

**CHAPTER II**  
**THE RISE OF CHINA:**  
**THE HISTORY AND SERIES OF HIGHLIGHTED EVENTS**

China, the world's third-largest country with a population reaching 1.3 billion people, was recorded as the most populous country in the world. China accounted for a fifth of the world's population, is a country that has long and remarkable economic development stories in modern times. Successes and failure followed, China's peaceful rise as an official policy under Hu Jintao leadership drove the country to the moment of eternal triumph, despite the controversy as an emerging giant's international influence. The rise of China later became a notion that marks the country's prowess in suppressing the national economy growth to become one dominant force in Asia-Pacific even capable of being a highlight in the global world.

Notably, the rise of China is not a new occurrence in the history of China, rapid growth and highlighting achievements in the eighteenth century made the rise of China as the phenomenon of revival. Despite claimed to be a peaceful development, the event is interpreted differently by other states, the development that followed was expanded, not only focus on one aspect of development; it covers the fields of politics, economy, and military at once. The rise of China, by the scholars are often used in referring to the events of China's miraculous development following the economic reforms pursued by the Chinese government, initiated in the Third Plenary Session of the Eleventh Central Committee of the Communist Party of China (CPC) held in December 1978, in which the grand plan of the policy reforms and the more open up market was

ensured.<sup>1</sup> Cao (2005) argue, the ideology of the reform came directly from the work conference and the conference also decided the general of reform in principle, so it is correct to say that the Third Plenary Session of the Eleventh Central Committee of the Party marked the beginning of the Chinese economic reform, which asserted the need of major refurbishment in the production field.<sup>2</sup>The achievement of the economic reform and opening-up policy have ushered China's economy into a rapid phase of development and because of this, China being rated as one of the highest economic growth state ever achieved in regional and global level, amidst the booming Asian economy thereof.<sup>3</sup> Later during the Fourteenth National Congress of the CPC in 1992, China announced that the goal of the economic reform is primarily to replace the soviet economic model adopted in Mao's era, to the more open social-market economy system, described as socialism with Chinese characteristic, which marks the beginning of a new phase of China's economic reform thereafter.<sup>4</sup>The following discussion will elaborate the history of economic and military development from time to time within the context of highlighted events.

## **2.1. China's Massive Development: From Mao's Military Modernization to Deng's Economic Reform in the Twentieth-Century**

Reform for the seeks of fundamental changes in political and economic institutions, is his excessive belief in the supremacy of "men over material",

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<sup>1</sup> Liu Guoguang, 'China's economic reform: Successes, challenges, and prospects for the twenty-first century,' p. 80, in Fumio Itoh (Ed.), *China in the twenty-first century: Politics, economy, and society* (Tokyo, United Nations University Press 1997), p. 80.

<sup>2</sup> Tian Yu Cao, *The Chinese Model of Modern Development* (1st edn, Routledge 2005), p. 28.

<sup>3</sup> Guoguang, 'China's economic reform,' p. 81 (footnote 32).

<sup>4</sup> *ibid.*, p. 82.

which depressingly led to the more politicized PLA. In the 1960s the political situation is getting tense, following the split with the Soviet when Mao faced increasing resistance to his authority within the party and in the higher echelons of the PLA. In the end, it led to the emphasis of people's war by Mao's close associates.<sup>5</sup> Eventually, the ambitious Great Leap Forward project, the Anti-Rightist Campaign (1957-1959) followed by the eruption of Cultural Revolution (1966), ends in over million excess deaths on the Great Chinese Famine and other immense consequences that changed the traditional system and China as a state significantly.

