place in the future of the global economy, and up to now, we have seen very little that is new. China is taking the place of the West: they take our raw materials and they sell finished goods to the world. What Africans are getting in exchange, whether it is roads or schools or finished goods, doesn't really matter. We remain under the same old schema: our cobalt goes off to China in the form of dusty ore and returns here in the form of expensive batteries.¹⁶¹

This view of Chinese infrastructure building is particularly understandable given the means by which it is structured.

One factor often cited by proponents of China's role in Africa is its construction of infrastructure across the continent. These infrastructure projects, as described in the section on

¹⁶¹ French, Howard W. "The Next Empire". The Atlantic. May 2010.

Tanzania above, are of course primarily focused on the advancement of China's economic interests in Africa. However, it is not just the outcome of these projects which benefits Chinese companies, but also their very construction. The China Export-Import Bank, the main funding body for these projects, sets requirements for use of Chinese goods and services in its lending terms:

China Exim Bank is the main funder of China's infrastructure projects in Africa. Just as other export credit agencies around the world advance their countries' economic interests, China Exim Bank's goal is to promote the export of Chinese goods and services and to increase the internationalization of Chinese companies. Its main instruments are export credit and preferential foreign loans. Projects backed by concessional loans must be executed by Chinese contractors, which are often selected through a non-competitive negotiation process. A significant share of the goods and services embodied in a project must come from China.¹⁶²

This preferential system has led to a strangling of the African construction industry, primarily benefiting Chinese construction companies. According to World Bank data, generally civil works contracts are won by companies from the same region as the project, with regional companies winning a share of these contracts ranging from "83% in South Asia, the Middle East, and North Africa to 97% in East Asia."¹⁶³ In (Sub-Saharan) Africa, however, regional firms won only 56% of such contracts - and the share won by Chinese companies grew from less than 10% in 1995 to more than 30% in 2013.¹⁶⁴ Consequently, "Chinese firms are crowding out the development of an African construction industry"¹⁶⁵ within the very projects which are purported to be advancing Africa.

Chinese-Ethiopian interactions are a good demonstration of the varying roles Africa plays for Chinese imperialism. Unlike many of the early targets of Chinese investment and diplomatic and economic interest, Ethiopia is relatively resource-scarce. Nonetheless, the country has seen massive recent investment from China - not only as a market for Chinese manufactured goods, but also as a destination for capital export and a source of cheap labor for offshoring. China is constructing a \$4 billion rail line connecting Ethiopia to Djibouti, where most overseas trade for landlocked Ethiopia is conducted, with the terminus adjacent to the Chinese military base in Djibouti.¹⁶⁶ It is furthermore establishing extensive infrastructure and manufacturing complexes inside Ethiopia:

Here in Addis Ababa, Ethiopia's capital, China is driving an urban renaissance. It has built whole neighborhoods, a \$475-million light-railway system and even the African Union headquarters, a \$200-million complex that dominates the city's skyline. In the country's hinterlands, it has constructed several industrial parks, anticipating a manufacturing boom.¹⁶⁷

¹⁶² Dollar, David. "China's Engagement with Africa". 62.

¹⁶³ Ibid, 63

¹⁶⁴ Ibid.

¹⁶⁵ Ibid, 65.

¹⁶⁶ Kaiman, Jonathan. "China says it built a railway in Africa out of altruism, but it's more strategic than that". LA Times. August 4, 2017.

¹⁶⁷ Ibid.

In fact, one report found that China was constructing about 70% of roads in Ethiopia.¹⁶⁸ The Chinese shoemaking company Huajian has especially taken to Ethiopia, employing thousands of workers at one-fifth the cost of employing the same number of Chinese workers.¹⁶⁹ It plans to employ 50,000 workers by 2025.¹⁷⁰ Its Ethiopian workers face 13-hour days at extremely low wages, with their factories plastered with propaganda slogans directing them to “win honor for the country” and “absolutely obey.”¹⁷¹ When workers at Huajian tried to unionize, the organizers were fired and the remaining workers were intimidated into halting the process - a regular occurrence at Chinese companies in Ethiopia.¹⁷² Huajian’s CEO, Zhang Huarong, echoed a common sentiment when he declared that “Ethiopia is like China was 40 years ago” in terms of its incredibly low wages, large workforce, and consequent attractiveness as a destination for offshoring of labor intensive industries.¹⁷³ Increasingly, this is being recognized by American investors as well: prior to 2013, the US saw Ethiopia as mostly relevant for its military role in Somalia, but from 2013-2015 US companies invested more than \$4 billion in Ethiopia - sparking a race between the US and China to exploit Ethiopian labor.¹⁷⁴

As China’s economic interests in Africa have grown, its military presence on the continent has correspondingly expanded. China is the largest single contributor to UN “peacekeeping” forces, with 2,600 soldiers - a figure it has pledged to raise to 8,000.¹⁷⁵ It is seeking to gain control of the UN Department of Peacekeeping Operations, which has been run by French officials for the last 20 years.¹⁷⁶ More than 2,400 Chinese soldiers are present in Africa as part of such missions.¹⁷⁷ According to a press release from Chinese state media, a key task of Chinese “peacekeepers” is to “collaborate with Chinese institutions and organizations in the country of residence to protect the rightful interests of Chinese people and companies.”¹⁷⁸ This is borne out by analysis of its deployments. In 2013, China deployed troops to Mali - a country not only home to significant Chinese investment itself but also adjacent to Algeria, a

¹⁶⁸ Shinn, David. “Ethiopia and China: When Two Former Empires Connected”. *International Policy Digest*. June 11, 2014.

¹⁶⁹ Kaiman, Jonathan. “China says it built a railway in Africa out of altruism, but it's more strategic than that”.

¹⁷⁰ *Ibid.*

¹⁷¹ *Ibid.*

¹⁷² Dijkstra, Andrea. “Low wages draw international textile companies to Ethiopia”. *Deutsche Welle*. December 10, 2015.

¹⁷³ Kaiman, Jonathan. “China says it built a railway in Africa out of altruism, but it's more strategic than that”.

¹⁷⁴ “When It Comes to Low-cost Labor, Is Ethiopia the New China?”. *Knowledge@Wharton*, University of Pennsylvania. April 22, 2016.

¹⁷⁵ Hornby, Lucy. “China expands UN peacekeeping role as US influence wanes”. *Financial Times*. November 23, 2016.

¹⁷⁶ Lynch, Colum. “China Eyes Ending Western Grip on Top U.N. Jobs With Greater Control Over Blue Helmets”. *Foreign Policy*. October 2, 2016.

¹⁷⁷ Kuo, Lily. “China’s vision of itself as the world’s peacekeeper starts in Africa”. *Quartz*. September 26, 2017.

¹⁷⁸ Shan, Huang. “A decade of China’s peacekeeping missions”. *China.org.cn*. January 18, 2010.

major oil supplier to China.¹⁷⁹ In 2015, China “beefed up its global contribution by sending peacekeepers to guard Chinese-invested oil installations in South Sudan under the UN peacekeeping command.”¹⁸⁰ In fact, China explicitly pushed through protection of South Sudan’s oil industry as an objective for the deployment of “peacekeepers” to South Sudan.¹⁸¹

In 2017, China opened its first permanent overseas military base, in Djibouti, which in addition to supporting Chinese “peacekeeping” operations in Africa will also resupply the Chinese navy as it carries out patrols off the coast of Yemen and Somalia.¹⁸² The anti-pirate patrols around Somalia in which China participates are a response to a problem that was, in large part, started through the impoverishment of Somali fishermen through illegal foreign fishing in Somali waters, of which China - which has a distant water fishing fleet ten times the size of that of the US and is the world’s leading producer of fish - has played a significant role, alongside American, European, and other fishers.¹⁸³ Nor is this Djibouti base likely to be alone for long - the Chinese ambassador to Namibia in 2014 discussed establishing a naval base there with the Namibian foreign ministry while Chinese state media has discussed plans for up to 18 additional overseas military bases, including, within Africa, in Namibia, Nigeria, Kenya, Madagascar, Tanzania, and Angola.¹⁸⁴

Chinese military intervention in Africa benefits China in a variety of ways. Most directly, it protects Chinese investments from attack where Chinese troops are present. It also gives China a credible threat of military force against actors, including Western imperial powers, that would threaten to attack or seize any element of their investments, or otherwise advance their interests contrary to Chinese interests. China received a bitter lesson on this front when the 2011 US, French, and British intervention in Libya toppled the Gaddafi regime and cut China off from \$20 billion in investments in Libyan infrastructure and its oil industry.¹⁸⁵ In Mali, particularly, Chinese analysts were concerned that the unilateral French military intervention which preceded the deployment of Chinese UN “peacekeepers” would give a major advantage to French interests in West Africa against those recently developed by China.¹⁸⁶ In addition, Chinese military interventions provide a venue for its forces to gain active combat experience, of particular relevance given recent massive overhauls in the Chinese military in doctrine and technology.¹⁸⁷ The establishment of a Chinese military presence in Africa, especially its naval presence, also

¹⁷⁹ Baker, Benjamin David. “China-Mali Relations After the Bamako Attacks”. *The Diplomat*. December 7, 2015.

¹⁸⁰ Hornby, Lucy. “China expands UN peacekeeping role as US influence wanes”

¹⁸¹ Lynch, Colum. “U.N. Peacekeepers to Protect China’s Oil Interests in South Sudan”. *Foreign Policy*. June 16, 2014.

¹⁸² “China formally opens first overseas military base in Djibouti”. *Reuters*. August 1, 2017.

¹⁸³ Sedacca, Matthew. “China has fished itself out of its own waters, so Chinese fishermen are now sticking their rods in other nations’ seas”. *Quartz*. April 4, 2017.

¹⁸⁴ Winsor, Morgan. “Is China Building A Naval Base In Namibia? President Hage Geingob Says There Will Be No Secret Deals”. *International Business Times*. December 9, 2015.

¹⁸⁵ Sun, Yun. “How China Views France’s Intervention in Mali: An Analysis”. *Brookings Institute*. January 23, 2013.