One of the most challenging tasks in any political system,<sup>6</sup> unlike the revolutionary process, the reform process aims to achieve changes through peaceful means, rather than force, and by working through existing political institutions, rather than overthrowing them.<sup>7</sup> China, in this regard, after decades of maintaining the overly poor economic system, centrally-controlled and stagnant, in the late 1970s under Mao Zedong, finally find a way to deliver major changes in the political and economic system of the state. Under Mao's administration, China's economic growth is gradual but susceptible. It shows a reasonable phenomenon of revival and success to break the attention from the highlights of Western economic advancement. In addition to Mao's restoration project in the economic sector, the other thing that deserves to be underlined was the efforts to build-up and modernizing China's defense sector.

Even before the deterioration of Sino-Soviet relations by the early 1960s, which ended in the dismissal of assistance in the form of men, material and

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<sup>5</sup>*ibid.*

<sup>6</sup> Harry Harding, *China's Second Revolution* (1st edn, Brookings Institution 1987), p. 271.

<sup>7</sup> *ibid.*

technology from the Soviets against China, the nation has indeed absorbed the best from the Soviet.<sup>8</sup>By using the Soviet expertise and technology, to start a military-industrial complex (MIC) for modernizing its defense services, Soviet has indeed helped modernize the Chinese People's Liberation Army (PLA) in a significant matter.<sup>9</sup>Thus, by late 1950s, China had somewhat professionalized and modern military included the progress of having 4000 combat aircraft for the air forces division.<sup>10</sup>

Nonetheless, apart from the good record of Mao's revolutionary act, the history recorded that it was not last until the year later- it turned into a great catastrophe. Turns out the economic and military development under Mao's were transient, it was susceptible, yet getting stagnated in the middle of its implementation and led to the substantial decline in the numbers. Some methods proved unsuccessful and disappointing, such as the poor agricultural techniques which turned into salinization and severe deforestation. In 1971 China had achieved grain self-sufficiency through the aggressive rural policy measures, but the new policy, with its emphasis on local decision-making was burdened by other political baggage that eroded its effectiveness.<sup>11</sup>

As highlighted in the history, one issue that becomes a turning point of Mao's fall is his belief in the supremacy of "men over material" which in fact led to the more politicized PLA. In the 1960s the political situation is getting tense, following the split with the Soviet when Mao faced increasing resistance to his authority within the party and in the higher echelons of the PLA. In the end, it led

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<sup>8</sup> Singh, 'The Political Economy of China's Defence Modernisation', p. 688 (footnote 8).

<sup>9</sup> *ibid.*

<sup>10</sup> Ellis Joffe, *The Chinese Army After Mao* (1st edn, George Widenfeld and Nicolson 1987).

<sup>11</sup> Gautam Jaggi and others, 'China's Economic Reform: Chronology and Statistics' (Institute for International Economics 2016), p. 3.

to the emphasis of people's war by Mao's close associates.<sup>12</sup> Eventually, the ambitious Great Leap Forward project, the Anti-Rightist Campaign (1957-1959) followed by the eruption of Cultural Revolution (1966), ends in over million excess deaths concluded in the Great Chinese Famine and other immense consequences that changed the traditional system, and China as a state significantly. The death of Mao Zedong and the arrest of major counter-revolutionary forces in the 1976 Cultural Violence, known as *the gang of four*, ended the ten-year of Cultural Revolution, gave rise to a popular demand for a faster economic progress and a better-living standard in the People's Republic of China.<sup>13</sup>

In 1978 the economic reform took place under the leadership of Deng Xiaoping. It was gradual, but the effects hold the fort and they have been remarkably successful. The post-Mao reforms have reserved the decline in economic growth rates with an average annual rate of increase of rural output since 1979 has been 10.5 percent, well above the rates of 4.0 percent to 5.0 percent achieved in the 1950s, 1960s, and early 1970s.<sup>14</sup> Broadly, the sector of rural economy enjoyed the most rapid rates of growth. The emphasis was principally placed in the idea to change the market system. Remodelling the system, Deng transformed the existing private and state-owned market system into the most liberal one that is open to more opportunities and possibilities of foreign investment and a wider network of economic partners to boost China's economy and improve the vastly inefficient and relatively isolated economic

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<sup>12</sup> Singh, 'The Political Economy of China's Defence Modernisation,' p. 683 (footnote 8).