¹⁸⁶ *Ibid.*

¹⁸⁷ Hornby, Lucy. “China expands UN peacekeeping role as US influence wanes”.

gives it the ability to influence the Indian ocean, which is a vital conduit for resource shipments to China, particularly oil.¹⁸⁸

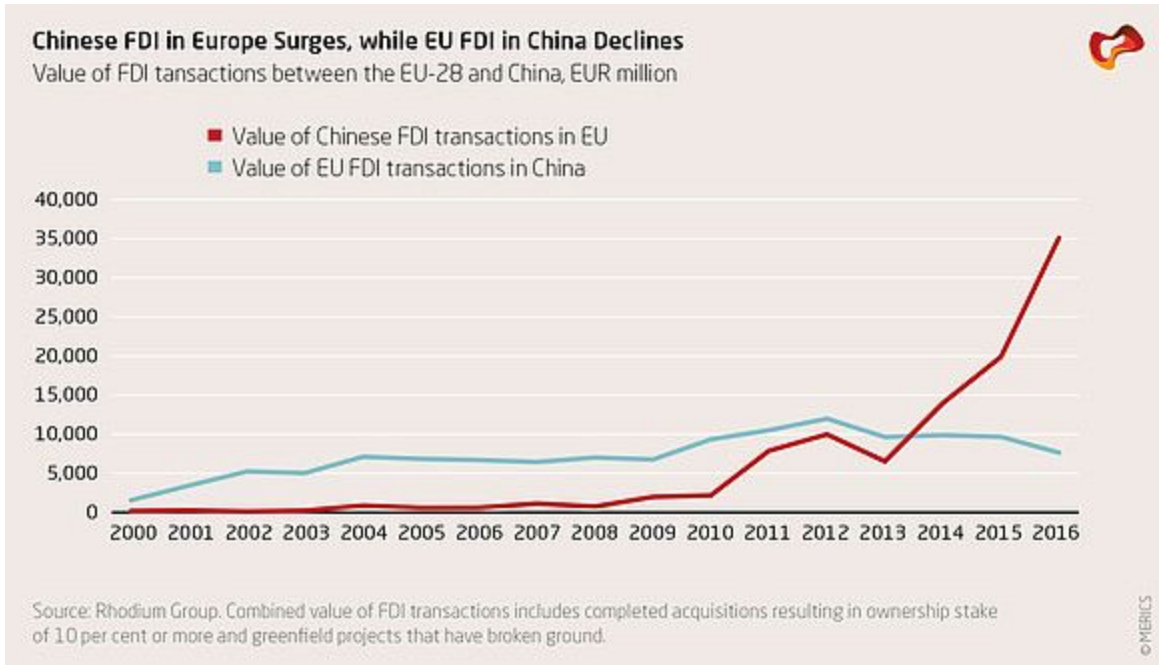
A full, in-depth analysis of the relations of Chinese imperialism with each country in Africa in which it has significant investments or a major trade relationship is impractical to compile here; it would easily triple the size of this report. The analysis of Tanzania, Namibia, and Ethiopia, as well as several integrated pieces of broader, continental-level analysis, attempt to show the broad trends, categories of interest, and serve as representative examples of Chinese imperialism in Africa. Broadly, it might be said that these primary interests fall into natural resource extraction, exporting of manufactured goods, capital export through infrastructure construction, offshoring of labor-intensive manufacturing, and utilizing Africa's strategic position both in facilitating trade to and from Europe and in controlling the Indian Ocean. In all of these areas, China and Chinese monopoly companies exploit and superexploit African labor, enabled by the desperation of African states to try to escape the bounds of Western imperialist exploitation through any means, the political and economic influence China wields on the continent (as evidenced, for example, by its election meddling in Zambia), and increasingly by its expanding military presence on the continent. As China has faced increasing economic, military, and political competition from other imperial powers which had previously been largely resting on their laurels, particularly with regards to the use of Africa as an offshoring destination, the presence of Chinese imperialism in Africa should be expected to increase and the potential for inter-imperialist conflict in Africa will grow.

Europe

Figure 13¹⁸⁹

¹⁸⁸ Woody, Christopher. "India is shopping for submarines as China extends its reach into the Indian Ocean". Business Insider, 2017.

¹⁸⁹ Hanemann, Thilo and Mikko Huotari. "Record Flows and Growing Imbalances". 5.



China took full advantage of the European economic crisis to significantly expand its holdings in Europe: “The total value of Chinese investments in the European Union was around 6.1 billion euros in 2010, but had quadrupled to €27 billion by 2012.”¹⁹⁰ This pace has since accelerated:

According to a report by Ernst & Young, 164 Chinese companies bought or took over European enterprises during the first half of 2016, compared to 183 Chinese takeovers in the whole of 2015. During these six months, China invested more than \$70 billion in European companies, or as much as in 2013, 2014, and 2015 combined.¹⁹¹

The largest Chinese investments have been in the UK and Germany.¹⁹² Since 2012, however, Chinese investment has been increasingly expanding into those countries hit hardest by the Euro crisis:

Chinese company State Grid has invested heavily in the Italian electrical network, purchasing 35% of the shares in the state owned energy company CDP, Silvia Merler explained.

In Greece, an increasingly popular destination for Chinese tourists, investors are concentrating on shipping and tourism. In June, Greece and China signed a ship-building deal worth 2.3 billion dollars, financed by the China Development Bank.¹⁹³

¹⁹⁰ Martin, Anne-Claude. “Chinese investments soar in crisis-hit Europe”. Translated by Samuel White. EURACTIV. October 17, 2014.

¹⁹¹ Stanzel, Angela. “Germany’s turnabout on Chinese takeovers”. European Council on Foreign Relations. March 21, 2017.

¹⁹² Martin, Anne-Claude. “Chinese investments soar in crisis-hit Europe”.

¹⁹³ Ibid.

An examination of some specific cases is in order.

In Greece, Chinese companies are seeking to acquire the largest insurance company and two of Greece's four major banks.¹⁹⁴ The Shenhua Group, a major Chinese mining and energy company, is investing \$3.28 billion in upgrading Greek power plants, while China State Grid "agreed last year [2016] to buy a 24 percent stake in power grid operator ADMIE for 320 million euros."¹⁹⁵ China has also invested in European debt, including Greek debt.¹⁹⁶ It has further offered even more direct support to Greece during key moments of the Euro crisis.¹⁹⁷ With Greece facing brutal austerity demands from the *troika* (comprised of the European Commission, the European Central Bank, and the International Monetary Fund), it has been trivial for China to present itself to Greek government officials as a benevolent alternative source of credit and investment. As a recent New York Times article notes, this strategy has paid significant diplomatic dividends:

Last summer [2016], Greece helped stop the European Union from issuing a unified statement against Chinese aggression in the South China Sea. This June, Athens prevented the bloc from condemning China's human rights record. Days later it opposed tougher screening of Chinese investments in Europe.¹⁹⁸

As close examination of one of the largest Chinese ventures in Greece demonstrates, however, this supposed benevolence is illusory.

The Chinese shipping company Cosco has acquired a 67% stake in the port of Piraeus, seen as an important European entrepôt for China's Belt and Road Initiative. This has led to significant changes in the port:

Gradually, the port is becoming a truly Chinese operation. Seven Greek members of the port authority's 11-member board have left, and seven Chinese executives have filled the vacancies. Last October, China Cosco Shipping Chairman Xu Lirong attended an opening ceremony for new passenger ship dock space.

According to Greek media reports, the port authority's management team will soon announce new investment plans. The pillars are expected to be a new cruise ship terminal -- aimed primarily at

¹⁹⁴ Bensasson, Marcus and Sotiris Nikas. "China's Fosun Still Interested in Acquiring Greek Insurer if Winning Bid Collapses". March 23, 2018.

¹⁹⁵ "China's Xi offers indebted Greece strong support". Reuters. May 13, 2017.

¹⁹⁶ Wang, Aileen and Nick Edwards. "China to keep investing in euro zone debt: China central bank". Reuters. February 14, 2012.

¹⁹⁷ "China offers Greece cash injection to tackle debt crisis". Deutsche Welle. October 4, 2010.

¹⁹⁸ Horowitz, Jason and Liz Alderman. "Chastised by E.U., a Resentful Greece Embraces China's Cash and Interests". New York Times. August 26, 2017.

wealthy Chinese tourists -- and a vessel repair center. One Cosco source said investment over the next five years will "exceed 600 million euros."¹⁹⁹

Before 2009, Piraeus did not rank among the top 100 world ports by container volume.²⁰⁰ Following massive expansion after the Cosco investment, it is now 45th.²⁰¹ From 2009 to 2013, the port of Piraeus grew in handled volume by 699% - vastly higher than the average growth rate of 123% among top 50 ports by container volume.²⁰² By passengers, Piraeus was the largest port in Europe by 2013.²⁰³ Workers at Piraeus, of course, have seen no benefit from this growth: the Chinese acquisition was accompanied by large-scale layoffs, equally massive pay cuts, a severe lowering of safety standards, and the employment of low wage, nonunionized temporary employees as a means to break the port unions.²⁰⁴ A recent article by *Der Spiegel* found that in the Chinese section of Piraeus wages had fallen by two thirds relative to pre-Cosco levels and training programs had been eliminated.²⁰⁵ The Chinese CEO of Cosco's subsidiary in Piraeus, Fu Cheng Qui, discussed the subject of port unions with *Spiegel's* reporter:

When asked about the unions, Fu describes them as being "superfluous!" "Every employee is like the member of a family," he says. "Everybody works with respect for the other. We listen to what our employees say and react to it. The company is like a family. We are all brothers. Everybody is happy."

That's nice. But the firings, the labor disputes, the claims that employees don't even have the time to use the bathroom? "Nonsense," Fu says, before returning to the issue of principles.

"The union leaders promise their members more money for less work," he says. "How is that supposed to work? If you want a higher salary you first need to work hard. Not lie on the beach and drink beer. Learn from the Germans! Work hard, never be lazy and always work seriously. Hard work -- happy life."²⁰⁶

Fu's despicable remarks - which read almost as a caricature of Western anti-union rhetoric and austerity-justifying portrayals of Southern European workers as lazy - were directed against the Greek dockyard workers who sought to block the privatization of the remaining Greek state-owned part of Piraeus.²⁰⁷ The leader of the Union of Dockworkers at Piraeus, Nick Georgiou, rejected Fu's remarks. Rather than a benevolent or progressive alternative to the *troika*, Georgiou sees Cosco's investment as part and parcel of the austerity regime.²⁰⁸ Georgiou points out that Cosco's stewardship of the majority of Piraeus has included "work

¹⁹⁹ Sano, Akihiro. "China builds clout with boatloads of cash for Greece". *Nikkei Asian Review*. March 13, 2017.