<sup>13</sup> Lin Wei and Arnold Chao, *China's Economic Reforms* (1st edn, University of Pennsylvania Press 1982).

<sup>14</sup>Harding, *China's Second Revolution*, p. 274 (footnote 37).

system, to improve the welfare of farmers, the central government initiated price and ownership incentives for farmers, which enabled them to sell a portion of their crops on the free market.<sup>15</sup> Whereas in order to increase the economic productivity reforms were also implemented in the urban industry which allowed the state-owned industry to sell any production in both plan and market prices, the consideration was to avoid the strict and centrally-oriented former market, which were too closed and only relying on the results of the housing and agricultural production. The acceleration of the rates of growth industry and agriculture's has allowed a large increase in nominal rural and later urban income.<sup>16</sup>

Through the intense monitoring system and strong principles, the open market system under the framework of China's economic reform is able to increase potential opportunities for the society to start their own business, as the government undertaking the measures to support great value export to increase the per capita income of the citizen. China's policy in this regard heavily relies on commercial traffic, improving the quality and quantity of production take precedence to break the export number and increase the interest of investor to make investments in large numbers from the smallest to largest sectors. In this economic modernization, China insisted on the formation of credible and competence government structure for the sake of stability and positive reputation, this measures This step ensured by the electoral system organized and lead by Deng Xiaoping. In the bigger picture, Deng's recovery attempt was focused on eight main indications:

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<sup>15</sup>Wayne Morrison, 'China's Economic Rise: History, Trends, Challenges, And Implications for the United States' (Congressional Research Service 2015), p. 4.

<sup>16</sup>*ibid.*, loc. cit.

The rise in industrial and agricultural production; Faster rises in the output of some major products; The bigger volume of transport; Rises in domestic and foreign trade volumes; A rising national income; Wider employment; A general rise in people's monetary income; and advances in education, science, culture and public health.<sup>17</sup>

There are two factors that make China could increase their economic growth so quickly; the large-scale capital investment (financed by large foreign domestics saving and investment) and rapid productivity growth.<sup>18</sup> Both of these factors has successfully led China to its golden era through the improve in economic growth efficiency and increase in economy stability. China has also achieved dramatic gains in foreign economy relations, as in 1986, China's foreign trade at more than \$70 billion, was more than three times what it had been in 1978.<sup>19</sup>

In addition, China exports to its national output rose from 5.6 percent in 1978 to 13.9 percent in 1986, while the states succeed to absorbed \$28df billion in the foreign capital between 1979 and 1986.<sup>20</sup>

With such rapidly rising economic sector China started raising its GDP share of the world total from 5.2 percent in 1980 to 17.5 percent later in 2008.<sup>21</sup> Gradually, China regains the global trust and prestige as the economic superpower, the one state with the largest trade partner and the ability to surpass the Western economic grandeur.

The economic rise of China is indeed a complex unity. Many of the political analysts perceive this as a strategy to gain world domination. On the other hand, when China recognizes this as a peaceful rise, one may acknowledge that this remarkable development has given a great advantage for China to run the state's interest; it can be observed from how the rise of China managed to change the

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<sup>17</sup> Wei and Cao, *China's Economic Reforms*, pp. 3-7 (footnote 44).

<sup>18</sup> Morrison, 'China's Economic Rise,' p. 7 (footnote 46).

<sup>19</sup> Harding, *China's Second Revolution*, p. 275 (footnote: 37).

<sup>20</sup> *ibid.*

<sup>21</sup> Li Yang, 'China's Growth Miracle,' p. 2 (footnote 4).

regional order, at least in the form of alliance-based cooperation and increase the importance of their role in regional politics. Indeed, China's re-emergence as the world economic and the global power rises state is an important question about what we can learn from its previous rise and fall and about the external and internal threats confronting this emerging economic superpower for the immediate future.