²⁰⁰ *Ibid.*

²⁰¹ "TOP 50 WORLD CONTAINER PORTS". World Shipping Council. 2018.

²⁰² "World Port Traffic Data for IAPH using LL data". International Association of Ports and Harbors. 2015.

²⁰³ Makris, A. "Piraeus Port Remains Top Passenger Port in Europe". *Greek Reporter*. January 28, 2014.

²⁰⁴ Alderman, Liz. "Under Chinese, a Greek Port Thrives". *New York Times*. October 10, 2012.

²⁰⁵ Smoltczyk, Alexander. "China Seeks Dominance in Athens Harbor". *Der Spiegel*. April 9, 2015.

²⁰⁶ *Ibid.*

²⁰⁷ "All at sea". *Week in China*. November 1, 2016.

²⁰⁸ Smoltczyk, Alexander. "China Seeks Dominance in Athens Harbor".

accidents that have been covered up, a lack of emergency vehicles, [and] neo-Nazi members of the Golden Dawn making themselves at home on the Chinese side of the pier.”²⁰⁹ The threat to Greek workers from Golden Dawn being sheltered by Cosco at Piraeus is not just theoretical; the adjacent shipyards have actively employed their services in union-busting and attacking the Communist Party of Greece (KKE):

There is a cozy relationship between Golden Dawn and some business people as well, with the party serving as sort of a “Thugs-R-Us” organization. Investigators charge that shortly after two [Golden Dawn] party MPs visited the shipyards at Piraeus, a Golden Dawn gang attacked Communists who were supporting union workers. Golden Dawn also tried to set up a company union that would have resulted in lower pay and fewer benefits for shipyard workers. In return, shipping owners donated 240,000 euros to Golden Dawn. Investigators charge that the party also raises funds through protection rackets, money laundering and blackmail.²¹⁰

In fact, it was in Piraeus where the antifascist rapper Pavlos Fyssas was infamously murdered by Golden Dawn members on September 18, 2013 - shortly after the above attack on shipyard workers.²¹¹ That a major Chinese company, having acquired a large privatized section of a formerly state port in Greece, has turned to fascist forces to patrol its territory and prevent union activity as it crushes wages and safety standards is an incredibly stark demonstration of the nature of Chinese capitalism’s global expansion.

SYRIZA, which leads a coalition government in Greece established after 2015 elections, included preventing the privatization of Piraeus as part of its platform, and indeed initially held up the investment shortly after taking office.²¹² This alarmed China, which quickly took steps to reverse this development: the Chinese ambassador met with Prime Minister Alexis Tsipras, Chinese state media criticized the decision, and three Chinese frigates were sent to Piraeus.²¹³ Tsipras and SYRIZA, simultaneously beset by intense hostility from the *troika* and seeing China as a potential alternative, quickly capitulated to China’s demands, and allowed the privatization to proceed.²¹⁴ One SYRIZA member of parliament made this hoped contrast explicit: “While the Europeans are acting towards Greece like medieval leeches, the Chinese keep bringing money.”²¹⁵ In fact, SYRIZA’s leadership is now enthusiastically supporting Chinese investment across Greece, and using the state apparatus to facilitate it:

²⁰⁹ Ibid.

²¹⁰ Hallinan, Conn and Foreign Policy In Focus. “Greece’s Golden Dawn: Fascists at the Gate”. The Nation. March 25, 2015.

²¹¹ Schachter, Aaron and Clark Boyd. “Greek Rapper Pavlos Fyssas Killed by Golden Dawn Supporter”. PRI’s The World. September 19, 2013.

²¹² Smith, Helena. “Greece’s port in a storm: anger as Syriza stops China extending hold on Piraeus”. February 9, 2015.

²¹³ Horowitz, Jason and Liz Alderman. “Chastised by E.U., a Resentful Greece Embraces China’s Cash and Interests”.

²¹⁴ Ibid.

²¹⁵ Mason, Paul. “The Germans are making contingency plans for the collapse of Europe. Let’s hope we are, too”. Guardian. November 6, 2017.

Fosun International Holdings, a Chinese conglomerate run by Guo Guangchang, often referred to as China's Warren Buffett, is spending billions of euros with a consortium with Greek and Arab investors to convert an abandoned former airport on the seaside outside Athens into a posh playground three times the size of Monaco for moneyed tourists. The project, Hellenikon, is part of a bigger plan to bring over 1.5 million Chinese tourists to Greece during the next five years.

Mr. Tsipras has swept aside regulatory hurdles, clearing two large refugee camps installed in the former airport, and quashing attempts by members of his own party to delay construction because of concerns the project might pave over ancient archaeological sites.²¹⁶

Capitulation to China did not, of course, in any way prevent SYRIZA from capitulating on an even larger scale to the *troika*.

Figure 14²¹⁷



From Piraeus, China seeks to establish a “Land Sea Express Route” in which goods are transported via rail through Macedonia, Serbia, and Hungary into and from the European Union. Hungary is also viewed as a key entry point to the EU by China. Hungary was the first European state to agree to join in the Belt and Road Initiative.²¹⁸ 40% of China's recent investments in

²¹⁶ Horowitz, Jason and Liz Alderman. “Chastised by E.U., a Resentful Greece Embraces China's Cash and Interests”.

²¹⁷ Kynge, James, Arthur Beesley, and Andrew Byrne. “EU sets collision course with China over ‘Silk Road’ rail project”. Financial Times. February 19, 2017.

²¹⁸ “Hungary first European country to sign up for China Silk Road plan”. CNBC. June 6, 2015.

Eastern Europe have gone to Hungary.²¹⁹ China's investments in Hungary fall among many fields. In transportation, in addition to the above mentioned rail line, China is also seeking to make Szombathely airport into a major cargo center,²²⁰ while the Hungarian airline Wizz Air purchased 8 new aircraft in 2013 with financing from a subsidiary of the Industrial and Commercial Bank of China.²²¹ Wanhua Industrial Group, a Chinese chemical company, acquired the Hungarian chemical company Borsodchem in 2011,²²² and the BBCA Group, another major Chinese chemical manufacturer, established a citric acid factory in Hungary in 2015.²²³ The Chinese telecoms giant Huawei has built a major distribution center in Hungary, employing 3,000 workers and exporting more than \$1.2 billion in products a year.²²⁴

In Portugal, the Chinese utilization of the European economic crisis as a means to make significant inroads into investing in Europe is clear:

Portugal accounts for just 1.3 per cent of the EU economy yet has in recent years received more Chinese investment than any member state except the UK, Germany and France.

Before 2011, nine countries — Austria, Belgium, Denmark, France, Germany, Luxembourg, the Netherlands, Sweden and the UK — attracted 77 per cent of Chinese investment in the EU. Since then there has been a sea change, according to a recent report by law firm Baker & McKenzie, using data compiled by researchers the Rhodium Group.

“Chinese investors increasingly deployed capital in economies that were severely affected by the financial crisis [and] seized opportunities arising from the privatisation of . . . utilities and transportation infrastructure,” says the report. In Portugal, China Three Gorges paid €2.7bn for 21 per cent of Energias de Portugal (EDP) and State Grid Corporation of China spent €1.4bn on 25 per cent of Redes Energéticas Nacionais (REN). Both buyers are state enterprises, but last year private conglomerate Fosun International bought 80 per cent of state-controlled Caixa Seguros Saúde, Portugal's largest insurance group, for €1bn — and then used it to buy the hospital business Espírito Santo Saúde for €460.5m.

Elsewhere, Huawei invested €10m in a technology centre and Beijing Enterprises Water Group bought Veolia Água.²²⁵

The scale of this investment is very large, with China acquiring nearly half of privatized Portuguese state assets:

²¹⁹ Spisak, Anton. “EU uneasy over China's efforts to woo central and eastern European states”. Financial Times. May 7, 2017.

²²⁰ Du Bois, Gatien and Magdi Birta. “Hungary: the flagship of China in Europe?” Nouvelle Europe. June 29, 2015.

²²¹ Eddy, Kester. “Hungary: Wizz Air looks east with China leasing deal”. Financial Times. April 18, 2013.

²²² Bryant, Chris. “Wanhua takes full control of Borsodchem”. Financial Times. February 1, 2011.

²²³ “Chinese chemical group chooses Hungary for citric acid plant”. GBTimes Hungary. September 16, 2014.

²²⁴ “Factbox: China's investments in Hungary”. Reuters. June 25, 2011.

²²⁵ Roberts, Alison. “Chinese enterprises pump billions into Portuguese companies”. Financial Times. December 1, 2015.

In Portugal, Chinese investors swept up 45% of the total assets put up for privatisation under the Economic Adjustment Programme driven by the EU and the International Monetary Fund. These investments were initially concentrated on electrical infrastructure, but recently the focus has shifted to the financial services, with the Chinese conglomerate Fosun acquiring 80% of the Portuguese insurer Caixa Seguros in 2014.²²⁶

This constitutes a major expansion of Chinese assets in Portugal. Furthermore, it is a remarkable occurrence as China was able to exploit the EU and IMF's austerity drive in Portugal to expand its own holdings - undoubtedly to the chagrin of German, French, and other European capitalists seeking to cheaply acquire such assets for themselves in firesales. Indeed, Germany's largest utilities company, Eon, attempted to acquire the stake in Energias de Portugal purchased by China Three Gorges with Angela Merkel openly lobbying the Portuguese government to accept its bid.²²⁷ Pushback against this blatant German pressure may, in fact, have played a role in China Three Gorges successfully acquiring the stake.

China's increasing stake in Europe has not gone unnoticed or uncontested. As will be discussed later, the major imperial powers in Europe have begun to develop and implement countermeasures to increased Chinese investment and influence. Nevertheless, that China has entered into the battle for control of peripheral European states - largely enabled through the open crudity of the EU and IMF austerity campaigns which has offered many southern European states little choice but to seek any port in a storm - is a significant indicator of its growing role as an imperial power. The role of the fascist Golden Dawn as enforcers of Chinese profits at Piraeus is indicative of the ruthlessness of Chinese imperialism - a trait it shares, to be sure, with other imperialisms - and the growing danger it poses to workers across the world.

Asia

As might be expected, China exercises a great deal of power across Asia - its "backyard". China's main interests in Asia include the establishment of the "New Silk Road" westward to Europe, establishing control over disputed islands in the South China Sea and the attendant oil and gas resources, establishing itself as a regional hegemon against Japan and India, and pushing back against US influence in Korea and elsewhere. Of particular interest are China's relationships with Afghanistan, Pakistan, Myanmar, North Korea, and disputes in the South China Sea.

In Afghanistan, China has made economic and military forays. In 2007, the Chinese mining companies Metallurgical Group Corp and Jiangxi Copper obtained a \$3 billion lease to mine copper at Mes Aynak in Afghanistan.²²⁸ This deal initially met with cautious approval from

²²⁶ Martin, Anne-Claude. "Chinese investments soar in crisis-hit Europe".

²²⁷ Wise, Peter and Gerrit Wiesmann. "Three Gorges outbids rivals for stake in EDP". Financial Times. December 22, 2011.

²²⁸ Zhou, Laura. "Is there still hope for China, Afghanistan's long-stalled US\$3 billion copper mining deal?". South China Morning Post. May 12, 2017.

the United States, which saw it as strengthening the economy of its client state and increasing the possibility that Afghanistan could begin “paying for its own security”.²²⁹ This was due, in part, to the fact that Afghanistan had secured relatively favorable terms in terms of the cost of mining rights and Chinese promises of accompanying infrastructure development.²³⁰ It became increasingly clear, however, that China did not face serious commercial competition in Afghanistan due to the strengthening Taliban insurgency blocking access to Western firms. By contrast, the Taliban sanctioned Chinese mining, promising not to attack the project at Mes Aynak.²³¹ Given these developments, the Chinese firms involved pressed for renegotiation of the terms. The Metallurgical Group Corp halted development of the mine, demanding that royalties be cut by almost half.²³² In addition, it pulled back from promises to construct infrastructure projects including “a railway, power plant, and processing factory”.²³³ In conjunction with the role that Afghanistan plays in China’s Belt and Road Initiative, investments like the Mes Aynak mine have helped convince China to begin military deployments into Afghanistan.

China is negotiating the construction of a permanent military base in Afghanistan, with an agreement in principle reportedly reached in December 2017.²³⁴ Afghan villagers have reported, contrary to Chinese and Afghan government denials, spotting Chinese forces involved in cross-border patrols in conjunction with the Afghan army.²³⁵ Over the last three years, China has sent more than \$70 million in military aid to the Afghan government - a small amount compared to US aid, but still indicative of China’s growing interest in the region.²³⁶ Afghanistan will only acquire more significance for China if, as has been proposed, it expands the China-Pakistan Economic Corridor (CPEC) to include Afghanistan.²³⁷

Pakistan has served as a major destination for Chinese investment. Announced CPEC investments and loans have reached a total of \$62 billion.²³⁸ An additional \$50 billion has been committed to build five hydroelectric dams.²³⁹ The port of Gwadar on the Indian Ocean has been a particular focus of CPEC investment, as a key port within the trade networks envisioned in the Belt and Road Initiative.²⁴⁰ In addition, energy resource extraction and power production have

²²⁹ Wines, Michael. “China Willing to Spend Big on Afghan Commerce”. New York Times. December 29, 2009.

²³⁰ Ibid.

²³¹ Amini, Mariam. “China gets an all-clear from the Taliban to mine for copper in Afghanistan”. CNBC. December 16, 2016.

²³² Daniel, Frank Jack and Mirwais Harooni. “Chinese demands, rebels and Buddhist ruins stall Afghan copper dream”. Reuters. April 11, 2015.

²³³ O’Donnel, Lynne. “China’s MCC turns back on US\$3b Mes Aynak Afghanistan mine deal”. South China Morning Post. March 20, 2014.

²³⁴ Toktomushev, Kemel. “China’s Military Base in Afghanistan”. The Diplomat. January 18, 2018.

²³⁵ “China in talks over military base in remote Afghanistan: Officials”. Straits Times. February 2, 2018.

²³⁶ Ibid.

²³⁷ Ibid.

²³⁸ Siddiqui, Salman. “CPEC investment pushed from \$55b to \$62b”. The Express Tribune. April 12, 2017.

²³⁹ Abrar, Mian. “China to build dams in Pakistan”. Pakistan Today. May 13, 2017.

²⁴⁰ Dossani, Rafiq and Niels Erich. “China’s ‘Field of Dreams’ in Pakistan”. U.S. News. October 12, 2017.

been important investment targets, receiving almost \$33 billion in the initial CPEC proposals alone.²⁴¹ The combined value of CPEC projects is estimated to equal almost a fifth of Pakistan's 2015 GDP.²⁴²

As Chinese investment in Pakistan has soared, China has increasingly moved to secure its holdings financially and militarily. After attacks by Balochistan separatists on CPEC projects, the Pakistani army formed a 14,000 man security division specifically assigned to protect CPEC projects and Chinese nationals in Pakistan.²⁴³ A maritime security force has also been created to protect CPEC-related shipping.²⁴⁴ China is expected to construct its second overseas military base at Jiwani, a port near Gwadar.²⁴⁵ Pakistan has reached out to China and Russia as potential new military suppliers after the US froze military aid to Pakistan.²⁴⁶ Economically, China has pushed for two major concessions for its investments. It has demanded tax exemptions on infrastructure loans made by its banks as part of CPEC, estimated to constitute \$2 billion in lost revenue for Pakistan.²⁴⁷ It has also pushed to allow Pakistani energy companies it is purchasing to charge additional fees directly to customers if the Pakistani government is late in making payments.²⁴⁸ These concessions are particularly relevant given that Pakistan is deeply in debt and facing serious difficulties in covering its projected obligations.²⁴⁹ In conjunction, these concessions paint a clear picture: China wishes to avoid its investments being taxed heavily to resolve Pakistan's debt crisis while also insulating itself from potential nonpayment.

In Myanmar, China has been the dominant investor for decades. Since 1988, China has been the single largest source of FDI in Myanmar, accounting for more than \$14 billion - about a third of total incoming FDI during that period.²⁵⁰ China is also Myanmar's largest trading partner, primarily importing agricultural products and minerals and exporting electronics, machines, and other manufactured goods.²⁵¹ This investment has only intensified with the Belt and Road Initiative. A group of Chinese firms led by CITIC Group, a financial conglomerate, acquired a 70% stake in the Myanmar port of Kyauk Pyu (sometimes rendered as Kyaukpyu or Kyaukphyu) in 2017.²⁵² This has led to Chinese development of the Kyauk Pyu Special Economic Zone,

²⁴¹ Qasim, Maha. "How Chinese money will transform Pakistan". Dawn. October 7, 2016.

²⁴² Ibid.

²⁴³ Dossani, Rafiq and Niels Erich. "China's 'Field of Dreams' in Pakistan"

²⁴⁴ Husain, Khurram. "2016: The year of the CPEC". Dawn. January 2, 2017.

²⁴⁵ Chan, Minnie. "First Djibouti ... now Pakistan port earmarked for a Chinese overseas naval base, sources say". South China Morning Post. January 5, 2018.

²⁴⁶ Ballesteros, Carlos. "PAKISTAN WANTS TO BUY MILITARY SUPPLIES FROM RUSSIA AND CHINA AFTER U.S. FUNDING FREEZE". Newsweek. January 28, 2018.

²⁴⁷ Rana, Shahbaz. "Pakistan, China divided over tax exemptions". The Express Tribune. March 10, 2016.

²⁴⁸ Husain, Khurram. "Chinese investors and power debt". Dawn. August 4, 2016.

²⁴⁹ _____. "Pakistan's debt pile soars to Rs22.5tr". The Express Tribune. August 31, 2016.

²⁵⁰ Maini, Tridivesh Singh and Sandeep Sachdeva. "China Faces Increasing Competition in Myanmar". The Diplomat. November 14, 2017.

²⁵¹ Ibid,

²⁵² Lee, Yimou and Thu Thu Aung. "China to take 70 percent stake in strategic port in Myanmar – official". Reuters. October 17, 2017.

which combined the port, with an estimated value of \$7.3 billion, and an industrial park valued at \$2.3 billion.²⁵³ About 20,000 villagers, mostly dependent on agriculture and fishing, face relocation due to the development, and there are serious concerns among local environmentalists that the project is being rushed through without regard to environmental regulations.²⁵⁴ One key goal of the port project is to serve as an entrepôt for Chinese oil imports, particularly from Africa and the Middle East, which can bypass the Straits of Malacca by means of a 480 mile pipeline from Kyauk Pyu to China's Yunnan province.²⁵⁵

China's relationship to the Myanmar government is complicated. China had been a strong ally of the military government which had ruled the country for decades; the reform process beginning in 2011 and the coming to power of Aung San Suu Kyi in 2015 disrupted this long-running relationship.²⁵⁶ Since then, however, China has worked to repair relations with Myanmar's new government. It has been assisted in this regard by the diplomatic strain between Myanmar and many Western governments over the Myanmar military's ethnic cleansing of the Rohingya minority; China has backed the Myanmar government in its attacks on the Rohingya.²⁵⁷ It has also worked in the UN Security Council to block any action on the issue.²⁵⁸ China has also consistently been the largest supplier of arms to the Myanmar military - the same arms used to attack the Rohingya.²⁵⁹ The Chinese military has also carried out joint trainings and exercises with the Myanmar military.²⁶⁰ Many of the Chinese investment projects, including the port of Kyauk Pyu, lie within Rakhine state, the epicenter of anti-Rohingya violence.²⁶¹ The Myanmar government has announced its intention to take land from burned Rohingya villages for "redevelopment"; the land has greatly increased in value due to Chinese investment.²⁶² Indeed, large investment projects from China and India have already been carried out on previously seized land.²⁶³ *Socialist Action* identified the development of the Kyauk Pyu SEZ as an "example of Rohingya displacement for profit" in an October 20, 2017 article by Marty Goodman.²⁶⁴

²⁵³ Lee, Yimou and Wa Lone. "China's \$10 billion strategic project in Myanmar sparks local ire". Reuters. June 8, 2017.