## **2.2. Four Modernization: China's New Form of Military Modernization**

Should be underlined, the excessive attention to the military sector is one reason for the failure of Mao Zedong in maintaining the stability of China's growth. While high military expenditure does mean better prospects for a modernization in the defense sector, opinions differ over the cost and impact on the economy.<sup>22</sup> According to Amartya Sen (1995) and what was then believed by most of the economist, *the benefits of military expenditures are uncertain, limited and economically unproductive, while for the developing countries the long term effects is mostly negative*, in the sense that it will cause the growth reduction in socio-economic sector or welfare losses by 'crowding out' other uses such as private investment and social spending.<sup>23</sup> Similar assessment considered by Deng Xiaoping to start China's reform era. His view on Mao's development strategy was pessimistic. For him to a policy that prioritizes military forces as the main aspect, the state of the PLA is wretched and Mao's concept of People's war is outdated. Far from being a modern army, it was a laggard in almost every

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<sup>22</sup> Singh, 'The Political Economy of China's,' p. 680 (footnote: 8).

<sup>23</sup> Amartya Sen, 'Rediff On the Net Business Interview/ Amartya Sen' (*Rediff*) 1995, available at <<http://www.rediff.com/business/1998/oct/15sen2.htm>> accessed 10 October 2016, cited in Singh, 'The Political Economy of China's,' p. 684 (footnote: 8).



aspect.<sup>24</sup>In contrast to Mao's strategy, Deng implements economic development vis-à-vis defense that favoured a grand strategy where strategic resources were to be used in a manner that will ensure the survival and development of the Chinese nation.<sup>25</sup>

According to Deng, the 'four modernisations' program that emerged in 1979 was, nothing, but one of the many tools of the Chinese grand strategy. It put defense modernization as the last priority and instead gave preference to agriculture, industry and science and technology at the first, second and third place.<sup>26</sup>

Accordingly, post-Mao reform, the role of PLA and its political influence eroded. As a result of Deng's policies to reduce the priority in the defence sector through his four modernization program, China's official defence expenditures went down from an all-time peak which amounted to 13 percent fall from 1979 to 1989, which kept on falling to the subsequent years' to be distributed to other priority sectors such as agriculture on the first top priority; trade and industry; as well as the investment.

By 1989, China's official defense budget was around 9 percent of the central government's expenditure and less than 2 percent of the GDP. This was a sharp decline from the 1979 official figure of 17.7 per cent and 3.5 per cent respectively.<sup>27</sup>

One may believe that economic growth is the root of the massive growth in various sectors of the country. According to Perkin (2005);

If China does manage to sustain high economic growth rates, not only will such growth strengthen political stability, but Beijing would also find it easier to expand China's military expenditures. Over the long term, China will likely strive to become a world military power commensurate with the country's size, population, and role in world history.<sup>28</sup>

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<sup>24</sup> Singh, 'The Political Economy of China's,' p. 684 (footnote 8).

<sup>25</sup> *ibid.* p. 685

<sup>26</sup> *ibid.*

<sup>27</sup> Singh, 'The Political Economy of China's,' pp. 686-689 (footnote 8).

<sup>28</sup> Perkin D, 'Special Studies: China's Economic Growth: Implications for The Defense Budget' (The National Bureau of Asian Research 2006), p. 364.