²⁵⁴ Ibid.

²⁵⁵ Ibid.

²⁵⁶ Thiha, Amara. "How China Is courting Myanmar". The Diplomat. August 12, 2017.

²⁵⁷ Sun, Yun. "China finds opportunity in Myanmar Crisis". Asia Times. February 14, 2018.

²⁵⁸ Nichols, Michelle. "China does not want U.N. to push Myanmar on accountability". May 8, 2018.

²⁵⁹ Asrar, Shakeeb. "Who is selling weapons to Myanmar?". Al Jazeera. September 16, 2017.

²⁶⁰ Lo, Kinling. "China eyes closer military cooperation with Myanmar as it looks to expand sphere of influence near India's borders". South China Morning Post. November 23, 2017.

²⁶¹ "How Chinese cash shores up Myanmar's Rakhine state, despite international condemnation of Rohingya crisis". South China Morning Post. September 28, 2017.

²⁶² Ibid.

²⁶³ Forino, Giuseppe, Jason von Meding, and Thomas Johnson. "The oil economics and land-grab politics behind Myanmar's Rohingya refugee crisis". September 12, 2017.

²⁶⁴ Goodman, Marty. "Stop the ethnic cleansing of Myanmar's Rohingya Muslims!". *Socialist Action*. October 20, 2017.

The role of China with regards to North Korea is likewise complicated. China is economically dominant within North Korea. Its investors pervade the Rason Special Economic Zone in northeastern North Korea, and the \$6 billion in Chinese trade is equal 50% of North Korea's GDP.²⁶⁵ China is also the dominant partner in other North Korean SEZs established after Rason.²⁶⁶ More than 90% of North Korea's oil comes from a Chinese pipeline.²⁶⁷ Despite this, the North Korean government is able to exercise a surprising degree of independence from China. China is opposed to North Korean development of nuclear weapons which, from its perspective, reduces North Korean military dependency on China, heightens the possibility of US military strikes in North Korea, destabilizes the status quo on the Korean peninsula, and provides an easy justification for US and other military escalations in the region. It would prefer a nuclear-armed North Korea, however, to the prospect of a collapsing North Korean state which it could face if it exerted too much pressure on the regime; such a situation could lead to a South Korean-led reunification which brought US troops to the Chinese border and a massive refugee crisis in northern China.²⁶⁸ The moves by North and South Korea to finally conclude the Korean War with a peace treaty and push towards denuclearization and possible reunification have prompted serious concern in China that it is losing control of the situation in the Koreas and its leverage over North Korea.²⁶⁹

China has been involved in a number of disputes over control of island chains in the South China Sea. China claims essentially the entirety of the South China Sea, enclosing its claims within the 'nine-dash line' surrounding the sea on its maps, conflicting with claims by Vietnam, the Philippines, Taiwan, Malaysia, and Brunei.²⁷⁰ Its disputes with Vietnam and the Philippines over the Paracel and Spratly island chains have been particularly fierce. China has been extensively building up military bases, particularly airfields, radar installations, and missile batteries, on those islands it occupies within the chains.²⁷¹ In 2016, an international tribunal requested to arbitrate by the Philippines rejected the 'nine-dash line' and found in favor of the Philippines, a ruling which China rejected.²⁷² In 2017, China threatened to attack Vietnamese bases in the Spratlys, forcing Vietnam to abandon efforts to drill for oil and gas in the region.²⁷³

China's Military Power

²⁶⁵ 'North Korea Investment Zone Promoted to Chinese as Next Shenzhen'. Bloomberg. September 12, 2012.

²⁶⁶ Yoon, Sangwon, 'China and N Korea Launch Joint Economic Zones'. Al Jazeera. January 9, 2011.

²⁶⁷ Huang, Kristin. "It supplies 90 per cent of oil to North Korea ... so why is China's pipeline excluded from UN sanctions?". South China Morning Post. September 12, 2017.

²⁶⁸ Panda, Ankit. "No matter what China does, it may not be enough to stop North Korea's nuclear ambitions". South China Morning Post. September 10, 2017.

²⁶⁹ Walsh, Michael. "Korea talks: What does China have to gain or lose from a potentially reunified Korean Peninsula?". Australian Broadcasting Corporation. April 26, 2018.

²⁷⁰ Hayton, Bill. "South China Sea: Vietnam 'scraps new oil project'". BBC. March 23, 2018.

²⁷¹ 'Slow-moving crisis' as Beijing bolsters South China Sea war platform". Guardian. December 14, 2017.

²⁷² Perlez, Jane. "Tribunal Rejects Beijing's Claims in South China Sea". New York Times. July 12, 2016.

²⁷³ Murdoch, Lindsay. "Vietnam halts South China Sea drilling 'after Chinese threats'". Sydney Morning Herald. July 25, 2017.

China has one of the world's best funded and largest militaries, which it is increasingly seeking to use to advance its interests on a global scale. Its official military budget in 2017 was about \$151 billion, although unofficial estimates ranged from \$180 billion to \$215 billion, in any case constituting the second largest military budget in the world.²⁷⁴ This was significantly behind the US military budget of about \$700 billion in 2017 (including funding for "overseas contingency operations" - ongoing wars - which are not directly part of the Department of Defense budget).²⁷⁵ It was, however, nearly triple or quadruple that of other imperial powers, however, such as the UK (\$66.5 billion), France (\$52.7 billion), Japan (\$49.3 billion), or Germany (\$43.8 billion).²⁷⁶ By active personnel, China has the world's largest military, with 2.3 million soldiers.²⁷⁷ China is significantly expanding its ability to make overseas military deployments, with plans to quadruple the size of its marine forces and increase naval personnel by 15%.²⁷⁸

China's air force, the People's Liberation Army Air Force (PLAAF), is enormous and increasingly geared towards offensive action abroad. The PLAAF is the world's third largest air force, which as of 2014 had more than 2,800 aircraft, including 600 "modern" fighters and 333,000 personnel.²⁷⁹ While throughout the mid and late twentieth century the PLAAF had a doctrinal role focused almost exclusively on air defense and interception, it has, since the early 2000s, developed capabilities to carry out long range ground strikes, defeat surface to air defenses, maintain air superiority over hostile territory, carry out transportation and paratroop operations, etc. - capabilities which are most useful for waging offensive wars abroad.²⁸⁰ China is also developing the J-20, a "fifth-generation" fighter with stealth capabilities.²⁸¹ Armed Chinese drones are another key area of development for the PLAAF, and have been exported to the Middle East.²⁸² Chinese-manufactured drones in Saudi and Iraqi service have seen over 10,000 flight hours and fired more than 400 missiles in combat.²⁸³ In terms of the development of drone 'swarms' - large groups of small military drones acting in tandem - China is matching or surpassing the United States.²⁸⁴ The development of China's air force goes hand in hand with that of its navy.

²⁷⁴ Martina, Michael and Ben Blanchard. "China confirms 7 percent increase in 2017 defense budget". Reuters. March 6, 2017.

²⁷⁵ Daniels, Jeff. "Senate passes \$700 billion defense policy bill, backing Trump call for steep increase in military spending". CNBC. September 18, 2017.

²⁷⁶ Kirk, Ashley. "What are the biggest defence budgets in the world?". The Telegraph. October 27, 2015.

²⁷⁷ O'Connor, Tom. "CHINA MILITARY POWER: WORLD'S LARGEST ARMY TO EXPAND FROM ASIA TO AFRICA". Newsweek. March 15, 2017.

²⁷⁸ Ibid.

²⁷⁹ Cordesman, Anthony H. *Chinese Strategy and Military Power in 2014: Chinese, Japanese, Korean, Taiwanese and US Assessments*. Rowman & Littlefield, Lanham, MD. November 30, 2014. 452.

²⁸⁰ Ibid, 452-455.

²⁸¹ Ibid, 455-456.

²⁸² "Chinese military drone sales hover over Middle East". South China Morning Post. February 26, 2018.

²⁸³ Huang, Kristin. "Chinese Rainbow 4 drones in use by foreign powers have 96pc strike rate in combat situations, paper says". South China Morning Post. February 19, 2018.

²⁸⁴ Romaniuk, Scott N. and Tobias Burgers. "China's Swarms of Smart Drones Have Enormous Military Potential". The Diplomat. February 3, 2018.

The People's Liberation Army Navy (PLAN), China's navy, is one of the world's largest and most powerful, after that of the United States. China currently has two aircraft carriers, one ex-Soviet vessel purchased from Ukraine and one domestically built.²⁸⁵ A third carrier is planned, using a new aircraft launch system which would enable the use of heavier aircraft.²⁸⁶ A 2016 report by the United States-China Economic and Security Review Commission to the US Congress suggested that China might produce a total of 5 carriers within 15 years (bringing its total to six, including the carrier purchased from Ukraine).²⁸⁷ As of April 2017, the PLAN had 32 destroyers, 68 submarines, and hundreds of smaller surface vessels.²⁸⁸ This included fifty-seven diesel-electric powered attack submarines and five nuclear powered attack submarines, as well as six nuclear powered ballistic missile submarines.²⁸⁹ The Chinese navy is developing a sea-based anti-ballistic missile system for deployment in the Pacific and Indian oceans, and has also developed a long range cruise missile that can be deployed from its destroyers to hit targets 3500 km away.²⁹⁰ The PLAN is also investing heavily into the development of underwater drones which can serve a variety of surveillance and other military purposes.²⁹¹

A common argument raised by socialists who do not believe that China is an imperialist state is that its military is far outclassed by that of the United States. Jeff M.'s comments to the Socialist Action internal discussion bulletin in 2014 might serve here as a representative example:

Comrades who would put China in the ranks of great imperialist powers cite the fact that Chinese ships harass those of the Philippines or Vietnam and that China claims ocean territory that may not be their own. Lacking a better source, I leave this to those international agencies that determine who owns what in the world's oceans, even considering that these agencies are never free from imperialist influence. But whatever their future determination as to who owns what spot in the ocean, Chinese harassment of Philippine and Vietnamese fishing boats or even large vessels, hardly counts as placing China in the ranks of the imperialist powers. U.S. warship patrol the world! Chinese ships, by comparison, barely exist.

Similarly citing China's recent yearly increase of 12.2 percent in military spending, totaling \$130 billion annually hardly makes the case for China being an imperialist power. The U.S. spends roughly \$1 trillion annually, counting its extra wars and veterans pay. And this figure excludes all or most of its "national security" expenditures and who knows what other hidden costs. This amounts to, at a minimum, of some 20 percent of the world's largest budget, that is, the U.S. budget, a figure that makes China's expenditures considerably smaller by comparison, but

²⁸⁵ "China launches its first home-built aircraft carrier". Guardian. April 26, 2017.

²⁸⁶ Delkic, Melina. "CHINESE MILITARY TO DEVELOP THIRD AIRCRAFT CARRIER AFTER TECHNOLOGY BREAKTHROUGH". Newsweek. November 10, 2017.

²⁸⁷ "2016 REPORT TO CONGRESS". U.S.-China Economic and Security Review Commission. November 2016. 265.

²⁸⁸ "China launches its first home-built aircraft carrier".

²⁸⁹ Beng, Ben Ho Wan. "The Chinese Submarine Threat". The Diplomat. December 10, 2015.

²⁹⁰ Chan, Minnie. "China plans sea-based anti-missile shields 'for Asia-Pacific and Indian Ocean'". South China Morning Post. February 8, 2018.

²⁹¹ Chen, Stephen. "Why Beijing is speeding up underwater drone tests in the South China Sea". South China Morning Post. July 26, 2017.

admittedly an impressive figure. We must also keep in mind that the U.S. spends more on its military than the rest of the world combined.

But here it is important to ask where China maintains foreign military bases and what wars it is engaged in. My estimate would be that the answer to both questions would be close to zero! By comparison the U.S. maintains 1100 military bases all over the world, not counting another 1000 within U.S. borders. It is currently engaged in overt wars in some half dozen nations and in covert wars all over the world. U.S. drones bomb everywhere. I know of no Chinese drones operating anywhere.²⁹²

One might raise objections to the specifics of these arguments. For instance, I believe I have demonstrated above that Chinese ships certainly do far more than “barely exist” even in comparison to the US Navy, Jeff’s figure for US military spending is somewhat exaggerated, and the Chinese military does, in fact, make extensive use of drones. The fundamental point, however, that the US military is significantly stronger than the Chinese military, is absolutely correct. By no means, however, should this lead to the conclusion that China is not an imperialist power. Such a claim would have no basis in either historical or current Marxist analyses of imperialism.

During the First World War, the Italian army, despite French and British support, could not achieve more than a bloody stalemate against even the beleaguered and severely overstretched troops of Austria-Hungary, itself a relatively weak military power. When they faced a significant commitment of German troops at the Battle of Caporetto, Italian forces collapsed and suffered enormous losses in land and soldiers. In the Second World War, the Italian Navy was shattered by Britain and its army suffered humiliating defeats in Greece, North Africa, and within Italy itself. And yet, while any observer must conclude that Italy’s military was vastly outclassed by the strongest militaries in the world during the first half of the twentieth century, both contemporary and modern Marxists consider Italy an imperialist state during this period. Indeed, today, our party considers France, the United Kingdom, Germany, Japan, Canada, Italy, and many other countries to be imperialist powers. China’s military power is comparable to that of the strongest powers on this list (the UK and France) and significantly greater than that of most of the other powers Socialist Action considers imperialist. Given this, if the gulf between US and Chinese military power disqualifies the latter from being considered an imperialist power, then the only logically consistent policy would be to consider the United States the *only* imperialist power, which would be a very difficult position to defend. If the proponents of the idea that China is not an imperialist state truly wish to make their point on the basis of military power, it would behoove them to compare China’s military not just to that of the United States, but also to those of France, the United Kingdom, Germany, Japan, Canada, Italy, etc. If they were to do so, however, it would quickly become apparent that the idea that the Chinese military ‘barely exists’ compared to other imperialist powers is utterly without merit.

²⁹² M., Jeff. “Is China an Imperialist Nation? An Ongoing discussion”.

Responses to the Development of Chinese Imperialism

Of course, China's rise as a new imperial power has not gone unnoticed among the other powers. Many of these states, in particular the United States, are redeveloping their strategic thinking, foreign policy, military deployments, trade deals, etc. in response - although not always in a coherent or effective manner. A report put out by the Strategic Studies Institute at the US Army War College entitled *At Our Own Peril: DoD Risk Assessment in a Post-Primacy World*, when read with the requisite critical eye towards its origins and motivations, gives a good broad overview of the perspective of many American military analysts and, more broadly, the US military establishment. Arguing that the collapse of the Soviet Union placed the United States in a 'unipolar', or 'primacy' role in the world, and dividing this time frame into two periods, one 'post-Cold War' from the early 1990s to 2001, and the other 'Post-9/11' from September 11, 2001 onwards, the study argues that the latter period is being supplanted by a new set of circumstances:

Now, it is becoming increasingly clear that the United States is either at the doorstep or in the midst of a third — even more uncertain — wave of foundational strategic change. This study labels this period "post-primacy." For DOD, post-primacy is marked by five interrelated characteristics:

- Hyper-connectivity and weaponization of information, disinformation, and dis-affection;
- A rapidly fracturing post-Cold War status quo;
- Proliferation, diversification, and atomization of effective counter-U.S. resistance;
- Resurgent but transformed great power competition; and finally,
- Violent or disruptive dissolution of political cohesion and identity.

While the United States remains a global political, economic, and military giant, it no longer enjoys an unassailable position versus state competitors.²⁹³

The report further specifies on the fourth point:

As discussed earlier, the United States faces new and meaningful opposition from at least two great powers who are bent on revising the contemporary status quo. China and Russia are engaged in purposeful campaign-like activities that are focused on the material reduction of American influence as the principal arbiter of consequential international outcomes. They seek to reorder their position in the existing status quo in ways that—at a minimum—create more favorable circumstances for pursuit of their core objectives. However, a more maximalist perspective sees them pursuing advantage at the direct expense of the United States and its principal Western and Asian allies. Each possesses substantial conventional and nuclear military capability. Further, each is aggressively pursuing interests in direct contravention of international norms and in ways that are threatening to U.S. and allied interests. Finally, both have adopted

²⁹³ Freier, Nathan P., Cristopher M. Bado, Christopher J. Bolan, Robert S. Hume, and J. Matthew Lissner. "At Our Own Peril: DoD Risk Assessment in a Post-Primacy World". United States Army War College Press. June 2017. 4.

complex "gray zone" approaches that to date have vexed U.S. national security and defense leadership.²⁹⁴

While the tone of this analysis - combining some degree of alarmism with a moral indignation and feigned innocence that strains credulity (the United States has certainly 'aggressively pursued interests in direct contravention of international norms') - can be safely discounted, the fundamental worldview it displays is important to consider. According to this report, coming from authors and sources firmly ensconced within the American military establishment, the rise of China (and Russia) as "great powers" presents a threat to American imperial dominance and foretells a resurgence in inter-imperialist conflict, and requires new strategies on the part of American imperialism to counter.

This new perspective is not, of course, limited to purely academic rumblings in Department of Defense policy papers. After a series of 2007 war games that demonstrated that the United States would have trouble maintaining naval and air control over the South China Sea in the face of the Chinese development of 'area denial' weapons like anti-ship cruise and ballistic missiles and better submarines, the US Navy and Air Force developed a new doctrine: "AirSea Battle" (ASB) which would seek to counter these weapons and ensure that the US could maintain air and naval superiority in a conflict with China.²⁹⁵ ASB was initially accepted in 2012.²⁹⁶ The Navy and Air Force initially tried to indicate that ASB was not directed at China, but were largely unsuccessful:

Despite the assembled brains the Navy and the Air Force had brought together for the project, AirSea Battle advocates proved inept at selling their plan, partly because no one wanted to offend China by stating plainly that the new thinking addressed the challenge from Beijing. In a May 2012 presentation at the Brookings Institution, Air Force Gen. Norton Schwartz claimed that ASB didn't target China or any other particular region, but was "a genuinely global concept consistent with the globalized environment in which we operate." The statement brought guffaws, even inside the Pentagon, where Army officers noted that Andrew Krepinevich's AirSea Battle concept paper mentioned China no fewer than 150 times. (Schwartz's office said the general could not find the time to comment on this article.)

The denials weren't fooling anyone. Chinese military officers regularly questioned their American counterparts on the ASB doctrine, and the apparent unease reached into China's leadership. In one unsigned editorial in China's People's Daily, the paper noted, "If the U.S. takes the AirSea Battle system seriously, China has to upgrade its anti-access capabilities. China should have the ability to deter any external interference but unfortunately, such a reasonable stance is seen as a threat by the U.S." In other words, if the United States were intent on developing anti-access and anti-area denial weapons, the Chinese would just develop more of them.²⁹⁷

²⁹⁴ Ibid, 60.

²⁹⁵ Perry, Mark. "The Pentagon's Fight Over Fighting China". Politico. July/August 2015.

²⁹⁶ Ibid.

²⁹⁷ Ibid.

While ASB was initially held up by interservice rivalries (the US Army, concerned that it would face budget cuts if the focus of American military power was on naval and air operations, insisted on playing a bigger role in the new doctrine), it was advanced in 2015 under the name “Joint Concept for Access and Maneuver in the Global Commons.”²⁹⁸

In 2011, Barack Obama announced his administration would undergo a “Pivot to Asia” (P2A) in American foreign policy during a speech to the Australian Parliament.²⁹⁹ This was accompanied by announcing that the US would base 2,500 marines in Australia.³⁰⁰ Defense Secretary Leon Panetta announced in 2012 that the US would deploy a greater proportion of its navy to the Pacific.³⁰¹ P2A, taken in conjunction with the development of AirSea Battle and the changes to US military deployments in the region, was widely seen as an effort to contain and encircle China.³⁰² Indeed, a key element of P2A was building up closer relations with China’s neighbors, from the Association of Southeast Asian Nations to Japan.³⁰³ The Trans-Pacific Partnership (TPP) was conceived of as an economic extension of P2A, specifically excluding China.³⁰⁴ When China proposed establishing the Asian Infrastructure Investment Bank (AIIB), the United States not only refused to join, but tried to pressure its allies into boycotting the bank as well.³⁰⁵

As a skimming of the titles of the articles I have cited in the above paragraph might indicate, however, P2A was far from an acclaimed success. Mainstream US foreign policy commentators have instead widely panned the policy - not because they thought its aims were misguided, but rather because they thought its implementation has been incomplete, chaotic, and ineffective. A renewed focus on the Middle East and Eastern Europe deflected attention from the ‘Pivot’. The Obama administration’s public statements on China and East Asia were unclear and often contradictory, at times seeming to accept Chinese ‘core interests’ and at times seeming to be presenting a clear rebuke to China, in the end accomplishing little beyond aggravating both China and US allies like Japan and the Philippines.³⁰⁶ The Trans-Pacific Partnership was held up in Congress and domestic opposition to it was so great that even Hillary Clinton - one of its architects - was compelled to oppose it in the 2016 election. One of the first actions of the Trump administration was to scuttle TPP.³⁰⁷ The American effort to boycott the AIIB was not just a failure but actively a debacle, with major European powers

²⁹⁸ Ibid.