This, in fact, is quite evident in the future. After successfully implementing economic reforms and gaining the countries confident, Deng then sees the interest in the improvement of the defense sector. After decades of declining budget, Funds for the PLA started increasing after 1989 and kept on increasing more rapidly than inflation and indeed than the GDP rate.<sup>29</sup> This policy change was based on several highlighted issues, including the crucial role of the PLA in suppressing the 1989 Tiananmen Square incident and the fact a decline in defense budget has aggravated the condition and combat's capability of the PLA.<sup>30</sup> Since then, the PLA's modernization has been developed in four directions:

A significant increase in military spending; reforming the defense industry, bringing new technologies and approaches in its military-industrial complex which is the largest in Asia; remarkable and extensive military build-up exceeding the usual modernization; and military modernization that foresaw an increase in the salaries of PLA personnel and an improvement in their living conditions.<sup>31</sup>

This resurrection was basically felt globally and throughout the region, Asia Pacific. The international community realizes, by means of rapid economic growth, the Chinese government intended to entirely sophisticate its technology, including also a military modernization. The past failure has indeed encouraged China's optimism to improve military strength and capacity as a form of anticipation and catch up for almost 20 years. China is also aware that economic and military power is the prime key for them to acquire an important role in the

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<sup>29</sup> Singh, 'The Political Economy of China's,' p. 688 (footnote 8).

<sup>30</sup> *ibid.*

<sup>31</sup> Richard A. Bitzinger, 'Modernizing China's Military, 1997-2012 - China's Perspective' (2011) 2011 China perspectives. Special feature, pp. 9-13, cited in Nora Vanaga, 'China's Military Rise: The Lack of Transparency and Internal Political Uncertainty' (National Defence Academy of Latvia Center for Security and Strategic Research 2014), pp. 2-4.

international system.<sup>32</sup> Besides, the security environment China faces vast land and maritime frontiers, four nuclear neighbours, and four disputed areas in its proximity – has exacerbated tensions in the region. Diversified military tasks have also increased the multi-faceted roles of China's army.<sup>33</sup> One may understand the main concerns from Western and neighbouring countries against China's rising power related with the critics of the lack of transparency in its military spending process.<sup>34</sup> The Western analysts argue that the rapid and vast development of China's defence sector is exceeding the usual modernization phenomenon. For instances, taking into account China's existing territorial disputes with several of neighbouring countries, by constructing its aircraft carrier, China has all the necessary preconditions to develop a Carrier Battle Group, which would allow it to carry out far-reaching and expeditionary operations.<sup>35</sup>

The realist perceives that by China's defensive military modernization, it promotes uncertainty and evident threat; thus a mere economic capability is not able to guarantee the existence of a state. Military force facilitated state interest better, as it helps to expand the coalition members and strengthen alliances. This phenomenon encourages the politicians to predict that China's rise will affect the global order, which was dominated by the role and influence of the United States. With extensive economic development alone, China has success to outdoing the

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<sup>32</sup> GengYansheng, 'China's National Defense Policy and New National Defense White Paper' (National Defense University of the People's Liberation Army, China, 2013), cited in Nora Vanaga, 'China's Military Rise: The Lack of Transparency and Internal Political Uncertainty' (National Defence Academy of Latvia Center for Security and Strategic Research 2014), p. 5.

<sup>33</sup> Z. Xiaozhuo, 'What China's Defense Budget Growth Means' (*China-US Focus*, 2013) <<http://www.chinausfocus.com/peace-security/what-chinas-defense-budget-growth-means/>> accessed 11 October 2016, cited in Nora Vanaga, 'China's Military Rise: The Lack of Transparency and Internal Political Uncertainty' (National Defence Academy of Latvia Center for Security and Strategic Research 2014), p. 5.

<sup>34</sup> *ibid.*

<sup>35</sup> Bitzinger, 'Modernizing China's Military,' p. 12 (footnote: 62).

United States as one big donator and trade partner, eventually with also vigorous military capability, China will increasingly become an influential country in the world and has the potential to attract a large dependence of developing countries against the United States, by providing more favourable to them.<sup>36</sup> Quite a debate among scholars, regarding China's possibility to shift the contemporary world order, in fact, China's rise through its military modernization although is recognized as a peaceful movement, has given a little negative spark than optimism and a warm welcome from other states.

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<sup>36</sup> Morrison, 'China's Economic Rise,' (footnote: 46).