²⁹⁹ Heydarian, Richard Javad. “Obama’s legacy in Asia”. Al Jazeera. January 16, 2017.

³⁰⁰ Calmes, Jackie. “A U.S. Marine Base for Australia Irritates China”. New York Times. November 16, 2011.

³⁰¹ “Leon Panetta: US to deploy 60% of navy fleet to Pacific”. BBC. June 2, 2012.

³⁰² Ford, John. “The Pivot to Asia Was Obama’s Biggest Mistake”. The Diplomat. January 21, 2017.

³⁰³ Zakaria, Fareed. “Whatever happened to Obama’s pivot to Asia?”. Washington Post. April 16, 2015.

³⁰⁴ Bradley, Michael. “Biggest ever trade deal signed as US seeks to counter China”. Yahoo News, AFP. February 4, 2016.

³⁰⁵ Denyer, Simon. “China gloats as Europeans rush to join Asian bank”. Washington Post. March 18, 2015.

³⁰⁶ Green, Michael J. “The Legacy of Obama’s “Pivot” to Asia”. Foreign Policy. September 3, 2016.

³⁰⁷ Tharoor, Ishaan. “Trump kills TPP, giving China its first big win”. Washington Post. January 24, 2017.

including the United Kingdom completely ignoring the directive and agreeing to participate and the US left looking “confused and contradictory”.³⁰⁸

Despite the Trump administration’s cancellation of TPP, it has in no sense abandoned confrontation with China. Indeed:

Behind the scenes, however, the Trump transition is preparing its own pivot to Asia. As the team that will implement that policy takes shape, what’s emerging is an approach that harkens back to past Republican administrations — but also seeks to actualize the Obama administration’s ambition of enhancing the U.S. presence in the region. Transition officials say the Trump administration will take a hawkish view of China, focus on bolstering regional alliances, have a renewed interest in Taiwan, be skeptical of engagement with North Korea and bolster the U.S. Navy’s fleet presence in the Pacific.³⁰⁹

Trump’s Secretary of State, Rex Tillerson, argued at his confirmation hearings that the US would need to block Chinese access to artificially constructed islands in the South China Sea.³¹⁰ Tillerson did not specify the mechanism for this - “But analysts said his comments, like those of Spicer, suggested the possibility of U.S. military action, or even a naval blockade.”³¹¹ The bevy of threats directed towards North Korea by the United States is seen both by American analysts and China’s leadership as veiled threats against China.³¹² Tillerson, responding to the growing economic importance of China in Latin America, declared that “Latin America does not need new imperial powers that seek only to benefit their own people” (for Tillerson, of course, the objectionable element is *new*; the current set suffices).³¹³ The Trump administration has also announced an inquiry into allegations that China allows or supports theft of intellectual property, a common American claim.³¹⁴ Although Trump seems to have backed off from a full scale trade war with China, his administration - and both Democrats and Republicans in Congress - continue to mull more limited options.³¹⁵

A major factor in Trump’s decision to retain and expand the US presence in Afghanistan was to acquire access to mineral wealth there so as to expand US access to rare-earth minerals and to deny control of mineral wealth to China:

³⁰⁸ Denyer, Simon. “China gloats as Europeans rush to join Asian bank”.

³⁰⁹ Rogin, Josh. “Trump could make Obama’s pivot to Asia a reality”. January 8, 2017.

³¹⁰ Blanchard, Ben and David Brunnstrom. “China says will protect South China Sea sovereignty”. Reuters. January 23, 2017.

³¹¹ Ibid.

³¹² Perlez, Jane and Peter Baker. “Trump Eyes China Sanctions While Seeking Its Help on North Korea”. New York Times. August 12, 2017.

³¹³ “Latin America should not rely on China: U.S. Secretary of State Tillerson”. Reuters. February 1, 2018

³¹⁴ Wroughton, Lesley and Jeff Mason. “Trump orders probe of China’s intellectual property practices”. Reuters. August 14, 2017.

³¹⁵ Swanson, Ana, Mark Landler, and Keith Bradsher. “Trump Shifts From Trade War Threats to Concessions in Rebuff to Hard-Liners”. New York Times. May 14, 2018.

But for Mr. Trump, as a businessman, [Afghanistan's mineral wealth] is arguably the only appealing thing about Afghanistan. Officials said he viewed mining as a "win-win" that could boost that country's economy, generate jobs for Americans and give the United States a valuable new beachhead in the market for rare-earth minerals, which has been all but monopolized by China.

China already has a \$3 billion contract to develop a copper mine about 25 miles southeast of the Afghan capital, Kabul. Officials said Mr. Trump was determined not to spend American lives and treasure in Afghanistan only to watch China lock up its rare-earth deposits, which are used to make products from wind turbines to computer chips.³¹⁶

The United States has certainly not turned a blind eye to China's rise as an imperial power and has taken significant steps to try to contain it or continue to outcompete it. From the military to the foreign policy establishment to the Obama and Trump administrations, the full breadth of state institutions at the core of American imperialism have put forward both strategies and concrete actions to this effect. To be sure, these efforts have often been confused, ineffective, and sometimes contradictory (incidentally, wholly undermining the argument that imperialist powers must necessarily be successful in preventing the rise of competitors!), but they have all had a common motivation. The United States is, furthermore, not alone in responding to the development of Chinese imperialism.

As noted above in the Chinese Imperialism Abroad section, China began a major program of investment into Europe during the apex of the European financial crisis, 2010-2012, with a particular focus after 2012 on acquiring properties in the most hard-hit states as well as in acquiring European companies with access to advanced technology.³¹⁷ This investment quickly provoked concern from several leading European powers, particularly France and Italy, but Germany initially remained relatively sanguine.³¹⁸ As the scale of Chinese investments and ambitions for further acquisitions became more clear, however, Germany pulled a dramatic turnabout and joined with France and Italy in pursuing European Union action against Chinese investments.³¹⁹ Germany (unsuccessfully)³²⁰ sought to block the acquisition of robotics firm Kuka by the Chinese firm Midea.³²¹ It also joined Italy and France in calling for the implementation of EU authority to block Chinese purchases.³²² The EU has also joined the United States in blocking the WTO from granting China "Market Economy Status".³²³ This status would significantly restrict the ability of states to implement anti-dumping tariffs against China. This is of particular importance given the fact that the EU is considering implementing punitive

³¹⁶ Landler, Mark and James Risen. "Trump Finds Reason for the U.S. to Remain in Afghanistan: Minerals". New York Times. July 25, 2017.

³¹⁷ Martin, Anne-Claude. "Chinese investments soar in crisis-hit Europe".

³¹⁸ Stanzel, Angela. "Germany's turnabout on Chinese takeovers".

³¹⁹ Ibid.

³²⁰ "China's Midea grabs near-95% stake in German firm Kuka". Phys.org. August 8, 2016.

³²¹ "EU, Berlin oppose Chinese bid for 'strategic' German robotics maker". EURACTIV. May 31, 2016.

³²² "Italy, France, Germany ask EU to boost powers to block foreign acquisitions -reports". Reuters. August 22, 2017.

³²³ Donnan, Shawn, Lucy Hornby, and Arthur Beesley. "China challenges EU and US over market economy status". December 12, 2016.

anti-dumping tariffs against Chinese steel - possibly raising its tariffs from the current 21% to closer to the 266% implemented by the United States.³²⁴ With the exception of Hungary, EU ambassadors to China signed a report critical of China's Belt and Road Initiative.³²⁵

In 2016, France pushed for European navies to begin regularly patrolling the South China Sea in "a clear indication of pushback against China."³²⁶ A French amphibious assault ship was deployed to Japan in April 2017, for drills motivated in part by French concern over China's newly constructed aircraft carrier.³²⁷ A leaked 2015 German military document revealed plans being made for potential conflict with Russia and China.³²⁸ Perhaps in response to these moves, in July 2017 Chinese warships including some of China's most advanced ships staged joint exercises in the Baltic with Russian vessels.³²⁹ In January 2018, the French defense minister announced plans to "develop joint military exercises between France and Japan" including sailing additional French naval vessels through the South China Sea in moves aimed at China.³³⁰

Japan has likewise organized significant responses to the rise of China as an imperial power. The public relationship between China and Japan is often deeply antagonistic, with bitter memories of the 20th-century invasion and occupation of wide swathes of China by Imperial Japan combining with modern day overlapping territorial claims. Japan has activated a marine unit for the first time since the second world war, as part of a broader package of military assets designed to contest a set of disputed islands with China.³³¹ In general, it is significantly expanding and updating its military forces, particularly its naval forces, in anticipation of conflict with China.³³² Japan has also sought out closer military ties with Europe and joint development of missiles and other weapons systems as part of this military buildup.³³³

³²⁴ Robinson, Duncan. "EU set to impose punitive anti-dumping tariffs on imports". Financial Times. November 11, 2016.

³²⁵ Prasad, Ravi. "EU Ambassadors Condemn China's Belt and Road Initiative". The Diplomat. April 21, 2018.

³²⁶ Sridharan, Vasudevan. "France wants European navies to make their presence felt in South China Sea". International Business Times. June 7, 2016.

³²⁷ Kubo, Nobuhiro. "French amphibious carrier arrives in Japan for Pacific drills amid growing North Korea tensions". Independent. April 29, 2017.

³²⁸ Cockburn, Harry. "Leaked German military documents detail plans in case of EU collapse". Independent. November 8, 2017.

³²⁹ Connor, Neil. "US 'closely tracking' as Chinese navy in the Baltics for war games with Russia". The Telegraph. July 21, 2017.

³³⁰ Litkin, Tallulah and Togo Shiraishi. "France and Japan to scale up military exercises to deter China". Nikkei Asian Review. January 25, 2018.

³³¹ Kubo, Nobuhiro and Tim Kelly. "Japan activates first marines since WW2 to bolster defenses against China". Reuters. April 7, 2018.

³³² Lendon, Brad. "Resurgent Japan military 'can stand toe to toe with anybody'". CNN. December 7, 2016.

³³³ Ryall, Julian. "Japan inks defense deal with Germany amid China threat". Deutsche Welle. August 24, 2017.

Neither has Japan been idle on the economic front. The abandonment of the TPP - a measure designed at incorporating Japan and other countries into a trade bloc excluding China - by the United States has caused significant consternation in Japan. It since proposed that the other parties to the pact should agree to strip US concessions from the deal and then implement it themselves.³³⁴ Agreements on a rump TPP sans the United States were concluded in November, 2017.³³⁵ After a 2010 dispute over contested islands, China - which had been dominant in the production of rare earth materials used in high tech production - cut off their supply to Japan.³³⁶ Subsequently, Japan has aggressively pursued the reinvigoration of its rare earth mineral mining industry to ensure it is not dependent on China for their supply.³³⁷

Conclusions

China is the world's largest economy, by purchasing power parity. Even by nominal exchange figures, it is the world's second largest economy, and closing the gap. Its economy is starkly divided, producing huge cities with productivity comparable to the US or Europe's leading imperial powers, and heavily underdeveloped rural regions. In terms of gigantic monopoly companies, China places second behind the United States, and is well ahead of any other power. Its banks are the largest and most profitable in the world. China was third among capital exporters from 2011-2016, fifth in accumulated export stock, and both its annual capital export and accumulated holdings are rapidly growing. Its economy is increasingly developing domestic high tech manufacturing and other high-margin sectors.

Chinese investment stretches across the world. In Africa, China extracts massive quantities of natural resources. It also, however, exports enormous quantities of manufactured goods - and increasingly also uses the continent as a source of cheap labor for offshoring production. Nor is China restricted to Africa; it entered Europe on a large scale in the wake of the European financial crisis, making large acquisitions in countries like Greece, Italy, Hungary, and Portugal, in addition to its holdings in countries like France, Germany, and the UK. The Belt and Road Initiative stretching across Asia, Africa, and Europe is one of if not the most ambitious infrastructure projects ever carried out by a state.

The Chinese military is rapidly growing and developing as a world power. Its ships patrol the South China Sea, the Horn of Africa, and the Indian Ocean, operating out of a network of bases spanning from the Spratly and Paracel Islands to Djibouti, with further development expected across Africa and Asia. China's air force is one of the world's strongest, and has been redesigned to serve in offensive overseas operations. It is a leader in the development of drones, and armed Chinese aerial drones have repeatedly proven themselves in Middle Eastern

³³⁴ "Revived TPP may exclude trade concessions sought by US". Nikkei Asian Review. August 24, 2017.

³³⁵ Stevenson, Alexandra and Motoko Rich. "Trans-Pacific Trade Partners Are Moving On, Without the U.S.". New York Times. November 11, 2017.

³³⁶ Berke, Jeremy. "Japan just found a 'semi-infinite' deposit of rare-earth minerals — and it could be a 'game-changer' in competition with China". Business Insider. April 13, 2018.

³³⁷ Ibid.

arsenals. Increasingly, the Chinese military is deployed to defend its economic interests. The ever growing presence of thousands of Chinese “peacekeepers” in Africa guarding its investments on the continent is but the most obvious demonstration of this role. In addition, China has developed close relations with foreign militaries to protect and advance its interests by proxy, as in Pakistan and Myanmar.

China has opened many doors across the world through its self-portrayal as some kind of new, non-imperialist world power on the basis of its status as a former semi-colony with no history of formal colonialism. This constitutes nothing more than a benign facade. The same economic and political logic that drove nineteenth and twentieth century capitalists to develop the capitalist imperialism Lenin described in 1916 has driven Chinese capitalists today to pursue imperial gains. The experiences of Chinese holdings across the world clearly demonstrate this. To point to just a few examples, in Myanmar, the Chinese government is complicit in the ethnic cleansing of the Rohingya to free up land for its companies to develop, as in the case of Kyauk Pyu. In Greece, the purchase of Piraeus by Cosco was the catalyst for a massive assault on Greek dockworkers and their unions, backed by the muscle of local fascist thugs. In Zambia, Chinese election interference helps in maintaining the poverty wages and dangerous working conditions of its mining companies. In Mali and South Sudan, Chinese soldiers protect its investments from local forces and hostile imperial powers alike.

Key imperial powers including the United States, Germany, France, and Japan have recognized the rise of China as a serious competitor. None adopt the blasé position that China is a subservient semi-colony which is only succeeding as serving as cheap labor for their companies. Instead, each has pursued serious economic and military responses to attempt to contain China and protect their established world positions. Their efforts have not all been successful, or even all well-thought out. Nevertheless, the disposition of these powers strongly suggests that they are serious about seeing China as a new imperial competitor that exercises significant power on the world stage. This has heightened the possibility for inter-imperial conflict as the heretofore dominant imperial powers move to counter Chinese expansion into their traditional domains.

To be sure, there are significant weaknesses to China’s world position. Its domestic economy is resting on a huge property bubble which its leadership is desperately attempting to deflate slowly in part through intensification of its foreign investments. The same lack of colonial history which opens many diplomatic doors to China denies it the advantages of colonial legacies and ties which other imperial powers enjoy. In a military sense, it remains vastly inferior to the United States, the dominant imperial power. Its military and diplomatic weakness has forced it to pursue risky investments in areas like Pakistan where it faces serious prospects of economic or military collapse provoking major losses. It has already suffered some losses in this regard, as evidenced by its lost stake in Libya’s oil industry. Furthermore, China is often forced to pay a premium for access to investments in the spheres of influence of other powers, and sometimes even still has its investments blocked or rejected. Chinese capitalists, however, will not accept these limitations and premiums indefinitely without complaint. The

expansion and renovation of China's military capacity to intervene overseas is one indication of this tendency, the huge political ambitions of projects like the Belt and Road Initiative is another.

Socialists today cannot continue to be bound by empty platitudes that the components of the world imperial order are frozen in place and unchangeable, or that the threat from imperialism consists almost exclusively of imperial conquests and reconquests of semi-colonies by an imperial alliance led by the United States. As Lenin noted in his critique of Kautsky's theory of ultra-imperialism, the world order is not stagnant and the balance of forces shifts over time, with the potential of creating new imperialist powers or weakening old ones. China is clearly a significant capitalist imperial power and there is a serious threat of inter-imperial conflict between China and other imperial powers, whether in the form of proxy wars or direct engagements. Furthermore, Chinese investment in semi-colonies is increasingly defended and advanced by its military forces or those of its allies. If we are to offer the worldwide working class a serious and accurate assessment of the world situation, the threat from imperialism, or the nature of Chinese investments we must acknowledge what is clearly demonstrated by the facts at hand. China is an imperialist power which exercises a significant and growing influence on world events. In no sense, of course, does this mean that the United States has been or imminently will be eclipsed as the leading imperial power, or that the task of American workers and socialists in fighting against American imperialism is in any sense lessened. We must, however, understand the actions of American imperialism within the context of a worldwide struggle for control by competing imperial powers within which it is (currently, by a significant margin) the strongest, not as an unchallenged unipolar hegemon.

Notes

1. For the sake of brevity, I have significantly compressed this section. For a fuller explanation of the process of capitalist restoration in China, I would direct the reader to *On the Question of Workers' States Today*, a document written by the Canadian Trotskyist Ben Rostoker which can be found at <https://docs.google.com/document/d/1VQq0DAMNDgHMYytN84sRYXKPDUIPvbagfk3PL84CO0k/edit>
2. These figures were calculated using the exchange rate of 1 USD = 3.466 CNY from the 2015 OECD purchasing power parity exchange rate.³³⁸ The exchange rate of 1 USD = 6.4939 CNY from December 31, 2015 was used for the market exchange rate.
3. These categories, and the assigning of companies to them, were constructed by myself and not the Fortune 500 Global list.
4. American banks do not use the same accounting standards as those of other countries. The assets usually listed for American banks are their *net* assets whereas those for other banks are *gross* assets.³³⁹ I have used figures that correct for this discrepancy. If

³³⁸ "Purchasing power parities (PPP)". OECD Data. 2017.

³³⁹ Mehmood, JahanZaib. "The world's 100 largest banks".

the reported (net) assets of top-100 US banks were instead used, their total assets would be only \$12,039 billion rather than \$16,841 billion.

5. This is frequently reported as the top four being Chinese because of the accounting standards discrepancy mentioned in note 5. When this is accounted for, JPMorgan Chase is the second largest bank in the world by assets rather than the fifth largest.
6. For a simplified example, if you deposit \$100 in a bank, it might lend out \$1000 on the basis of that \$100 in equity, a 10-to-1 leverage. It must invest cautiously however, as it cannot afford to lose even 10% of its investments. Consequently it will mostly invest in low risk, low yield assets. If the bank makes \$10 in profit a year from your \$100, that is a 10% return on equity - a good result. On the balance sheets, however, the \$1000 in loans will constitute the “assets”, so it will appear as a seemingly low 1% return on assets despite the fact that the bank actually made a 10% return on the genuine amount of deposits it had. In essence, one of the ways that banks accrue massive profits is by inflating their asset:equity ratio which they can only do by holding assets which are individually low-yield compared to those of other companies, which makes comparing banks and non-banks by ‘return on assets’ extremely misleading at best.
7. For US banks I have used asset totals that correct for the discrepancy in their asset accounting with banks of other countries. See Note 4.
8. The figures for yearly FDI outflows come from *Annex table 02. FDI outflows, by region and economy, 1990-2016*. The figures on accumulated outflow stock come from *Annex table 04. FDI outward stock, by region and economy, 1990-2016*.

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